

LANDAMERICA FINANCIAL GROUP INC

Form 424B3

June 02, 2004

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Registration No. 333-113004

PROSPECTUS

\$115,000,000 Principal Amount of 3.125% Convertible Senior Debentures due 2033

and

1,715,363 Shares of Common Stock Issuable upon Conversion of the Debentures

This prospectus relates to an aggregate principal amount of up to \$115,000,000 of our 3.125% Convertible Senior Debentures due 2033 held by the selling securityholders that we identify in this prospectus. This prospectus also relates to up to 1,715,363 shares of our common stock issuable upon conversion of the debentures plus such additional currently indeterminate number of shares of our common stock as are issuable pursuant to the anti-dilution provisions of the debentures. This prospectus will be used by the selling securityholders from time to time to sell their debentures and the shares of our common stock issuable upon conversion of the debentures. We will not receive any proceeds from the sale of these debentures or the underlying shares of our common stock offered by this prospectus.

The principal terms of the debentures include the following:

Interest: accrues from November 26, 2003 at the rate of 3.125% per annum, payable on each May 15 and November 15, beginning on May 15, 2004; in addition, beginning with the six-month interest period commencing on November 15, 2010, we will pay additional contingent interest if the average trading price of the debentures on the five trading days immediately preceding the first day of the interest period equals or exceeds 120% of the principal amount of the debentures.

Maturity Date: November 15, 2033, unless earlier converted, redeemed or repurchased by us.

Conversion Rate: 14.9162 shares per \$1,000 principal amount of debentures, subject to adjustment.

Conversion Options: by a holder under the following circumstances:

after December 31, 2003, if the last reported sale price of our common stock is greater than or equal to 125% of the conversion price for a period specified in this prospectus;

subject to certain limitations, if for the period specified in this prospectus the trading price per debenture is less than 98% of the product of the conversion rate and the last reported sale price of our common stock;

if we call the debentures for redemption;

upon the occurrence of certain corporate transactions; or

if we obtain credit ratings for the debentures, during any period when the credit ratings assigned to the debentures are below the levels specified in this prospectus; upon conversion, we will have the right to deliver, in lieu of common stock, cash or a combination of cash and common stock.

Redemption Options:

by us, in cash, at any time, on or after November 15, 2010 at a price equal to 100% of the principal amount, plus accrued and unpaid interest (including contingent interest, if any); by a holder, at a price equal to 100% of the principal amount plus accrued and unpaid interest (including contingent interest, if any) for cash on November 15, 2010, 2013, 2018, 2023 and 2028, or at any time prior to their maturity following a fundamental change as described in this prospectus.

Ranking:

equal in priority with all of our existing and future unsecured and unsubordinated indebtedness; senior in right of payment to all of our existing and future subordinated indebtedness; effectively junior to any of our secured indebtedness to the extent of the assets securing such indebtedness and any of our indebtedness that is guaranteed by our subsidiaries; and payment of principal and interest will be structurally subordinated to the liabilities of our subsidiaries.

The debentures are not listed on any securities exchange. The debentures are designated for trading in the PORTAL market. Our common stock is listed on the New York Stock Exchange under the symbol LFG. The last reported sale price of our common stock on the New York Stock Exchange on May 25, 2004 was \$38.76 per share.

The debentures are subject to United States federal income tax rules applicable to contingent payment debt instruments. See **Material United States Federal Income Tax Considerations** beginning on page 46.

See **Risk Factors** beginning on page 7 for a discussion of certain risks that you should consider in connection with an investment in the debentures.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 25, 2004

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We have not, and the selling securityholders have not, authorized anyone to provide you with information different from that contained or incorporated by reference in the prospectus. We are not, and the selling securityholders are not, offering to sell or seeking offers to buy, the securities in any jurisdiction other than where an offer or sale is permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the securities.

In this prospectus, LandAmerica, we, us and our refer to LandAmerica Financial Group, Inc. and its subsidiaries, except where the context otherwise requires or as otherwise indicated.

FORWARD-LOOKING STATEMENTS

Certain information contained in this prospectus includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Among other things, these statements relate to our financial condition, results of operation and business. In addition, we and our representatives may from time to time make written or oral forward-looking statements, including statements contained in filings with the Securities and Exchange Commission and in our reports to shareholders. These forward-looking statements are generally identified by the use of words such as we expect, believe, anticipate, estimate 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 statements. Further, any such statement is specifically qualified in its entirety by the cautionary statements and the Risk Factors that appear elsewhere in this prospectus. We do not undertake to update any forward-looking statement that may be made from time to time by or on our behalf.

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SUMMARY

The following summary provides an overview of selected information about us. This summary is qualified in its entirety by the more detailed information, including our consolidated financial statements and related notes thereto, included and incorporated by reference in this prospectus. You should carefully consider the entire prospectus, including the Risk Factors section, before making an investment decision.

Our Company

Overview

We are a national provider of products and services that are used to facilitate the purchase, sale, transfer and financing of residential and commercial real estate. We are one of the largest title insurance underwriters in the United States based on title premium revenues. We also conduct business in Mexico, Canada, the Caribbean, Latin America and Europe.

