Investors Title Company

INNOVATIVE BY INSTINCT

Annual Report

2000

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Investors Title Company

2000 Annual Report

Letter to Shareholders

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

Dear Fellow Shareholders:

In the first year of the century, the real estate market remained healthy and we continued to increase our presence in new markets.

We began the year in an environment where the total volume of mortgage lending was significantly down compared to the prior year period. The rise in interest rates during 1999 essentially eliminated the demand for refinancing existing mortgage loans, which was a significant percent of mortgage originations through the first half of 1999.

Although the year started relatively slow, the pace of activity picked up as the year progressed. In 1999, mortgage rates trended up the entire year, while in 2000 they steadily declined. At year end, they were within approximately half a percentage point of where they were 24 months earlier.

Fortunately, higher rates in 1999 did not have a serious dampening effect on the residential and commercial real estate markets in 2000. Nationwide existing home sales were off 2% from the prior record year and remained at a relatively high level on a historical basis. New home sales were virtually flat compared with the prior record year. The continued strength in the housing market favorably impacted the level of our premiums written in 2000.

Activity in the commercial real estate market remained strong as well. Building this line of business remains a priority for our company, and we were able to achieve a significant increase in commercial premiums over the prior year.

In the last weeks of 2000, with certain economic indicators suggesting a slow down in economic activity, the Federal Reserve Board moved to bring short-term interest rates down. Mortgage rates declined as well and by January of 2001 were at the lowest levels seen in almost two years. The amount of the decline was sufficient enough to entice a number of borrowers to begin refinancing. The Mortgage Bankers Association's loan application index picked up significantly at year end, suggesting that we will enjoy an increase in premiums as these loans are closed. Ongoing lower rates should favorably impact mortgage originations, but this impact may be tempered should weakness in economic activity increase.

For the year in total, primarily due to the decline in both mortgage refinancing and home sales, we experienced a 14% decline in premiums written. To achieve growth in earnings in periods of declining activity, it is imperative that we manage operations to bring expenses in line with lower premium volume and maintain our focus on building market share. To increase our share of title premiums written, we have increasingly focused on establishing new agency relationships in areas beyond our traditional operating territories. Efforts have included identifying markets with attractive profit potential, researching local underwriting customs and building the staff necessary to provide ongoing support.

As we have expanded these initiatives, we have witnessed improvement in both the process and the end result. Our growing experience in the start up of agency operations allows us to help newer ventures achieve profitability at a quicker pace. As these agents mature, we typically see a significant pick up in the premiums they generate. Successfully increasing premiums written in new operating markets will allow us over time to minimize the impact of cyclical downturns in mortgage lending.

In our branch operations, we continue to focus on improving both our market share and operational efficiency. A significant accomplishment in 2000 was the completion of a rollout of proprietary software. The rollout went smoothly with minimal disruption to production. Our new software will serve as a foundation to add refinements to our processes and procedures and to make better utilization of the data that the branch offices generate.

In addition to the rollout, we devoted considerable resources to developing and furthering our e-commerce strategy. Work was done on a number of projects including a web-based tool for ordering title policies. The application will serve as a production tool for customers and a method for us to gather data electronically. Integrating and sharing data with customers electronically will significantly improve our operational efficiency over time.

In related businesses, our tax-deferred exchange subsidiary continues to achieve double digit increases in transaction volume. Section 1031 of the Internal Revenue Code allows investors in real property to swap for other like-kind property and defer payment of the tax realized on any gains. Our staff has developed extensive expertise in order to support clients in handling these complicated transactions.

On September 15, 2000, the IRS issued a new Revenue Procedure, which provided safe harbors for handling exchanges of real property on a reverse basis. The original safe harbors, which established procedures to follow for standard exchange transactions, explicitly excluded the more complicated reverse transaction.

