Investors Title Company

INNOVATIVE BY INSTINCT

Annual Report

2001

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Letter to Shareholders

Dear Fellow Shareholders:

2001 was a landmark year for Investors Title as we set all-time highs for premiums written and net income. We benefited from an operating environment very favorable to real estate consumers and continued to realize strong returns from marketing efforts.

Although the economy in general suffered through a mild recession, the real estate segment remained robust. The downward trend in interest rates that began in 2000 continued last year, and was a primary reason for the relative strength in real estate. In 2001, the average for a 30-year fixed-rate mortgage was 6.97% according to data published by Freddie Mac. This rate was more than one point below the average of 8.05% in 2000.

Left to right: Jim Fine, Allen Fine, Morris Fine

The decline in rates greatly improved housing affordability, which spurred home sales to record levels. According to statistics from the National Association of Realtors, annual existing home sales reached a new high of 5,295,000. This pace of sales represents an increase of 3.5% from 2000 and an increase of 1.7% over 1999, the previous record year.

Lower interest rates also fueled a surge of refinancing of existing mortgages. By the fourth quarter, the average 30-year fixed-rate mortgage had declined to 6.8%. For 2001 in total, refinancing volume was around $1.2 trillion, which was $1 trillion more than the preceding year according to the Mortgage Bankers Association. The level of mortgage refinancing and the number of existing home sales are primary drivers of our premiums written.

In 2001, we realized significant returns from marketing efforts undertaken during the last several years. Agencies that were put in place 12 to 24 months ago contributed substantially to the growth in our revenue. Recently established agencies in Pennsylvania and New York drove the increase in our premiums written in those states 269% to $3,554,748 and 339% to $3,384,451 respectively during 2001, as compared to the previous year.

As the year progressed, we successfully developed additional agency relationships and extended the geographic territories in which we operate. Agent operations were established in two new states and in a number of new locations to fill in existing markets.

In support of our expansion efforts, we are making the necessary commitments to technology to accommodate growing operations. Investments in software and information systems remain critical to achieving sales objectives and operating efficiencies.

A primary focus is the ongoing development of a proprietary software program utilized to underwrite and generate policies. Originally designed for our North Carolina branch offices, the program has been rewritten to serve all of our new operating territories. Ongoing improvements are geared towards deriving greater utilization of data generated and improving processing efficiencies. As a production tool, the software serves as the backbone of our workflow. Enhancements to the software allowed our branch offices in North Carolina to process a 40% increase in volume from the previous year with essentially the same number of employees.

Another project involves the use of the Internet to generate and process orders for policies. This e-commerce product was introduced as a prototype in 2000 and received a favorable response in the marketplace. Based on user feedback, it was substantially overhauled and re-released last fall with numerous enhancements. By year-end, the volume of orders processed through the upgraded version more than doubled.

Other areas where significant progress was made during the year include the Companies' two exchange subsidiaries. Investors Title Exchange Corporation, which handles standard tax-deferred exchanges for real estate investors, enjoyed another record setting year in terms of transactions handled.

2001 marked the first full year of operations for Investors Title Accommodation Corporation. Created to assist real property investors in effecting reverse tax-deferred exchanges, the subsidiary gained valuable experience and exposure in this new area of the tax code. The Company handled a significant volume of transactions while working with commercial clients.

Financial highlights of the year include an 18% increase in assets from $59,339,007 to $70,219,700. Stockholders' equity increased 13% from $39,189,649 to $44,271,768. Return on equity was 14.4%, while book value per share increased 15.2% to $17.59 at year-end.

Our financial condition, which provides substantial protection to our policyholders, remains strong. Investors Title Insurance Company currently holds ratings by Lace Financial Corporation and Demotech, Inc. of "A" and "A Double Prime," respectively. Northeast Investors Title Company currently holds ratings by Lace and Demotech of "A" and "A Prime," respectively. Lace and Demotech are two rating companies specializing in the title insurance industry.

Under the Company's stock buy-back program approved by the Board of Directors, the Company continued to make periodic purchases in 2001. During the year, 57,950 shares of stock were purchased, reducing the total number of outstanding shares to 2,516,298. Over the past three years, approximately 338,000 shares have been purchased in the open market.

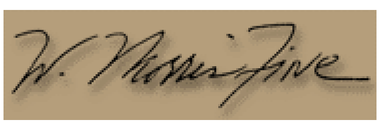
In review, 2001 was a year in which we were able to reap the harvest of recent years' efforts. It is exciting to witness the maturing of our new title agent ventures, most of which we personally assisted in developing from the ground up. It was especially gratifying to see a number of them hit full stride in time to take advantage of favorable market conditions and record real estate activity.

We continue to develop expertise in the markets we serve, strengthen our staffing, and increase the employment of technology to support sales and operations. The Company remains focused on delivering superior support to our business partners. All of these efforts are essential in maximizing the value of our existing relationships and expanding the number of agents to represent our Company.

We look forward to building on our record year and thank you for your support.