In addition to our core business of providing title insurance, we provide a range of other services for residential and commercial real estate transactions including title search, examination, document preparation, escrow and closing. For residential real estate transactions, we also provide home inspections. For commercial real estate transactions, we also provide property appraisal and valuation, building, site assessments and other due diligence services, survey coordination, construction disbursement, coordination of national multi-state transactions, tax-deferred real property exchanges pursuant to Section 1031 of the Internal Revenue Code and Uniform Commercial Code products insuring personal property.

We provide our real estate transaction products and services to a broad based customer group that includes lenders, developers, real estate agents, attorneys and property buyers and sellers. In 2003, we significantly expanded the products and services that we offer primarily to the mortgage lending community. Through LandAmerica Tax and Flood Services, Inc., formerly known as LERETA Corp., which we acquired in October 2003, we began to offer real estate tax processing services and flood zone certifications to mortgage lenders. Through INFO1 Holding Company, Inc., which we acquired in August 2003, we provide credit reporting to lenders engaged in mortgage origination. We also provide comprehensive default management services to lenders and mortgage servicing operations through our subsidiary LandAmerica Default Services Company.

Business strategy

Our long term objective is to enhance our position as a premier, national provider and manager of integrated real estate transaction products and services while maximizing our profitability throughout the real estate market cycle. To accomplish this objective, we are pursuing various business strategies designed to broaden our market position and provide the framework to enhance growth and maximize profitability. These business strategies include:

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Focusing on the Customer. In November 2003, we announced, and in 2004 began implementation of, a customer-focused strategy to increase intimacy with our customers. In conjunction with that strategy, we created leadership positions and teams to support our primary customer groups agents, direct, commercial and national lenders. These leaders and teams will be responsible for ensuring consistent service quality and operational excellence by providing common support platforms and structures for the various markets in which we operate.

Expanding Title Insurance Related Transaction Products and Services. Throughout our customer base, there is increased demand for providers of multiple, diverse real estate transaction products and services. In particular, the large national mortgage lenders increasingly expect that necessary services related to the mortgage financing process be available from and billed by a single source. Our strategy is to continue to expand our array of real estate transaction products and services available to lenders and other customers.

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Expanding Distribution Capabilities. We seek to increase our share of the title insurance market by expanding and enhancing our distribution channels through the hiring and retention of experienced industry professionals with strong local relationships, the opening of new direct offices in markets with the potential for significant transaction volume, acquisitions of title insurance agencies or underwriters and selectively engaging in joint ventures with title insurance agencies in order to strengthen our presence in particularly attractive markets. In the case of the acquisition of agencies or small to medium-size underwriters, we review the agency's or underwriter's profitability, location, growth potential in its existing market, claims experience and, in the case of an underwriter, the adequacy of its reserves.

Maintaining Commercial Real Estate Market Strength. The title insurance business is closely related to the overall level of commercial and residential real estate activity, which is generally affected by the relative strength or weakness of the United States economy and by changes in interest rates. Participation in the commercial real estate market partially offsets some of the cyclical nature of the residential real estate market, where transaction volumes are more susceptible to changes in interest rates. We maintain our presence in the commercial real estate market primarily due to the financial strength ratings of our underwriting subsidiaries, our strong capital position, the high quality service that we provide and our expertise in handling complex transactions. In particular, the combined capital position of our principal underwriting subsidiaries enables us to underwrite large commercial policies while purchasing less reinsurance, thus increasing profitability.

Reducing Costs and Expenses. Losses resulting from claims under title insurance policies represent a relatively small part of our overall costs. However, operating costs, the largest portion of expenses relating to providing title insurance, are relatively high compared to other types of insurers. We continue to implement the concept of service centers, in which our principal title operating subsidiaries share a single back office processing center in a geographic region while continuing to market from separate storefronts under different operating names. This concept has reduced our cost per order in the markets where it is operational. In addition, we have several pilot projects underway to automate title production and workflow in our service centers. We provide escrow support from several centralized locations, thereby increasing service levels and improving efficiency. We are also evaluating other opportunities to streamline operations, such as out-sourcing and off-shoring, where a determination is made that the cost/benefit of these initiatives will improve customer service and provide value to our shareholders.

Using Technology. In 2002, we began providing internet-based order processing, status tracking and document delivery to our direct customers through the Residential Connection. This program was so successful that we expanded the services and geographic coverage of this initiative during 2003. Additionally, we also introduced the Commercial Connection for certain commercial customers in 2002. After receiving a positive market reaction for this product, we expanded the services and geographic coverage of this initiative in 2003. We also provide TitleWave®, a web-based agent relationship and production management system enabling agents to order and receive a variety of title related products from our agency production centers in 19 states. These technology interfaces speed up transactions and create efficiencies for both us and our customers. Also, our agency service center introduced a paperless remittance process for agents. We continue to identify ways to utilize technology to provide superior customer service and increase our operational efficiency.

Enhancing Cost Control Flexibility. We manage our personnel expenses to reflect changes in the level of activity in the real estate market. As a result, our employee base expands and contracts over time. In order to manage personnel costs more efficiently throughout the real estate cycle, we use temporary or part time employees where appropriate to staff operations so that we can respond more rapidly to changes in real estate activity.