Upon evaluation and analysis of the Revenue Procedure, we moved quickly to develop extensive documentation and internal procedures for handling these exchanges. Although the majority of transactions are handled on a straightforward basis, a significant percent are not easily structured as such. Serving as an accommodator and qualified intermediary on reverse exchanges provides us an opportunity to further develop relationships with key sources of exchange and title insurance business.

Marketing of exchange services has been increasingly incorporated into the marketing of our core title products. In order to better service our commercial clients, we have established a new Commercial Services Division. By improving coordination between our various division personnel, we will be able to handle commercial inquiries quicker and improve our customer service.

Financial highlights of the year included an 11.5% increase in book value per share to $15.27. Assets increased 7.6% to $59,339,007 and stockholders equity increased 4.5% from $37,501,740 to $39,189,649.

On May 9, 2000, the Board of Directors approved the purchase of an additional 500,000 shares of the Company's stock. In 2000, we purchased 175,175 shares of stock in the open market, which brought the number of outstanding shares down to 2,566,859.

Our financial condition and the protection afforded to 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". Lace and Demotech are two rating companies specializing in the title insurance industry.

Other highlights from the year include several key promotions and additions to our corporate team. The ability to attract new business relationships and support existing ones is closely tied with the expertise and dedication of our people. The strengthening of our team will support our ongoing expansion efforts.

Looking forward, we are excited about building on the progress we have made. There are numerous opportunities for us to pursue. We have the potential to tap additional new markets and improve and refine the way we conduct business. Thank you for your continued support.

Financial Statements

Consolidated Statements of Income

Investors Title Company and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

for the Years Ended December 31, 2000, 1999 and 1998

	2000	1999	1998
Revenues:			
Underwriting income:			
Premiums written (Note 5)	**$38,053,280**	$ 44,144,777	$ 45,692,323
Less-premiums for reinsurance ceded (Note 5)	**362,528**	325,212	312,627
Net premiums written	**37,690,752**	43,819,565	45,379,696
Investment income-interest and dividends (Note 3)	**2,528,143**	2,175,671	1,834,949
Net realized gain on sales of investments (Note 3)	**104,211**	418,395	398,610
Other	**1,906,662**	952,928	863,008
Total	**42,229,768**	47,366,559	48,476,263
Operating Expenses:			
Commissions to agents	**15,470,852**	17,045,552	17,399,629
Provision for claims (Note 6)	**5,865,355**	6,026,064	8,094,950
Salaries, employee benefits and payroll taxes (Notes 7 and 10)	**9,602,572**	9,842,328	8,248,365
Office occupancy and operations (Note 9)	**3,568,760**	4,238,753	3,241,118
Business development	**1,515,428**	1,662,485	1,381,717
Taxes, other than payroll and income	**309,098**	265,467	262,995
Premium and retaliatory taxes	**750,697**	862,414	880,885
Professional fees	**749,047**	782,331	391,971
Provision for equipment disposal	**-**	-	280,000
Other	**137,496**	179,771	599,124
Total	**37,969,305**	40,905,165	40,780,754
Income Before Income Taxes (Note 13)	**4,260,463**	6,461,394	7,695,509
Provision For Income Taxes (Notes 8 and 13)	**1,120,000**	2,041,000	2,236,000
Net Income (Notes 7 and 12)	**$ 3,140,463**	$ 4,420,394	$ 5,459,509
Basic Earnings per Common Share (Note 7)	**$ 1.21**	$ 1.59	$ 1.95
Weighted Average Shares Outstanding - Basic	**2,594,891**	2,776,878	2,806,267
Diluted Earnings per Common Share (Note 7)	**$ 1.21**	$ 1.59	$ 1.92
Weighted Average Shares Outstanding - Diluted	**2,601,283**	2,786,282	2,841,035

See notes to consolidated financial statements.