J. Allen Fine
Chairman
Chief Executive Officer

James A. Fine, Jr.
President
Treasurer



W. Morris Fine
Executive Vice President
Secretary

Financial Statements

Consolidated Statements of Income

Investors Title Company and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2001, 2000 and 1999

	2001	2000	1999
Revenues:			
Underwriting income:			
Premiums written (Note 5)	**$ 59,820,773**	$ 38,053,280	$ 44,144,777
Less-premiums for reinsurance ceded (Note 5)	**340,228**	362,528	325,212
Net premiums written	**59,480,545**	37,690,752	43,819,565
Investment income – interest and dividends (Note 3)	**2,740,280**	2,528,143	2,175,671
Net realized gain on sales of investments (Note 3)	**11,773**	104,211	418,395
Other	**2,239,847**	1,906,662	952,928
Total	**64,472,445**	42,229,768	47,366,559
Operating Expenses:			
Commissions to agents	**28,074,489**	15,470,852	17,045,552
Provision for claims (Note 6)	***6,786,263***	5,865,355	6,026,064
Salaries, employee benefits and payroll taxes (Notes 7 and 10)	**10,747,424**	9,602,572	9,842,328
Office occupancy and operations (Note 9)	**4,911,912**	3,568,760	4,238,753
Business development	**1,859,039**	1,515,428	1,662,485
Taxes, other than payroll and income	**287,804**	309,098	265,467
Premium and retaliatory taxes	**1,250,177**	750,697	862,414
Professional fees	**910,586**	749,047	782,331
Other	**905,753**	137,496	179,771
Total	**55,733,447**	37,969,305	40,905,165
Income Before Income Taxes (Note 13)	**8,738,998**	4,260,463	6,461,394
Provision For Income Taxes (Notes 8 and 13)	**2,730,000**	1,120,000	2,041,000
Net Income (Notes 7 and 12)	**$ 6,008,998**	$ 3,140,463	$ 4,420,394
Basic Earnings Per Common Share (Note 7)	**$ 2.35**	$ 1.21	$ 1.59
Weighted Average Shares Outstanding - Basic	**2,554,204**	2,594,891	2,776,878

See notes to consolidated financial statements.

Consolidated Balance Sheets

Investors Title Company and Subsidiaries

CONSOLIDATED BALANCE SHEETS

As of December 31, 2001 and 2000

	2001	2000
Assets		
Cash and cash equivalents	$ 3,452,455	$ 4,268,713
Investments in securities (Notes 2 and 3):		
Fixed maturities:		
Held-to-maturity, at amortized cost (fair value: 2001: $7,255,507; 2000: $8,068,247)	7,152,336	7,957,405
Available-for-sale, at fair value (amortized cost: 2001: $39,118,999; 2000: $30,960,414)	40,438,390	31,710,705
Equity securities, at fair value (cost: 2001: $3,202,085; 2000: $2,434,367)	5,433,55	4,970,069
Total investments	53,024,283	44,638,179
Premiums receivable (less allowance for doubtful accounts: 2001: $1,405,000; 2000: $725,000)	7,104,580	3,023,304
Accrued interest and dividends	725,757	616,652
Prepaid expenses and other assets	830,236	1,091,416
Property acquired in settlement of claims	294,510	204,117
Property, net (Note 4)	4,433,855	5,496,626
Deferred income taxes, net (Note 8)	354,024	-
Total Assets (Note 13)	$ 70,219,700	$59,339,007
Liabilities and Stockholders' Equity		
Liabilities:		
Reserves for claims (Note 6)	$ 21,460,000	$ 17,944,665
Accounts payable and accrued liabilities	3,700,095	1,918,034
Commissions and reinsurance payables (Note 5)	281,961	222,748
Premium taxes payable	367,055	-
Current income taxes payable	138,821	24,069
Deferred income taxes, net (Note 8)	-	39,842
Total liabilities	25,947,932	20,149,358
Commitments and Contingencies (Notes 5, 9 and 11)		
Stockholders' Equity (Notes 2, 3, 7 and 12):		
Common stock-no par value (shares authorized 6,000,000; 2,855,744 and 2,855,744 shares issued; and 2,516,298 and 2,566,859 shares outstanding 2001 and 2000, respectively)	1	1
Retained earnings	41,928,575	37,021,270
Accumulated other comprehensive income (net unrealized gain on investments) (net of deferred taxes: 2001: $1,207,670; 2000: $1,117,615) (Note 8)	2,343,192	2,168,378
Total stockholders' equity	44,271,768	39,189,649
Total Liabilities and Stockholders' Equity	$ 70,219,700	$59,339,007

See notes to consolidated financial statements.