Our principal executive offices are located at 101 Gateway Centre Parkway, Richmond, Virginia 23225-5153. Our telephone number is (804) 267-8000.

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The Offering

Securities Offered by the Selling Securityholders	Up to \$115,000,000 principal amount of 3.125% Convertible Senior Debentures due 2033 and up to 1,715,363 shares of our common stock issuable upon conversion of the debentures plus such additional currently indeterminate number of shares of our common stock as are issuable pursuant to the anti-dilution provisions of the debentures. The initial conversion rate is 14.9162 shares per \$1,000 principal amount of debentures.
Use of Proceeds	We will not receive any proceeds from the sale of the debentures or shares of our common stock issuable on conversion of the debentures by the selling securityholders.
NYSE Common Stock Symbol	LFG
Registration Rights	We filed a shelf registration statement of which this prospectus is a part pursuant to a registration rights agreement, dated November 26, 2003, among the initial purchasers of the debentures and us. We agreed to use our best efforts to keep the registration statement effective until either of the following has occurred: the second anniversary of the original date of issuance of the debentures; or all of the debentures and the common stock issuable upon conversion thereof cease to be outstanding or have been sold either pursuant to the shelf registration statement or pursuant to Rule 144 under the Securities Act or any similar provision then in force.

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SUMMARY OF THE DEBENTURES

The following summary contains basic information about the debentures and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the debentures, please refer to the section of this prospectus entitled Description of Debentures. For purposes of the description of debentures included in this prospectus, references to the company, issuer, LandAmerica, us, we and our refer only to LandAmerica Financial Group, Inc. and do not include our subsidiaries.

Maturity Date	November 15, 2033, unless earlier converted, redeemed or repurchased.
Ranking	The debentures are our direct, unsecured and unsubordinated obligations and rank equal in priority with all of our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of our existing and future subordinated indebtedness. The debentures effectively rank junior to any of our existing and future secured indebtedness and any of our future indebtedness that is guaranteed by our subsidiaries. The debentures are structurally subordinated to all liabilities of our subsidiaries.
Interest	3.125% per annum on the principal amount, payable semiannually in arrears on May 15 and November 15 of each year, beginning May 15, 2004.
Contingent Interest	Beginning with the six-month interest period commencing on November 15, 2010, we will pay contingent interest during a six-month interest period if the average trading price of the debentures during the five trading day period immediately preceding the first day of the applicable six-month interest period equals or exceeds 120% of the principal amount of the debentures. The amount of contingent interest payable per \$1,000 principal amount of debentures during a six-month interest period will equal 0.25% of the average trading price of such \$1,000 principal amount of debentures during the applicable five-trading-day reference period, payable in arrears.
Conversion Rights	<p> Holders may convert the debentures into shares of our common stock at a conversion rate of 14.9162 shares per \$1,000 principal amount of debentures (equal to a conversion price of approximately \$67.04 per share), subject to adjustment, only under the following circumstances:</p> <p style="padding-left: 40px;">during any calendar quarter (and only during such calendar quarter) commencing after December 31, 2003 and before December 31, 2028, if the last reported sale price of our common stock is greater than or equal to 125% of the conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter;</p> <p style="padding-left: 40px;">at any time on or after January 1, 2029 if the last reported sale price of our common stock on any date on or after December 31, 2028 is greater than or equal to 125% of the conversion price;</p>

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subject to certain limitations, during the five business day period after any five consecutive trading day period in which the trading price per debenture for each day of that period was less than 98% of the product of the conversion rate and the last reported sale price of our common stock;

if the debentures have been called for redemption by us;

upon the occurrence of specified corporate transactions described under Description of Debentures Conversion Rights Conversion Upon Specified Corporate Transactions ; or

if we obtain credit ratings with respect to the debentures from Moody's Investors Service, Inc. (Moody's) or Standard & Poor's Rating Services (Standard & Poor's) or both, at any time when (i) the long-term credit rating assigned to the debentures by both Moody's and Standard & Poor's (or by either of them if we obtain a credit rating from only one of Moody's or Standard & Poor's) is two or more levels below the credit rating initially assigned to the debentures, (ii) both Moody's and Standard & Poor's have (or either of them has, if we obtain a credit rating from only one of Moody's or Standard & Poor's) discontinued, withdrawn or suspended their ratings with respect to the debentures or (iii) either Moody's or Standard & Poor's has discontinued, withdrawn or suspended its rating with respect to the debentures and the remaining rating is two or more levels below the credit rating initially assigned to the debentures.

Holders will not receive any cash payment or additional shares representing accrued and unpaid interest upon conversion of a debenture, except in limited circumstances. Instead, interest (including contingent interest, if any) will be deemed paid by the common stock issued to the holder upon conversion. Debentures called for redemption may be surrendered for conversion prior to the close of business on the second business day immediately preceding the redemption date.

Upon conversion, we will have the right to deliver, in lieu of shares of our common stock, cash or a combination of cash and shares of our common stock. See Description of the Debentures Conversion Rights Payment Upon Conversion.

Sinking Fund

None.