Investors Title Company and Subsidiaries

CONSOLIDATED BALANCE SHEETS

as of December 31, 2000 and 1999

	2000	1999
Assets:		
Cash and cash equivalents:	$ 7,850,991	$ 7,554,297
Investments in securities (Notes 2 and 3):		
Fixed maturities:		
Held-to-maturity, at amortized cost (fair value: 2000: $4,485,969; 1999: $4,446,988)	4,375,127	4,565,871
Available-for-sale, at fair value (amortized cost: 2000: $30,960,414; 1999: $26,629,880)	31,710,705	25,931,918
Equity securities, at fair value (cost: 2000: $2,434,367; 1999: $2,510,505	4,970,069	5,012,259
Total investments	41,055,901	35,510,048
Premiums receivable (less allowance for doubtful accounts: 2000: $725,000; 1999: $775,000)	3,023,304	3,292,001
Accrued interest and dividends	616,652	521,624
Prepaid expenses and other assets	1,091,416	930,981
Property acquired in settlement of claims	204,117	191,617
Property, net (Note 4)	5,496,626	5,836,466
Prepaid federal income taxes	---	705,437
Deferred income taxes, net (Note 8)	---	614,093
Total Assets (Note 13)	$ 59,339,007	$ 55,156,564
Liabilities and Stockholders' Equity		
Liabilities:		
Reserves for claims (Note 6)	$ 17,944,665	$ 15,864,665
Accounts payable and accrued liabilities	1,918,034	1,560,936
Commissions and reinsurance payables (Note 5)	222,748	208,605
Premium taxes payable	---	20,618
Current income taxes payable	24,069	---
Deferred income taxes, net (Note 8)	39,842	---
Total liabilities	20,149,358	17,654,824
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 2,566,859 and 2,736,961 shares outstanding 2000 and 1999, respectively)	1	1
Retained earnings	37,021,270	36,311,613
Accumulated other comprehensive income (net unrealized gain on investments) (net of deferred taxes; 2000; $1,117,615; 1999; $613,667) (Note 8)	2,168,378	1,190,126
Total stockholders' equity	39,189,649	37,501,740
Total Liabilities and Stockholders' Equity	$ 59,339,007	$ 55,156,564

See notes to consolidated financial statements.

Consolidated Statements of Stockholder's Equity

Investors Title Company and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

for the Years Ended December 31, 2000, 1999 and 1998

	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Net Unrealized Gain on Investments)	Total Stockholders' Equity
Balance, January 1, 1998	2,800,240	$ 879,612	$ 27,933,688	$ 2,315,608	$ 31,128,908
Net income			5,459,509		5,459,509
Dividends ($.12 per share)			(342,689)		(342,689)
Distributions of 8,883 shares of common stock (net of purchases)	8,883	(147,159)			(147,159)
Net unrealized gain on investments				230,096	230,096
Balance, December 31, 1998	2,809,123	732,453	33,050,508	2,545,704	36,328,665
Net income			4,420,394		4,420,394
Dividends ($.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**

Investors Title Company and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the Years Ended December 31, 2000, 1999 and 1998

	2000	1999	1998
Net income	**$ 3,140,463**	$ 4,420,394	$ 5,459,509
Other comprehensive income, before tax:			
Unrealized gain (loss) on investments arising during the year	**1,586,411**	(1,635,511)	747,240
Less: reclassification adjustment for gains realized in net income	**(104,211)**	(418,395)	(398,610)
Other comprehensive income (loss), before tax	**1,482,200**	(2,053,906)	348,630
Income tax expense (benefit) related to unrealized gain (loss) on investments arising during the year	**539,380**	(556,074)	254,061
Income tax expense related to reclassification adjustment for net gain realized in net income	**(35,432)**	(142,254)	(135,527)
Net income tax expense (benefit) on other comprehensive income	**503,948**	(698,328)	118,534
Other comprehensive income (loss)	**978,252**	(1,355,578)	230,096
Comprehensive income	**$ 4,118,715**	$ 3,064,816	$ 5,689,605

See notes to consolidated financial statements.