Consolidated Statements of Stockholders Equity

Investors Title Company and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2001, 2000 and 1999

	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Net Unrealized Gain on Investments)	Total Stockholders' Equity
Balance, January 1, 1999	2,809,123	$732,453	$ 33,050,508	$ 2,545,704	$36,328,665
Net income			4,420,394		4,420,394
Dividends ($.12 per share)			(342,689)		(342,689)
Purchases of 72,162 shares of common stock *(net of distributions)*	(72,162)	(732,452)	(816,600)		(1,549,052)
Net unrealized gain on investments			(1,355,578)		(1,355,578)
Balance, December 31, 1999	2,736,961	1	36,311,613	1,190,126	37,501,740
Net income			3,140,463		3,140,463
Dividends ($.12 per share)			(342,689)		(342,689)
Purchases of 170,102 shares of common stock (net of distributions)	(170,102)		(2,088,117)		(2,088,117)
Net unrealized gain on investments				978,252	978,252
Balance, December 31, 2000	2,566,859	1	37,021,270	2,168,378	39,189,649
Net income			6,008,998		6,008,998
Dividends ($.12 per share)			(342,689)		(342,689)
Purchases of 50,561 shares of common stock (net of distributions)	(50,561)		(759,004)		(759,004)
Net unrealized gain on investments				174,814	174,814
Balance, December 31, 2001	**2,516,298**	**$ 1**	**$41,928,575**	**$ 2,343,192**	**$ 44,271,768**

Investors Title Company and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2001, 2000 and 1999

	2001	2000	1999
Net income	**$ 6,008,998**	$ 3,140,463	$ 4,420,394
Other comprehensive income, before tax:			
Unrealized gain (loss) on investments arising during the year	**276,642**	1,586,411	(1,635,511)
Less: reclassification adjustment for gains realized in net income	**(11,773)**	(104,211)	(418,395)
Other comprehensive income (loss), before tax	**264,869**	1,482,200	(2,053,906)
Income tax expense (benefit) related to unrealized gain (loss) on investments arising during the year	**94,058**	539,380	(556,074)
Income tax expense related to reclassification adjustment for net gain realized in net income	**(4,003)**	(35,432)	(142,254)
Net income tax expense (benefit) on other comprehensiv income	**90,055**	503,948	(698,328)
Other comprehensive income (loss)	**174,814**	978,252	(1,355,578)
Comprehensive income	**$ 6,183,812**	$ 4,118,715	$ 3,064,816

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Investors Title Company and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOW

For the Years Ended December 31, 2001, 2000 and 1999	2001	2000	1999
Operating Activities:			
Net income	**$ 6,008,998**	$ 3,140,463	$ 4,420,394
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**1,412,023**	794,689	470,843
Amortization (accretion), net	**1,818**	(1,312)	34,195
Provision (benefit) for losses on premiums receivable	**680,000**	(50,000)	-
(Gain) loss on disposals of property	**(22,263)**	(4,523)	45,216
Net realized gain on sales of investments	**(11,773)**	(104,211)	(418,395)
Provision (benefit) for deferred income taxes	**(483,921)**	149,987	6,390
Provision for claims	**6,786,263**	5,865,355	6,026,064
Payments of claims, net of recoveries	**(3,270,928)**	(3,785,355)	(3,524,064)
Changes in assets and liabilities:			
(Increase) decrease in receivables and other assets	**(4,699,594)**	50,734	1,421,796
Increase in accounts payable and accrued liabilities	**1,782,061**	357,098	302,134
Increase in commissions and reinsurance payables	**59,213**	14,143	124,007
Increase (decrease) in premium taxes payable	**367,055**	(20,618)	(257,269)
Increase (decrease) in current income taxes payable	**114,752**	729,506	(912,787)
Net cash provided by operating activities	**8,723,704**	7,135,956	7,738,524
Investing Activities:			
Purchases of available-for-sale securities	**(11,473,160)**	(7,497,294)	(6,036,921)
Purchases of held-to-maturity securities	**(600,000)**	-	(3,626,300)
Proceeds from sales of available-for-sale securities	**2,555,417**	3,347,164	1,948,391
Proceeds from sales of held-to-maturity securities	**1,406,463**	1,907,214	808,886
Purchases of property	**(392,157)**	(484,151)	(3,077,730)
Proceeds from disposals of property	**65,168**	33,825	24,520
Net cash used in investing activities	**(8,438,269)**	(2,693,242)	(9,959,154)
Financing Activities:			
Repurchases of common stock, net	**(792,666)**	(2,103,947)	(1,706,271)
Exercise of options	**33,662**	15,830	157,219
Dividends paid	**(342,689)**	(342,689)	(342,689)
Net cash used in financing activities	**(1,101,693)**	(2,430,806)	(1,891,741)
Net Increase (Decrease) in Cash and Cash Equivalents	**(816,258)**	2,011,908	(4,112,371)
Cash and Cash Equivalents, Beginning of Year	**4,268,713**	2,256,805	6,369,176
Cash and Cash Equivalents, End of Year	**$ 3,452,455**	$ 4,268,713	$ 2,256,805
Supplemental Disclosures:			
Cash Paid During the Year for:			
Income taxes (net of refunds)	**$ 3,101,000**	$ 240,000	$ 2,947,000

Noncash Financing Activities:

Bonuses and fees totaling $61,472, $126,850 and $191,623 were paid for the twelve months ended December 31, 2001, 2000 and 1999 respectively, by issuance of the Company's common stock.