Optional Redemption

Prior to November 15, 2010, the debentures will not be redeemable. On or after November 15, 2010, we may redeem for cash some or all of the debentures, at any time and from time to time, upon at least 30 and no more than 60 days notice for a price equal to 100% of the principal amount of the debentures to be redeemed plus any accrued and unpaid interest (including contingent interest, if any) to but excluding the redemption date.

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Repurchase of Debentures by Us at the Option of the Holder	<p>holders may require us to repurchase some or all of your debentures for cash on November 15, 2010, November 15, 2013, November 15, 2018, November 15, 2023 and November 15, 2028 at a repurchase price equal to 100% of the principal amount of the debentures being repurchased, plus any accrued and unpaid interest (including contingent interest, if any) to but excluding the applicable repurchase date.</p>
Fundamental Change	<p>If we undergo a fundamental change (as defined in this prospectus) prior to maturity, holders will have the right, at their option, to require us to repurchase some or all of your debentures for cash at a repurchase price equal to 100% of the principal amount of the debentures being repurchased, plus any accrued and unpaid interest (including contingent interest, if any) to but excluding the applicable repurchase date.</p>
United States Federal Income Tax Considerations	<p>Under the indenture governing the debentures, we agree, and by acceptance of a beneficial interest in a debenture each holder of a debenture is deemed to have agreed, to treat the debentures as indebtedness for United States federal income tax purposes that is subject to the Treasury regulations governing contingent payment debt instruments. For United States federal income tax purposes, interest income on the debentures will accrue at the rate of 7.385% per year, compounded semi-annually, which represents the yield on comparable noncontingent, nonconvertible, fixed rate debt instruments with terms and conditions otherwise similar to the debentures that we would issue. A United States Holder (as defined herein) will be required to accrue interest income on a constant yield to maturity basis at this rate (subject to certain adjustments), with the result that a United States Holder generally will recognize taxable income significantly in excess of regular interest payments received while the debentures are outstanding.</p> <p>A United States Holder will also recognize gain or loss on the sale, conversion, exchange or retirement of a debenture in an amount equal to the difference between the amount realized on the sale, conversion, exchange or retirement, including the fair market value of our common stock received, and the United States Holder's adjusted tax basis in the debenture. Any gain recognized on the sale, conversion, exchange or retirement of a debenture generally will be ordinary interest income; any loss will be ordinary loss to the extent of the interest previously included in income, and thereafter, capital loss. See Material United States Federal Income Tax Considerations.</p>
Book-Entry Form	<p>The debentures were issued in book-entry form and are represented by global certificates deposited with, or on behalf of, The Depository Trust Company (DTC) and registered in the name of a nominee of DTC. Beneficial interests in any of the debentures are shown on, and transfers are effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities except in limited circumstances.</p>

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RISK FACTORS

You should consider the following risk factors, in addition to the other information presented in this prospectus and the documents incorporated by reference in this prospectus, in evaluating us, our business and an investment in the debentures. Any of the following risks, as well as other risks and uncertainties, could seriously harm our business and financial results and cause the value of the debentures and common stock issuable upon conversion of the debentures to decline, which in turn could cause you to lose all or part of your investment.

Risks Related to Our Business

Our results of operations and financial condition are susceptible to changes in mortgage interest rates and general economic conditions.

The demand for our title insurance and other real estate transaction products and services is dependent upon, among other things, the volume of commercial and residential real estate transactions, including mortgage refinancing transactions. The volume of these transactions has historically been influenced by factors such as interest rates and the state of the overall economy. For example, when interest rates are increasing or during an economic downturn or recession, real estate activity typically declines and we tend to experience lower revenues and profitability. The cyclical nature of our business has caused fluctuations in revenues and profitability in the past and is expected to do so in the future. In addition, changes in interest rates may have an adverse impact on our return on invested cash, the market value of our investment portfolio and interest paid on our bank debt.

Our operating revenues for the year ended December 31, 2003 increased by 32.0% over the same period last year, primarily due to a favorable residential mortgage interest rate environment and a large volume of mortgage refinancing transactions. However, except during February and March 2004, mortgage interest rates generally have risen during the last three quarters, and we have experienced a decline in refinancing transactions during such periods. For fiscal year 2004, we expect that the level of refinancing transactions will be substantially below the levels experienced in recent years. We began the implementation of a cost reduction program in the fourth quarter of 2003 aimed at reducing staffing and cost levels to a level more consistent with anticipated transaction volumes. In the first quarter of 2004, we announced plans to reduce our cost structure by at least \$70 million on an annualized basis. We have implemented reductions to achieve over half of the targeted cost savings. Operating results for our 2002 and 2003 fiscal years, including interim periods, should not be viewed as indicative of results for 2004 or any future period.

Our inability to manage successfully our acquisitions of complementary businesses could adversely affect our business, operating results and financial condition.