Consolidated Statements of CashFlows

Investors Title Company and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the Years Ended December 31, 2000, 1999 and 1998

	2000	1999	1998
Operating Activities:			
Net income	**$ 3,140,463**	$ 4,420,394	$5,459,509
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**794,689**	470,843	393,026
Amortization (accretion), net	**(1,312)**	34,195	(4,141)
Provision (benefit) for losses on premiums receivable	**(50,000)**	-	425,000
Provision for equipment disposal	-	-	280,000
(Gain) loss on disposals of property	**(4,523)**	45,216	(16,182)
Net realized gain on sales of investments	**(104,211)**	(418,395)	(398,610)
Provision (benefit) for deferred income taxes	**149,987**	6,390	(1,238,097)
Provision for claims	**5,865,355**	6,026,064	8,094,950
Payments of claims, net of recoveries	**(3,785,355)**	(3,524,064)	(2,354,425)
Changes in assets and liabilities:			
(Increase) decrease in receivables and other assets	**50,734**	1,421,796	(2,237,678)
Increase in accounts payable and accrued liabilities	**357,098**	302,134	189,430
Increase (decrease) in commissions and reinsurance payables	**14,143**	124,007	(11,643)
Increase (decrease) in premium taxes payable	**(20,618)**	(257,269)	124,030
Increase (decrease) in current income taxes payable	**729,506**	(912,787)	182,269
Net cash provided by operating activities	**7,135,956**	7,738,524	8,887,438
Investing Activities:			
Purchases of available-for-sale securities	**(7,497,294)**	(6,036,921)	(4,354,272)
Purchases of held-to-maturity securities	-	(100,986)	(1,025,057)
Proceeds from sales of available-for-sale securities	**3,347,164**	1,948,391	2,880,022
Proceeds from sales of held-to-maturity securities	**192,000**	808,886	575,974
Purchases of property	**(484,151)**	(3,077,730)	(1,187,008)
Proceeds from disposals of property	**33,825**	24,520	30,928
Net cash used in investing activities	**(4,408,456)**	(6,433,840)	(3,079,413)
Financing Activities:			
Repurchases of common stock, net	**(2,103,947)**	(1,706,271)	(374,845)
Exercise of options	**15,830**	157,219	227,686
Dividends paid	**(342,689)**	(342,689)	(342,689)
Net cash used in financing activities	**(2,430,806)**	(1,891,741)	(489,848)
Net Increase (Decrease) in Cash and Cash Equivalents	**296,694**	(587,057)	5,318,177
Cash and Cash Equivalents, Beginning of Year	**7,554,297**	8,141,354	2,823,177
Cash and Cash Equivalents, End of Year	**$ 7,850,991**	$ 7,554,297	$ 8,141,354
Supplemental Disclosures:			
Cash Paid During the Year for:			
Income taxes (net of refunds)	**$ 240,000**	$ 2,947,000	$ 3,293,000

Noncash Financing Activities:
Bonuses and fees totaling $126,850, $191,623 and $144,594 were paid for the twelve months ended December 31, 2000, 1999 and 1998 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.

During the past three years, the overall economic environment coupled with relatively low mortgage interest rates has favorably impacted the level of real estate activity. In 1999 and 1998, these factors contributed to two consecutive years of record levels of new and existing home sales. According to the Freddie Mac Weekly Mortgage Rate Survey, the monthly average 30-year fixed mortgage interest rates were reported to be 8.05%, 7.44% and 6.94% in 2000, 1999 and 1998, respectively. Based on data published by the Mortgage Bankers Association, housing starts were 1.6 million, 1.67 million and 1.62 million in 2000, 1999 and 1998, respectively. New and existing home sales were 6.03 million, 6.1 million and 5.85 million in 2000, 1999 and 1998, respectively.