See notes to consolidated financial statements.

MD&A

The following discussion should be read in conjunction with the consolidated financial statements and the related footnotes on pages 12-22 of this report.

OVERVIEW

Investors Title Company (the "Company") engages primarily in two segments of business. The main business activity is the issuance of title insurance through two title insurance subsidiaries, Investors Title Insurance Company ("ITIC") and Northeast Investors Title Insurance Company ("NE-ITIC"). Factors which influence the land title business include mortgage interest rates, the availability of mortgage funds, the level of real estate activity, the cost of real estate, consumer confidence, the supply and demand of real estate, inflation and general economic conditions.

The Company's second segment provides tax-free exchange services through its two subsidiaries, Investors Title Exchange Corporation ("ITEC") and Investors Title Accommodation Corporation ("ITAC"). ITEC serves as a qualified intermediary in §1031 like-kind exchanges of real or personal property. ITAC serves as exchange accommodation titleholder in reverse exchanges.

Although the economy in general suffered through a mild recession in 2001, the real estate segment remained robust. The downward trend in interest rates that began in 2000 continued last year and was the primary factor in the relative strength in real estate activity. According to data published by Freddie Mac, the monthly average 30-year fixed mortgage interest rates were reported to be 6.97%, 8.05% and 7.44% in 2001, 2000 and 1999, respectively. According to statistics from the National Association of Realtors, existing home sales reached a record high of 5.3 million. This represents an increase of 3.5% from 2000, and an increase of 1.7% over 1999. New and existing home sales were 6.2 million, 6 million and 6.1 million in 2001, 2000 and 1999, respectively.

During 2001, the monthly average 30-year fixed mortgage interest rates began the year at 7.38%, declined to 6.62% in October and gradually increased to end the year at 7.07%. The decline in rates contributed to improved housing affordability, which helped home sales reach record levels. Lower interest rates also fueled a surge in refinancing of existing mortgages. For 2001 in total, refinancing volume was approximately $1.2 trillion, which was $1 trillion more than the preceding year according to the Mortgage Bankers Association. The level of mortgage refinancing and the number of existing home sales are primary drivers of our premiums written.

Management cannot predict the future level of mortgage interest rates nor the impact such rates will have on home sales, housing starts, mortgage lending or other real estate activity. The Company strives to offset the cyclical nature of the real estate market by increasing its market share. This effort includes expanding into new markets primarily by continuing to develop agency relationships, as well as improving market penetration with existing offices and agents.

CREDIT RATING

ITIC has been recognized by two independent Fannie Mae approved actuarial firms, Demotech, Inc. and Lace Financial Corporation, with rating categories of "A Double Prime – unsurpassed financial stability" and "A – strong overall financial condition."

NE-ITIC's financial stability has been recognized by two Fannie Mae approved actuarial firms, Demotech, Inc. and Lace Financial Corporation, with rating categories of "A Prime – unsurpassed financial stability" and "A – strong overall financial condition."

RESULTS OF OPERATIONS
OPERATING REVENUES
A summary by segment of the Company's operating revenues is as follows:

	2001		2000		1999	
Title Insurance	**$59,815,041**	96.9%	$37,925,106	95.8%	$43,942,374	98.2%
Exchange Services	**1,018,353**	1.7%	1,046,178	2.6%	723,854	1.6%
All Other	**886,998**	1.4%	626,130	1.6%	106,265	.2%
	$61,720,392	100%	$39,597,414	100%	$44,772,493	100%

Title Insurance: Net premiums written increased 57.8% in 2001 and decreased 14% and 3.4% in 2000 and 1999, respectively. The increase in sales in 2001 resulted primarily from declining mortgage interest rates, which sparked a surge in refinance activity. The number of policies and commitments issued in 2001 was 292,328, an increase of 48.5% compared with 196,836 in 2000. In 2000, the number of policies and commitments issued decreased by 23.2% compared with 256,272 in 1999.

Shown below is a schedule of net premiums written for 2001, 2000 and 1999 in all states where our two insurance subsidiaries, Investors Title Insurance Company and Northeast Investors Title Insurance Company, currently underwrite insurance:

	2001	2000	1999
Alabama	$ 90,369	$ -	$ 1,003
Florida	10,530	-	-
Georgia	318,284	209,300	499,194
Indiana	14,096	400,488	409,630
Iowa	31,770	-	-
Kentucky	132,606	-	4,527
Maryland	1,023,093	525,177	597,470
Michigan	11,891,314	6,395,071	6,760,538
Minnesota	1,342,606	851,836	1,693,036
Mississippi	160,952	35,509	22,537
Nebraska	1,255,563	1,103,168	1,135,924
New York	3,384,451	770,082	542,497
North Carolina	21,767,115	15,825,323	19,713,637
Ohio	55,349	43,810	-
Pennsylvania	3,554,748	962,331	45,682
South Carolina	4,054,696	3,893,692	5,016,808
Tennessee	2,521,198	1,097,654	607,047
Virginia	6,847,586	4,772,838	6,143,420
West Virginia	1,314,747	1,127,715	895,745
Wisconsin	28,306	6,923	9,350
Direct Premiums	59,799,379	38,020,917	44,098,045
Reinsurance Assumed	21,394	32,363	46,732
Reinsurance Ceded	(340,228)	(362,528)	(325,212)
Net Premiums Written	**$59,480,545**	$37,690,752	$43,819,565

Branch net premiums written as a percentage of total net premiums written were 36.7%, 42.2% and 45.2% in 2001, 2000 and 1999, respectively. Net premiums written from branch operations increased 37.3% in 2001 compared with 2000 and decreased 19.8% in 2000 compared with 1999.