An element of our business strategy is to expand the services we provide through acquisitions of complementary businesses. During 2003, we acquired several companies outside of our traditional business operations, including LandAmerica Tax and Flood Services, Inc., formerly known as LERETA Corp., a national real estate tax payment service and flood hazard certification company, for \$221.0 million, INFO1 Holding Company, Inc., a mortgage credit reporting company, for approximately \$47.0 million and Orange County Bancorp, a bank holding company, for approximately \$28.4 million. The businesses of LandAmerica Tax and Flood Services, Inc., INFO1 and Orange County Bancorp are different from each other and from the business of providing title insurance and related services. We also may in the future acquire other businesses outside of our traditional business operations, although no assurances can be given that we will do so or that we will continue to acquire such companies at the levels previously experienced. Such acquisitions involve a number of special risks, including our inexperience in managing businesses that provide products and services beyond our traditional business, new regulatory requirements, diversion of management's attention, failure to retain key acquired personnel, failure to effectively integrate operations, company cultures and services,

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increased costs to improve managerial, operational, financial and administrative systems, legal liabilities, and amortization of acquired intangible assets. In addition, there can be no assurance that acquired businesses will achieve anticipated levels of revenues, earnings or performance. The failure to manage our acquisitions successfully could materially and adversely affect our business, operating results and financial condition.

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Competition in our industry affects our revenues.

The business of providing real estate transaction products and services is very competitive. Competition for residential title insurance business is based primarily on price and quality of service. With respect to national and regional mortgage lenders, service quality includes a large distribution network and the ability to deliver a broad array of real estate services quickly, efficiently and through a single point of contact. Competition for commercial title business is based primarily on price, service, expertise in complex transactions and the size and financial strength of the insurer. Title insurance underwriters also compete for agents on the basis of service and commission levels. Although we are one of the largest providers of real estate transaction products and services in the United States, four other companies Fidelity National Financial, Inc., The First American Corporation, Old Republic International Corporation and Stewart Information Services, Inc. have the size, capital base and agency networks to compete effectively with our products and services. In addition, some of our competitors may have, or will have in the future, greater capital and other resources than ours. Competition among the major providers of real estate transaction products and services and any new entrants could adversely affect our revenues and profitability.

Significant industry changes and new product and service introductions require timely and cost-effective responses.

As a national provider of real estate transaction products and services, we participate in an industry that is subject to significant change, frequent new product and service introductions and evolving industry standards. In addition, alternatives to traditional title insurance, such as lien protection products, have emerged in recent years. We believe that our future success will depend on our ability to anticipate changes in technology and customer preferences and to offer products and services that meet evolving standards on a timely and cost-effective basis. The development and implementation of new products and services may require significant capital expenditures and other resources. There is a risk that customers may not accept our new product and service offerings and we may not successfully identify new product and service opportunities or develop and introduce new products and services in a timely and cost-effective manner. In addition, products and services that our competitors and other real estate industry participants develop or introduce may render certain of our products and services obsolete or noncompetitive. Advances in technology could also reduce the useful lives of our products, preventing us from recovering fully our investment in particular products and services. As a result, our inability to anticipate industry changes and to respond with competitive and profitable products and services may have a material adverse effect on our business, operating results or financial condition.

We may not succeed in implementing our strategy of becoming a major provider of real estate transaction management services.

One of our business strategies is to expand our capabilities to manage the delivery of multiple services required in real estate transactions through a centralized source, and to significantly grow the volume of transactions that we manage. There is a risk that our transaction management services may fail to gain market acceptance, particularly from the large national mortgage originators. Furthermore, there are relatively low barriers to entry into the market for real estate transaction management, as opposed to the regulated title insurance business, which may result in a large number of competitors, including large national mortgage originators and others having substantially greater financial resources.

Our insurance and banking subsidiaries are subject to government regulation.

Our insurance subsidiaries are subject to regulation by the state insurance authorities of the various states in which they transact business. These regulations are generally intended for the protection of policyholders rather than security holders. The nature and extent of these regulations vary from jurisdiction to jurisdiction, but typically involve:

regulation of dividend payments and other transactions between affiliates;

prior approval of the acquisition and control of an insurance company or of any company controlling an insurance company;

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regulation of certain transactions entered into by an insurance company with any of its affiliates;

approval of premium rates for insurance;

standards of solvency and minimum amounts of capital surplus that must be maintained;

limitations on types and amounts of investments;

restrictions on the size of risks that may be insured by a single company;

licensing of insurers and agents;

deposits of securities for the benefit of policyholders;

approval of policy forms;

methods of accounting;

establishing reserves for losses and loss adjustment expenses;

regulation of underwriting and marketing practices;

regulation of reinsurance; and

filing of annual and other reports with respect to financial condition and other matters.

These regulations may impede, or impose burdensome conditions on, rate increases or other actions that we might want to take to enhance our operating results. In addition, state regulatory examiners perform periodic examinations of insurance companies. In addition, our banking subsidiaries, Orange County Bancorp and Centennial Bank, are subject to regulation and supervision by the Federal Reserve Bank, the Federal Deposit Insurance Corporation and the California Department of Financial Institutions. Banking regulations are intended primarily to protect depositors and the federal deposit insurance funds and not stockholders. Regulatory requirements affect, among other things, our banking subsidiaries' lending practices, capital level, investment practices, dividend policies and growth.

Our litigation risks include substantial claims by large classes of claimants.

We are from time to time involved in litigation arising in the ordinary course of our business. In addition, we currently are and have in the past been subject to claims and litigation not arising in the ordinary course of business from large classes of claimants seeking substantial damages. Material pending legal proceedings not arising in the ordinary course of business are disclosed in our filings with the Securities and Exchange Commission and are incorporated by reference in this offering memorandum. An unfavorable outcome in any class action suit or similar

litigation against us could have a material adverse effect on our financial position or results of operations.