During 1998, the monthly average 30-year fixed mortgage interest rates started out at 7.1% and ended the year at 6.74%. The overall decline in interest rates spurred an increase in real estate sales, which was a contributing factor to the increase of $15,504,346 in the Company's 1998 net premiums written compared with 1997 net premiums written. In 1999, the monthly average 30-year fixed mortgage interest rates climbed steadily, starting the year at 6.74% and ending at 7.91%. The increase in mortgage interest rates resulted in a slowdown in mortgage originations and a dramatic decline in refinance activity. The higher level of interest rates and resulting drop in refinance lending contributed substantially to the decrease of $1,560,131 in premiums written in 1999 compared with 1998 premiums written.

In January of 2000, the monthly average 30-year fixed mortgage interest rate was 8.21%; it rose to 8.52% by May, and then began a steady decline to end the year at 7.38%. The higher level of interest rates in the first half of the year contributed to the decrease of $6,128,813 in premiums written in 2000 compared with 1999 premiums written. During the fourth quarter of 2000, premium volume began to improve due to declining mortgage interest rates. 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:

	2000		1999		1998	
Title Insurance	$ **37,925,106**	95.8%	$ 43,942,374	98.2%	$ 45,553,649	98.5%
Exchange Services	**1,046,178**	2.6%	723,854	1.6%	636,839	1.4%
All Other	**626,130**	1.6%	106,265	.2%	52,216	.1%
	$ **39,597,414**	100.0%	$ 44,772,493	100.0%	$ 46,242,704	100.0%

Title Insurance: Net premiums written decreased 14% and 3% in 2000 and 1999, respectively and increased 52% in 1998. The decline in sales in 2000 resulted primarily from increases in mortgage interest rates in the first half of the year coupled with a dramatic decline in refinance activity. In 2000, the number of policies and commitments issued declined to 196,836, a decrease of 23% compared with 256,272 in 1999. In 1999, policies and commitments issued declined by 24,979 policies, a decrease of 9% compared with 281,251 in 1998. The number of policies and commitments issued increased by 97,014 in 1998, an increase of 53% compared with 184,237 in 1997. Shown below is a schedule of net premiums written for 2000, 1999 and 1998 in all states where our two insurance subsidiaries, Investors Title Insurance Company and Northeast Investors Title Insurance Company, underwrite title insurance:

	2000	1999	1998
Alabama	$ -	$ 1,003	$ -
Arkansas	-	-	17,711
Florida	-	-	75,957
Georgia	**209,300**	499,194	715,560
Indiana	**400,488**	409,630	158,194
Kentucky	-	4,527	252
Maryland	**525,177**	597,470	515,763
Michigan	**6,395,071**	6,760,538	9,145,165
Minnesota	**851,836**	1,693,036	1,044,599
Mississippi	**35,509**	22,537	37,479
Nebraska	**1,103,168**	1,135,924	791,121
New York	**770,082**	542,497	507,324
North Carolina	**15,825,323**	19,713,637	21,188,663
Ohio	**43,810**	-	-
Pennsylvania	**962,331**	45,682	7,783
South Carolina	**3,893,692**	5,016,808	3,940,872
Tennessee	**1,097,654**	607,047	219,649
Virginia	**4,772,838**	6,143,420	7,020,000
West Virginia	**1,127,715**	895,745	232,426
Wisconsin	**6,923**	9,350	-
Direct Premiums	**38,020,917**	44,098,045	45,618,518
Reinsurance Assumed	**32,363**	46,732	73,805
Reinsurance Ceded	**(362,528)**	(325,212)	(312,627)
Net Premiums Written	**$ 37,690,752**	$ 43,819,565	$ 45,379,696

Branch net premiums written as a percentage of total net premiums written were 42.2%, 45.2% and 46.9% in 2000, 1999 and 1998, respectively. Net premiums written from branch operations decreased 19.8% in 2000 compared with 1999 and decreased 6.9% in 1999 compared with 1998.