Agency net premiums written as a percentage of total net premiums written were 63.3%, 57.8% and 54.8% in 2001, 2000 and 1999, respectively. Net premiums written from agency operations increased 72.8% compared with 2000 and decreased 9.2% in 2000 compared with 1999.

Exchange Services: Operating revenues from exchange transactions decreased 2.7% in 2001 and increased 44.5% and 13.7% in 2000 and 1999, respectively. On September 15, 2000, the Internal Revenue Service issued Revenue Procedure 2000-37, which provides a safe harbor for reverse exchanges. The original safe harbors, which established procedures to follow for standard exchange transactions, excluded the more complicated reverse transactions. The Company has dedicated a separate subsidiary to assist clients in structuring this type of exchange.

SEASONALITY

Title Insurance: Title insurance premiums are closely related to the level of real estate activity and the average price of real estate sales. The availability of funds to finance purchases directly affects real estate sales. Other factors include consumer confidence, economic conditions, supply and demand, mortgage interest rates and family income levels. Generally, the first quarter has the least real estate activity, while the remaining quarters are more active. Fluctuations in mortgage interest rates can cause shifts in real estate activity outside of the normal seasonal pattern, especially as these changes relate to refinance activity.

Exchange Services: Seasonal factors affecting the level of real estate activity and the volume of title insurance premiums written will also affect the demand for exchange services.

INVESTMENT INCOME

Investments are an integral part of the Company's business. In formulating its investment strategy, the Company has emphasized after-tax income. Investments in marketable securities have increased from funds retained in the Company. The investments are primarily in debt securities, and to a lesser extent, equity securities. The effective maturity of the majority of the fixed-income investments is within 15 years.

As new funds become available, they are invested in accordance with the Company's investment policy and corporate goals. Securities purchased may include a combination of taxable fixed-income securities, tax-exempt securities and equities. The Company strives to maintain a high quality investment portfolio.

Investment income increased 8.4%, 16.2% and 18.6% in 2001, 2000 and 1999, respectively. These increases were primarily attributable to increases in the average investment portfolio balances.

EXPENSES

A summary by segment of the Company's operating expenses is as follows:

	2001		2000		1999	
Title Insurance	$54,235,878	97.3%	$36,925,644	97.3%	$40,368,076	98.7%
Exchange Services	433,811	.8%	225,330	.6%	178,627	.4%
All Other	1,063,758	1.9%	818,331	2.1%	358,462	.9%
	$55,733,447	100%	$37,969,305	100%	$40,905,165	100%

On a combined basis, profit margins were 9.32%, 7.44% and 9.33% in 2001, 2000 and 1999, respectively. The increase of 57.8% in net premiums written coupled with a smaller increase of only 46.8% in operating expenses contributed to the increase in profit margin for 2001. Expenses increased due to the increase in premium volume as well as an increase in costs associated with entering and supporting new market areas.

Title Insurance: Profit margins for the title insurance segment were 8.69%, 6.02% and 8.39% in 2001, 2000 and 1999, respectively. The increase in premiums written along with concerted efforts to contain costs contributed to the improvement in the profit margin for 2001. In order to maintain and improve margins, the Company strives to identify opportunities to refine operating procedures and to implement programs designed to reduce expenses.

Commissions increased 81.5% in 2001 and decreased 9.2% and 2% in 2000 and 1999, respectively. Commission expense as a percentage of net premiums written by agents was 74.6%, 71% and 71% for 2001, 2000 and 1999, respectively. Commission rates vary geographically and may be influenced by state regulations.

The provision for claims as a percentage of net premiums written was 11.4%, 15.6% and 13.8% in 2001, 2000 and 1999, respectively. The provision reflects actual payments of claims, net of recovery amounts, plus adjustments to the specific and general claims reserves, the latter of which are actuarially determined based on historical claims experience. Payments of claims, net of recoveries, were $3,270,928, $3,785,355 and $3,524,064 in 2001, 2000 and 1999, respectively.

The Company has continued to strengthen its reserves for claims. At December 31, 2001, the total reserves for claims were $21,460,000. Of that total, $3,788,091 was reserved for specific claims, and $17,671,909 was reserved for claims for which the Company had no notice. Management relies on actuarial techniques to estimate future claims by analyzing historical claim payment patterns. Claims reserves are reviewed and certified as to their adequacy by independent actuaries annually. There are no known claims which are expected to have a materially adverse effect on the Company's financial position.