Risks Related to the Debentures

We may not have the ability to raise the funds necessary to repurchase the debentures upon a fundamental change or on any other repurchase date, as required by the indenture governing the debentures.

On November 15, 2010, November 15, 2013, November 15, 2018, November 15, 2023 and November 15, 2028, or following a fundamental change as described under Description of Debentures Repurchase of Debentures by Us at the Option of the Holder Upon a Fundamental Change, holders of debentures may require us to repurchase their debentures for cash. A fundamental change may also constitute an event of default or prepayment under, and result in the acceleration of the maturity of, our then-existing indebtedness. In addition, we believe the repurchase of the debentures upon a fundamental change could constitute an event of default under our outstanding notes due 2006, 2008 and 2011 and our credit facility. We cannot assure you that we will have sufficient financial resources, or will be able to arrange financing, to pay the repurchase price in cash with respect to any debentures tendered by holders for repurchase on any of these dates or upon a fundamental change. In addition, restrictions in our then-existing credit facilities or other indebtedness may not allow us to repurchase the debentures. Our failure to repurchase the debentures when required would result in an event of default with respect to the debentures.

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You should consider the United States federal income tax consequences of owning the debentures.

Under the indenture governing the debentures, we will agree, and by acceptance of a beneficial interest in a debenture each holder of a debenture will be deemed to have agreed, to treat the debentures as indebtedness for United States federal income tax purposes that is subject to the Treasury regulations governing contingent payment debt instruments. For United States federal income tax purposes, interest income on the debentures will accrue at the rate of 7.385% per year, compounded semi-annually, which represents the yield on comparable noncontingent, nonconvertible, fixed rate debt instruments with terms and conditions otherwise similar to the debentures that we would issue. A United States Holder will be required to accrue interest income on a constant yield to maturity basis at this rate (subject to certain adjustments), with the result that a United States Holder generally will recognize taxable income significantly in excess of regular interest payments received while the debentures are outstanding.

A United States Holder will also recognize gain or loss on the sale, conversion, exchange or retirement of a debenture in an amount equal to the difference between the amount realized on the sale, conversion, exchange or retirement, including the fair market value of our common stock received, and the United States Holder's adjusted tax basis in the debenture. Any gain recognized on the sale, conversion, exchange or retirement of a debenture generally will be ordinary interest income; any loss will be ordinary loss to the extent of the interest previously included in income, and thereafter, capital loss. See Material United States Federal Income Tax Considerations.

You may in certain situations be deemed to have received a distribution subject to United States federal income tax as a dividend in the event of any taxable distribution to holders of common stock or in certain other situations requiring a conversion rate adjustment. For Non-United States Holders (as defined), this deemed distribution may be subject to United States federal withholding requirements. See Material United States Federal Income Tax Considerations.

The trading prices of the debentures could be significantly affected by the trading prices of our common stock.

We expect that the trading prices of the debentures in the secondary market, if such market develops, will be significantly affected by the trading prices of our common stock, the general level of interest rates and our credit quality. This may result in greater volatility in the trading prices of the debentures than would be expected for nonconvertible debt securities.

It is impossible to predict whether the price of our common stock or interest rates will rise or fall. Trading prices of our common stock will be influenced by our operating results and prospects and by economic, financial, regulatory and other factors. In addition, general market conditions, including the level of, and fluctuations in, the trading prices of stocks generally, and sales of substantial amounts of common stock by us in the market after the offering of the debentures, or the perception that such sales may occur, could affect the price of our common stock.

Our holding company structure may adversely affect our ability to meet our debt service obligations under the debentures.

Substantially all of our consolidated assets are held by our subsidiaries. Accordingly, our cash flow and our ability to service our debt, including the debentures, depends on the results of operations of our subsidiaries and upon the ability of our subsidiaries to provide us cash, whether in the form of dividends, loans or otherwise, to pay amounts due on our obligations, including the debentures. Certain of our subsidiaries are subject to state insurance laws and regulations that restrict their ability to pay dividends to us. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to make payments on the debentures or to make any funds available for that purpose. In addition,

dividends, loans or other distributions from our subsidiaries to us may be subject to contractual and other restrictions and are subject to other business considerations.

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In a number of states, certain of our insurance subsidiaries are subject to regulations that require minimum amounts of statutory surplus. Under these and other such statutory regulations, approximately \$89.0 million of the net assets of our consolidated insurance subsidiaries was available for dividends, loans or advances to us during 2003 and approximately \$103.1 million is available to us in 2004. We have received approximately \$40.0 million of this 2004 amount in dividends from our insurance subsidiaries as of April 30, 2004. In addition to the minimum statutory surplus requirements described above, these insurance subsidiaries are also subject to state regulations that require that the payment of any extraordinary dividends receive prior approval of the insurance regulators of such states. See Dividend Policy.

Our banking subsidiaries also are subject to regulations that require minimum capital levels and restrict their ability to pay dividends and make loans to us. In addition, as a condition to our receipt of regulatory approval for our acquisition of Orange County Bancorp, the Federal Deposit Insurance Corporation required that Centennial Bank be prohibited from paying dividends until May 2006.