Agency net premiums written as a percentage of total net premiums written were 57.8%, 54.8% and 53.1% in 2000, 1999 and 1998, respectively. Net premiums written from agency operations decreased 9.2% in 2000 compared with 1999. Net premiums written from agency operations remained virtually flat in 1999 compared with 1998.

Exchange Services: Operating revenues from exchange transactions increased 44.5%, 13.7% and 18.5% in 2000, 1999 and 1998, respectively. The increase in revenue for these exchange services resulted from ongoing marketing efforts and the increased use of §1031 exchanges by taxpayers to defer capital gain taxes. 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 16.2%, 18.6% and 12.7% in 2000, 1999 and 1998, 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:

	2000		1999		1998	
Title Insurance	**$ 36,925,644**	97.3%	$ 40,368,076	98.7%	$ 40,314,905	98.9%
Exchange Services	**225,330**	.6%	178,627	.4%	137,444	.3%
All Other	**818,331**	2.1%	358,462	.9%	328,405	.8%
	$ 37,969,305	100.0%	$ 40,905,165	100.0%	$ 40,780,754	100.0%

On a consolidated basis, profit margins were 7.44%, 9.33% and 11.26% in 2000, 1999 and 1998, respectively. The decrease of 14% in net premiums written coupled with a smaller decrease of only 7% in operating expenses contributed to the decline in profit margin for 2000. Expenses increased due to investments in technology and costs associated with entering and supporting new market areas.

Title Insurance: Profit margins for the title insurance segment were 6.02%, 8.39% and 10.48% in 2000, 1999 and 1998, respectively. The decrease in premiums written, an increase in the percentage of business received from agents and the fixed nature of certain operating expenses contributed to the decline in profit margins. Profit margins from agent business are typically lower than those from branch business since agent commissions are generally higher than the operating expenses incurred for direct business. 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 decreased 9.2% and 2% in 2000 and 1999, respectively and increased 72.9% in 1998. Overall, commission expense as a percentage of agent premiums written has remained relatively constant for the last three years. Commission rates vary geographically and may be influenced by state regulations.

The provision for claims as a percentage of net premiums written was 15.6%, 13.8% and 17.8% in 2000, 1999 and 1998, respectively. The provision reflects actual payments of claims, net of recovery amounts, plus adjustments to the claims reserves, which are actuarially determined based on historical claims experience. Payments of claims, net of recoveries, were $3,785,355, $3,524,064 and $2,354,425 in 2000, 1999 and 1998, respectively.

The Company has continued to strengthen its reserves for claims. At December 31, 2000, the total reserves for claims were $17,944,665. Of that total, $2,410,360 was reserved for specific claims, and $15,534,305 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 25.5%, 22.5% and 18.2% in 2000, 1999 and 1998, respectively. These expenses have risen due to staff increases in the information systems and business development areas. The title insurance segment's total salaries and employee benefits accounted for 95%, 98% and 99% of total salaries for 2000, 1999 and 1998, respectively. On a consolidated basis, office occupancy and operations as a percentage of net premiums was 9.5%, 9.7% and 7.1% in 2000, 1999 and 1998, respectively. The title insurance segment's total office occupancy and operations accounted for 93.5%, 94.9% and 94.9% in 2000, 1999 and 1998, respectively.

Premium and retaliatory taxes decreased 13% and 2.1% in 2000 and 1999, respectively and increased 48.6% in 1998, 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 .6%, .4% and .3% for 2000, 1999 and 1998, respectively. The increase in operating expenses was due to the growth in revenues.

NET INCOME

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

	2000		1999		1998	
Title Insurance	$ **2,434,088**	77.5%	$ 3,894,681	88.1%	$ 4,999,099	91.6%
Exchange Services	**514,921**	16.4%	340,263	7.7%	312,578	5.7%
All Other	**191,454**	6.1%	185,450	4.2%	147,832	2.7%
	$ **3,140,463**	100.0%	$ 4,420,394	100.0%	$ 5,459,509	100.0%

On a consolidated basis, the Company reported a decrease in net income of 29% and 19% in 2000 and 1999, respectively and an increase in net income of 20.5% in 1998. 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. The increase in 1998 was primarily attributable to increased revenues and improved operating efficiencies resulting from expense control procedures.