On a consolidated basis, salaries and employee benefits as a percentage of net premiums written were 18.1%, 25.5% and 22.5% in 2001, 2000 and 1999, respectively. Though salaries and employee benefits have risen in total, in 2001 the percentage to net premiums written decreased attesting to an improvement in productivity. The title insurance segment's total salaries and employee benefits accounted for 92.8%, 95.1% and 98.4% of total salaries for 2001, 2000 and 1999, respectively. Overall office occupancy and operations as a percentage of net premiums was 8.3%, 9.5% and 9.7% in 2001, 2000 and 1999, respectively. The title insurance segment's total office occupancy and operations accounted for 95.2%, 93.5% and 94.9% in 2001, 2000 and 1999, respectively. In 2001, the improvement in the percentage of overall office occupancy and operations to net premiums reflects the increase in premium volume and the fixed cost nature of some of the office occupancy and operations expenses.

Premium and retaliatory taxes increased 66.5% in 2001 and decreased 13% and 2.1% in 2000 and 1999, respectively, in direct proportion to the fluctuations in premium volume.

Exchange Services: The exchange services segment's total operating expenses as a percentage of the Company's total expenses were .8%, .6%, and .4% for 2001, 2000 and 1999, respectively. The increase in operating expenses was due to an increase in staff.

NET INCOME

A summary by segment of the Company's net income is as follows:

	2001		2000		1999	
Title Insurance	$5,429,494	90.3%	$2,434,088	77.5%	340,263	7.7%
Exchange Services	370,787	6.2%	514,921	16.4%	178,627	.4%
All Other	208,717	3.5%	191,454	6.1%	185,450	4.2%
	$ 6,008,998	100%	$3,140,463	100%	$4,420,394	100%

On a consolidated basis, the Company reported an increase in net income of 91% in 2001 and a decrease in net income of 29% and 19% in 2000 and 1999, respectively. The increase in 2001 was primarily attributable to increased revenues and improved operating efficiencies resulting from expense control procedures. The decreases in 2000 and 1999 were primarily due to decreases in net premiums written of 14% and 3.4%, partially offset by increases in net income of the exchange services segment and increases in investment income.

Title Insurance: Net income for the title insurance segment increased 123% in 2001 and decreased 37.5% and 22.1% in 2000 and 1999, respectively. The increase in 2001 was primarily attributable to increased revenues and improved operating efficiencies resulting from expense control procedures. Decreases in net premiums written, coupled with the fixed nature of certain operating expenses contributed to the decreases in net income for 2000 and 1999.

Exchange Services: The exchange services segment saw a net income decrease of 28% in 2001 and increases of 51.3% and 8.9% in 2000 and 1999, respectively. A decrease in fee revenue coupled with an expansion of staff contributed to the decrease in net income for the exchange services segment.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows provided by operating activities were $8,723,704, $7,135,956 and $7,738,524 in 2001, 2000 and 1999, respectively. The increase in 2001 is primarily the result of the increase in net income compared with 2000.

As of December 31, 2001 and 2000, approximately $41,670,000 and $36,792,000 respectively, of the consolidated stockholders' equity represent net assets of the Company's subsidiaries that cannot be transferred in the form of dividends, loans or advances to the parent company under statutory regulations without prior insurance department approval. The parent company's ability to pay dividends and operating expenses is dependent upon funds received from the insurance subsidiaries. The Company believes amounts available for transfer from the insurance subsidiaries are adequate to meet the parent company's operating needs.

On December 9, 1996, the Board of Directors approved the repurchase by the Company of up to 150,000 shares of the Company's common stock from time to time at prevailing market prices. A portion of the repurchases is to avoid dilution to existing shareholders as a result of issuances of stock in connection with stock options and stock bonuses. Pursuant to this approval, the Company repurchased all 150,000 shares prior to 2001 at an average price of $19.37 per share including 6,211 shares purchased at an average purchase price of $17.58 during 2000 and 99,645 shares at an average purchase price of $19.05 per share during 1999.

On May 11, 1999, the Board of Directors approved the repurchase of an additional 200,000 shares of the Company's common stock. Pursuant to this approval, the Company repurchased all 200,000 shares at an average price of $12.50 per share including 25,766 shares purchased at an average purchase price of $14.73 during 2001 and 174,234 shares at an average purchase price of $12.18 per share during 2000.

On May 9, 2000, the Board of Directors approved the repurchase of an additional 500,000 shares of the Company's common stock. Pursuant to this approval, the Company repurchased 32,184 shares in the twelve months ended December 31, 2001 at an average per share price of $14.75.

During the twelve months ended December 31, 2001, the Company repurchased common stock for $854,138 and issued common stock totaling $95,134 in satisfaction of stock option exercises, stock bonuses and other stock issuances. In 2001, retained earnings had a net increase of $4,907,305, after repurchases and issuances reduced retained earnings by $759,004.