The debentures will be effectively subordinated to the liabilities of our subsidiaries and any of our future secured indebtedness and future indebtedness that is guaranteed by our subsidiaries.

The debentures will be effectively subordinated to all existing and future liabilities of our subsidiaries and any of our future indebtedness that is guaranteed by our subsidiaries. These liabilities may include indebtedness, trade payables, guarantees, lease obligations and letter of credit obligations. As of March 31, 2004, our subsidiaries had approximately \$1,256.1 million in liabilities, including approximately \$46.0 million of borrowings from the Federal Home Loan Bank and \$9.0 million in trust preferred stock that are secured by subsidiary assets, and did not guaranty any of our debt. In addition, the debentures are not secured by any of our assets or those of our subsidiaries and will be effectively subordinated to any of our future secured debt. The debentures do not restrict us from incurring secured debt in the future or having our subsidiaries guaranty our indebtedness.

An active trading market for the debentures may not develop.

The debentures are a new issue of securities for which there is currently no public market. We do not intend to list the debentures on any national securities exchange or automated quotation system. Although the debentures were sold to qualified institutional buyers under Rule 144A, which means the debentures are eligible for trading on the PORTAL market, we cannot assure you that an active or sustained trading market for the debentures will develop or that the holders will be able to sell their debentures. The initial purchasers have informed us that they intend to make a market in the debentures. However, the initial purchasers may cease their marketmaking at any time.

Moreover, even if you are able to sell your debentures, we cannot assure you as to the price at which any sales will be made. Future trading prices of the debentures will depend on many factors, including, among other things, prevailing interest rates, our operating results, the price of our common stock and the market for similar securities. Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices. It is possible that the market for the debentures will be subject to disruptions which may have a negative effect on the holders of the debentures, regardless of our prospects or financial performance.

If you hold debentures, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

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If you hold debentures, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting the common stock. You will have rights with respect to our common stock only if and when we deliver shares of common stock to you upon conversion of your debentures and, in limited cases, under the conversion rate adjustments applicable to the debentures. For example, in the event that an amendment is proposed to our articles of incorporation or bylaws requiring shareholder approval

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and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of the common stock to you, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

We may issue additional shares of common stock and thereby materially and adversely affect the price of our common stock.

We are not restricted from issuing additional common stock, or securities convertible into or exchangeable for common stock, prior to maturity of the debentures. If we issue additional shares of common stock or such convertible or exchangeable securities, the price of our common stock and, in turn, the price of the debentures may be materially and adversely affected.

Our articles of incorporation and bylaw provisions, and several other factors, could limit another party's ability to acquire us and could deprive you of the opportunity to obtain a takeover premium for your shares of common stock.

Provisions in our articles of incorporation and bylaws, and under Virginia corporation law, may make it difficult for another company to acquire us and for you to receive any related takeover premium for our common stock. See Description of Capital Stock.

These provisions include a staggered Board of Directors, the absence of cumulative voting in the election of directors, the authorization by our board of directors of 200,000 shares of Series A Junior Participating Preferred Stock in connection with our rights agreement and the ability of our board of directors to issue up to 4,800,000 additional shares of preferred stock, the terms of which may be determined by the board at the time of issuance without further action by shareholders. The terms of the Series A Junior Participating Preferred Stock include, and the terms of any other preferred stock may include, voting rights, including the right to vote as a series on particular matters, conversion and redemption rights and preferences as to dividends and liquidation. No shares of preferred stock are currently outstanding and we have no present plans for the issuance of any preferred stock. The issuance of any preferred stock, however, could materially adversely affect the rights of holders of our common stock, and therefore could reduce its value. In addition, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with, or sell assets to, a third party. The ability of the board of directors to issue preferred stock could delay, discourage, prevent or make it more difficult or costly to acquire us or effect a change in control in our board of directors.

Our bylaws contain provisions regulating the introduction of business at annual shareholders' meetings by anyone other than the board of directors.

The conditional conversion features of the debentures could result in you receiving less than the value of the common stock into which a debenture is convertible.

The debentures are convertible into common stock only if specified conditions are met. If the specific conditions for conversion are not met, you may not be able to receive the value of the common stock into which the debentures would otherwise be convertible.

Conversion of the debentures will dilute the ownership interest of existing shareholders.

The conversion of some or all of the debentures will dilute the ownership interests of existing shareholders. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the debentures may encourage short selling by market participants because the conversion of the debentures could depress the price of our common stock.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings. Earnings is defined as pre-tax income from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees, adjusted by adding fixed charges and distributed income of equity investees. Fixed charges is composed of interest expensed and the estimated interest component of rental expense.

The following table presents our historical ratios of earnings to fixed charges for each of the periods indicated:

	Three months ended	Years ended December 31,				
	March 31,					
	2004	2003	2002	2001	2000	1999
Ratio	3.84x	10.19x	9.05x	4.32x	(1)	4.34x

- (1) In 2000, our earnings were not sufficient to cover our fixed charges due to non-cash charges to earnings of \$177.8 million associated with a change in our method of assessing the recoverability of goodwill. The amount of the earnings deficiency was \$70.5 million.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the debentures or the shares of our common stock issuable upon conversion of the debentures by the selling securityholders.