Title Insurance: Net income for the title insurance segment decreased 37.5%, 22.1% and increased 16.8% in 2000, 1999 and 1998, respectively. 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 net income increases of 51.3%, 8.9% and 21.8% in 2000, 1999 and 1998, respectively. The increased marketing efforts of ITEC's and ITAC's services contributed to the growth in net income.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows provided by operating activities were $7,135,956, $7,738,524 and $8,887,438 in 2000, 1999 and 1998, respectively. The decrease in 2000 is primarily the result of the decrease in net income compared with 1999. As of December 31, 2000, 1999 and 1998, approximately $36,792,000, $33,322,000 and $31,219,000 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 on 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 at an average price of $19.37 per share including 6,211 shares purchased at an average purchase price of $17.58 during 2000, 99,645 shares at an average purchase price of $19.05 per share during 1999 and 22,010 shares at an average purchase price of $23.60 per share during 1998.

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 174,234 shares in the twelve months ended December 31, 2000 at an average per share price of $12.18.

On May 9, 2000 the Board of Directors approved the repurchase of an additional 500,000 shares of the Company's common stock. As of March 29, 2001, no shares have been repurchased pursuant to this approval.

During the twelve months ended December 31, 2000, the Company repurchased common stock for $2,230,797 and issued common stock totaling $142,680 in satisfaction of stock option exercises, stock bonuses and other stock issuances. In 2000, retained earnings had a net increase of $709,657, after repurchases and issuances reduced retained earnings by $2,088,117.

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 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, 2000, the Company had approximately $36 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 $1.3 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, 2000, the Company had approximately $4.2 million in 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 $425,000. 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 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.

Financial Highlights

Investors Title Company and Subsidiaries Financial Highlights

For the Year	2000	1999	1998	1997	1996
Net premiums written	$37,690,752	$43,819,565	$45,379,696	$29,875,350	$21,111,155
Revenues	42,229,768	47,366,559	48,476,263	32,390,516	22,991,182
Investment income	2,528,143	2,175,671	1,834,949	1,628,188	1,352,932
Net income	3,140,463	4,420,394	5,459,509	4,530,382	3,843,537
Per Share Data					
Basic earnings per common share	$1.21	$1.59	$1.95	$1.63	$1.39
Weighted average shares outstanding - *Basic*	2,594,891	2,776,878	2,806,267	2,782,449	2,772,286
Diluted earnings per common share	$1.21	$1.59	$1.92	$1.60	$1.37
Weighted average shares outstanding - *Diluted*	2,601,283	2,786,282	2,841,035	2,826,730	2,813,001
Cash dividends per share	$.12	$.12	$.12	$.12	$.095
At Year End					
Assets	$59,339,007	$55,156,564	$51,597,812	$41,293,007	$33,642,528
Investments in securities	41,055,901	35,510,048	33,799,124	31,124,410	23,573,663
Stockholders' equity	39,189,649	37,501,740	36,328,665	31,128,908	25,988,177
Book value/share	15.27	13.70	12.93	11.12	9.39
Performance Ratios					
Net income to:					
Average stockholders' equity	8.19%	11.97%	16.19%	15.86%	15.95%
Total revenues (profit margin)	7.44%	9.33%	11.26%	13.99%	16.72%

ABOUT INVESTORS TITLE COMPANY

Investors Title Company, through its subsidiaries, is engaged in the business of issuing and underwriting title insurance policies and providing services in connection with tax-free exchanges. Formed in 1973, the Company has maintained its leading market share in North Carolina for 17 years and continues to expand in other markets across the country. Investors Title is committed to unsurpassed customer service and carefully pursues new avenues for growth.