Management believes that funds generated from operations (primarily underwriting and investment income) will enable the Company to adequately meet its operating needs and is unaware of any trend likely to result in adverse liquidity changes. In addition to operational liquidity, the Company maintains a high degree of liquidity within its investment portfolio in the form of short-term investments and other readily marketable securities.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary exposure to market risk relates to the impact of adverse changes in interest rates and market prices of its investment portfolio. Increases in interest rates diminish the value of fixed-income securities and preferred stock and decreases in stock market values diminish the value of common stocks held.

CORPORATE OVERSIGHT

The Company generates substantial investable funds from its two insurance subsidiaries. In formulating and implementing policies for investing new and existing funds, the Company has emphasized maximizing total after-tax return on capital and earnings while ensuring the safety of funds under management and adequate liquidity. The Company's Board of Directors oversees investment risk management processes. The Company seeks to invest premiums and other income to create future cash flows that will fund future claims, employee benefits and expenses, and earn stable margins across a wide variety of interest rate and economic scenarios. The Board has established specific investment policies that define the overall framework for managing market and other investment risks, including the accountabilities and controls over these activities. The Company may use the following tools from time to time to manage its exposure to market risk within defined tolerance ranges: 1) rebalance its existing asset portfolios or 2) change the character of future investments.

INTEREST RATE RISK

Interest rate risk is the risk that the Company will incur economic losses due to adverse changes in interest rates. This risk arises from the Company's investments in interest-sensitive debt securities. These securities are primarily fixed-rate municipal bonds and corporate bonds. The

Company does not purchase such securities for trading purposes. At December 31, 2001, the Company had approximately $48 million in fixed-rate bonds. The Company manages the interest rate risk inherent in its assets by monitoring its liquidity needs and by targeting a specific range for the portfolio's duration or weighted average maturity.

To determine the potential effect of interest rate risk on interest-sensitive assets, the Company calculates the effect of a 10% change in prevailing interest rates ("rate shock") on the fair market value of these securities considering stated interest rates and time to maturity. Based upon the information and assumptions the Company uses in its calculation, management estimates that a 10% immediate, parallel increase in prevailing interest rates would decrease the net fair market value of its debt securities by approximately $5.5 million. The selection of a 10% immediate parallel increase in prevailing interest rates should not be construed as a prediction by the Company's management of future market events, but rather, to illustrate the potential impact of such an event. To the extent that actual results differ from the assumptions utilized, the Company's rate shock measures could be significantly impacted. Additionally, the Company's calculation assumes that the current relationship between short-term and long-term interest rates (the term structure of interest rates) will remain constant over time. As a result, these calculations may not fully capture the impact of nonparallel changes in the term structure of interest rates and/or large changes in interest rates.

EQUITY PRICE RISK

Equity price risk is the risk that the Company will incur economic losses due to adverse changes in a particular stock or stock index. At December 31, 2001, the Company had approximately $5.4 million in preferred and common stocks. By statutory policy, the Company's maximum exposure to the equity market is limited to 20% of the Company's statutorily admitted assets. Equity price risk is addressed in part by varying the specific allocation of equity investments over time pursuant to management's assessment of market and business conditions and ongoing liquidity needs analysis. The Company's largest equity exposure is declines in the S&P 500; its portfolio of equity instruments is similar to those that comprise this index. Based upon the information and assumptions the Company used in its calculation, management estimates that an immediate decrease in the S&P 500 of 10% would decrease the net fair value of the Company's assets identified above by approximately $540,000. The selection of a 10% immediate decrease in the S&P 500 should not be construed as a prediction by the Company's management of future market events, but rather, to illustrate the potential impact of such an event. Since this calculation is based on historical performance, projecting future price volatility using this method involves an inherent assumption that historical volatility and correlation relationships will remain stable. Therefore, the results noted above may not reflect the Company's actual experience if future volatility and correlation relationships differ from such historical relationships.

SAFE HARBOR STATEMENT

Except for the historical information presented, the matters disclosed in the foregoing discussion and analysis and other parts of this report include forward-looking statements. These statements represent the Company's current judgment on the future and are subject to risks and uncertainties that could cause actual results to differ materially. Such factors include, without limitation: (1) that the demand for title insurance will vary with factors beyond the control of the Company such as changes in mortgage interest rates, availability of mortgage funds, level of real estate activity, cost of real estate, consumer confidence, supply and demand for real estate, inflation and general economic conditions; (2) that losses from claims may be greater than anticipated such that reserves for possible claims are inadequate; (3) that unanticipated adverse changes in securities markets could result in material losses on investments made by the Company; and (4) the dependence of the Company on key management personnel the loss of whom could have a material adverse effect on the Company's business. Other risks and uncertainties may be described from time to time in the Company's other reports and filings with the Securities and Exchange Commission.