The selling securityholders will pay any underwriting discounts and commissions and expenses incurred by the selling securityholders for brokerage, accounting, tax or legal services or any other expenses incurred by the selling securityholders in disposing of the shares. We will bear all other costs, fees and expenses incurred in effecting the registration of the shares covered by this prospectus, including, without limitation, all registration and filing fees, New York Stock Exchange listing fees, if any, and fees and expenses of our counsel and our accountants.

Table of Contents**DIVIDEND POLICY**

Our current dividend policy anticipates the payment of quarterly dividends in the future. The declaration and payment of dividends to holders of our common stock will be in the discretion of our Board of Directors, will be subject to contractual restrictions contained in a loan agreement, as described below, and will be dependent upon our future earnings, financial condition and capital requirements, as well as other factors.

Because we are a holding company, our ability to pay dividends will depend largely on the earnings of, and cash flow available from, our subsidiaries. In a number of states, certain of our insurance subsidiaries are subject to regulations that require minimum amounts of statutory surplus. Under these and other such statutory regulations, approximately \$89.0 million of the net assets of our consolidated insurance subsidiaries was available for dividends, loans or advances to us during 2003 and approximately \$103.1 million is available to us during 2004. We have received approximately \$40.0 million of this 2004 amount in dividends from our insurance subsidiaries as of April 30, 2004.

The following table summarizes the insurance laws and regulations that restrict the amount of dividends that Commonwealth Land Title Insurance Company, Lawyers Title Insurance Corporation and Transnation Title Insurance Company are permitted to distribute to us in the 12-month period ending December 31, 2004 without prior regulatory approval:

<u>Subsidiary</u>	<u>Regulatory Agency</u>	<u>Regulatory Limitation</u>	<u>Financial Limitation (1)</u>
Commonwealth	Pennsylvania Department of Insurance	Payment of dividends or distributions may not exceed the greater of: 10% of such insurer's surplus as of the preceding year end, or the net income of such insurer for such preceding year.	\$ 70.6 million
Lawyers Title	Virginia Bureau of Insurance	Payment of dividends or distributions \$26.5 millions limited to the lesser of: 10% of such insurer's surplus as of the preceding December 31, or the net income, not including realized capital gains, of such insurer for the preceding calendar year.	\$ 26.5 million

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Transnation	Arizona Department of Insurance	Payment of dividends or distributions \$5.9 million is limited to the lesser of: 10% of such insurer's surplus as of the preceding December 31, or such insurer's net investment income for the preceding calendar year.	\$ 5.9 million
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(1) Based on statutory financial results for the year ended December 31, 2003.

In addition to regulatory restrictions, our ability to declare dividends is subject to restrictions under our \$200.0 million credit facility, dated as of November 6, 2003, as amended, with a syndicate of banks led by SunTrust Bank, which generally limits the aggregate amount of all cash dividends and stock repurchases by us to 30% of our cumulative consolidated net income arising after December 31, 2002. As of March 31, 2004, approximately \$51.3 million was available for the payment of dividends and stock repurchases by us under our credit facility. Management does not believe that the restrictions contained in our credit facility will, in the foreseeable future, adversely affect our ability to pay cash dividends at the current dividend rate.

Table of Contents**SELLING SECURITYHOLDERS**

We issued the debentures covered by this prospectus in private placements on November 26, 2003 and December 8, 2003. The debentures were resold by the initial purchasers to qualified institutional buyers under Rule 144A under the Securities Act. These qualified institutional buyers are the selling securityholders, and they may offer and sell the debentures and the shares of our common stock into which the debentures are convertible pursuant to this prospectus.

The following table sets forth information with respect to the selling securityholders and the principal amount of debentures and the number of shares of our common stock issuable upon conversion of the debentures that are beneficially owned by each selling securityholder and that may be offered and sold from time to time pursuant to this prospectus. We will set forth updated information, including information about substitute or additional selling securityholders, in prospectus supplements or amendments to this prospectus, as appropriate.

Unless otherwise indicated, none of the selling securityholders has held any position or office with, or has otherwise had a material relationship with us, or any of our subsidiaries, within the past three years. From time to time the selling securityholders may hold other securities that we have issued.

Full Legal Name of Selling Securityholder	Debentures		Common Stock (Issuable Upon Conversion of the Debentures)	
	Principal Amount Beneficially Owned Prior to this Offering	Principal Amount Beneficially Owned After Completion of this Offering(1)	Shares Beneficially Owned Prior to this Offering(2)	Shares Beneficially Owned After Completion of this Offering(1)
Akela Capital Master Fund, Ltd.	\$ 6,000,000	\$ 0	89,497	0
Argent Classic Convertible Arbitrage Fund II, L.P.	190,000	0	2,834	0
Argent Classic Convertible Arbitrage Fund, L.P.	830,000	0	12,380	0
Argent Classic Convertible Arbitrage Fund (Bermuda) Ltd.	3,630,000	0	54,146	0
Argent LowLev Convertible Arbitrage Fund II, LLC	80,000	0	1,193	0
Argent LowLev Convertible Arbitrage Fund, LLC				