Selected Quarterly Data

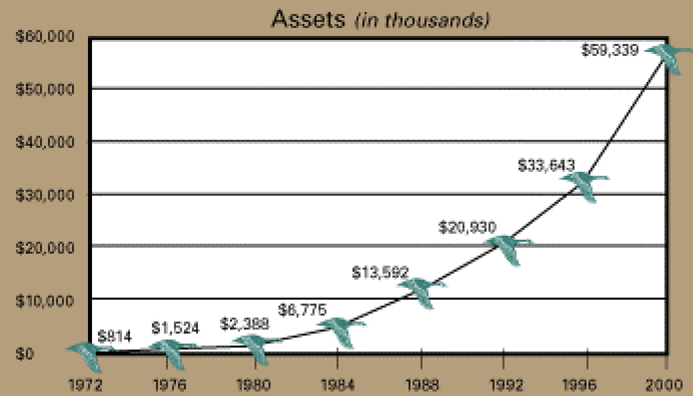
SELECTED QUARTERLY FINANCIAL DATA

2000	March 31	June 30	September 30	December 31
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
1999				
Net premiums written	10,694,237	12,384,887	11,258,080	9,482,361
Investment income	470,127	498,650	544,322	662,572
Net income	1,176,318	1,472,027	1,303,516	468,533
Basic earnings per common share	.42	.53	.47	.17
Diluted earnings per common share	.42	.53	.47	.17

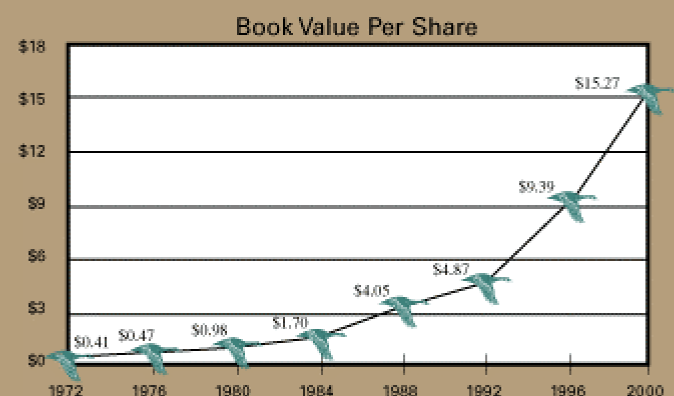
Historical Data

Annual Data Since Inception

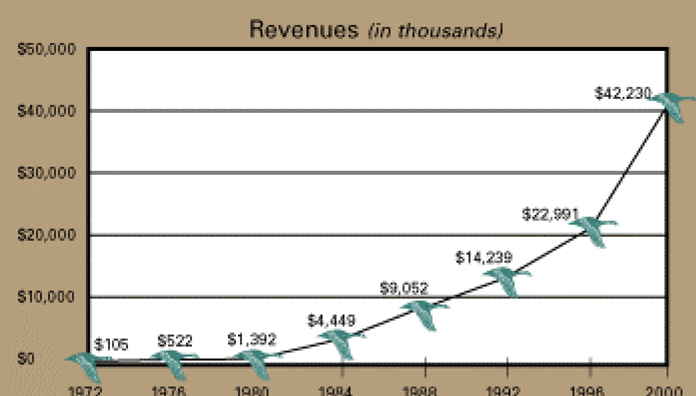
Since December 31, 1972, assets have grown at an annual compounded rate of 16.56%.



Since December 31, 1972, book value per share has grown at an annual compounded rate of 13.79%.



The annual compounded revenue growth has been 23.05% since inception.



The Company's emphasis on profitable growth has produced an average annual profit margin of 14.35% and an average annual return on equity of 13.25% since the Company's inception.

Investors Title Company
P.O. Drawer 2687 (27515)
121 North Columbia Street
Chapel Hill, North Carolina 27514
Phone: (919) 968-2200
Toll Free: (800) 326-4842
Fax: (919) 968-2235