SELECTED QUARTERLY FINANCIAL DATA

2001	March 31	June 30	Sept. 30	Dec. 31
Net premiums written	$11,437,725	$14,867,277	$14,730,034	$18,445,509
Investment income	685,877	672,054	661,803	720,546
Net income	840,124	1,444,546	1,604,444	2,119,884
Basic earnings per common share	.33	.56	.63	.84
Diluted earnings per common share	.32	.56	.61	.82
2000				
Net premiums written	$ 8,370,138	$10,065,032	$10,102,818	$9,152,764
Investment income	591,791	576,317	624,205	735,830
Net income	521,607	734,759	1,145,484	738,613
Basic earnings per common share	.20	.28	.44	.29
Diluted earnings per common share	.20	.28	.44	.29

Financial Highlights

Investors Title Company and Subsidiaries

FINANCIAL HIGHLIGHTS

For the Year	2001	2000	1999	1998	1997
Net premiums written	**$ 59,480,545**	$ 37,690,752	$ 43,819,565	$ 45,379,696	$ 29,875,350
Revenues	**64,472,445**	42,229,768	47,366,559	48,476,263	32,390,516
Investment income	**2,740,280**	2,528,143	2,175,671	1,834,949	1,628,188
Net income	**6,008,998**	3,140,463	4,420,394	5,459,509	4,530,382
Per Share Data					
Basic earnings per common share	**$2.35**	$1.21	$1.59	$1.95	$1.63
Weighted average shares outstanding - Basic	**2,554,204**	2,594,891	2,776,878	2,806,267	2,782,449
Diluted earnings per common share	**$2.31**	$1.21	$1.59	$1.92	$1.60
Weighted average shares outstanding - Diluted	**2,599,714**	2,601,283	2,786,282	2,841,035	2,826,730
Cash dividends per share	**$.12**	$.12	$.12	$.12	$.12
At Year End					
Assets	**$70,219,700**	$59,339,007	$55,156,564	$51,597,812	$41,293,007
Investments in securities	**53,024,283**	44,638,179	40,807,540	35,571,302	31,623,053
Stockholders' equity	**44,271,768**	39,189,649	37,501,740	36,328,665	31,128,908
Book value/share	**17.59**	15.27	13.70	12.93	11.12
Performance Ratios					
Net income to:					
Average stockholders' equity	**14.40%**	8.19%	11.97%	16.19%	15.86%
Total revenues (profit margin)	**9.32%**	7.44%	9.33%	11.26%	13.99%

Selected Quarterly Financial Data

SELECTED QUARTERLY FINANCIAL DATA

2001	March 31	June 30	Sept. 30	Dec. 31
Net premiums written	$11,437,725	$14,867,277	$14,730,034	$18,445,509
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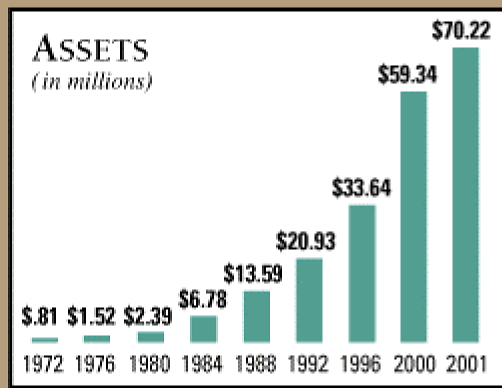
Diluted earnings per common share	.20	.28	.44	.29

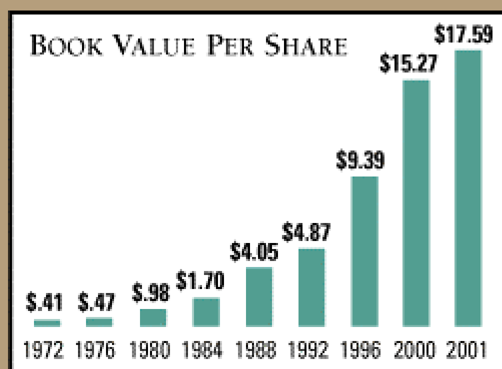
Historical Data

ANNUAL DATA SINCE INCEPTION

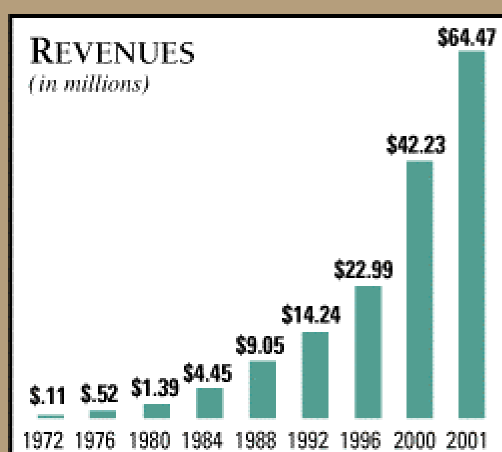
The Company's emphasis on profitable growth has produced an average annual profit margin of 14.19% and an average annual return on equity of 13.29% since the Company's inception.



Since December 31, 1972, assets have grown at an annual compounded rate of 16.62%.



Since December 31, 1972, book value per share has grown at an annual compounded rate of 13.84%.



The annual compounded revenue growth has been 23.94% since inception.

Investors Title Company
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