Investors Title Company

INNOVATIVE BY INSTINCT

Annual Report 2002

Driving Continued Growth

Our National Presence

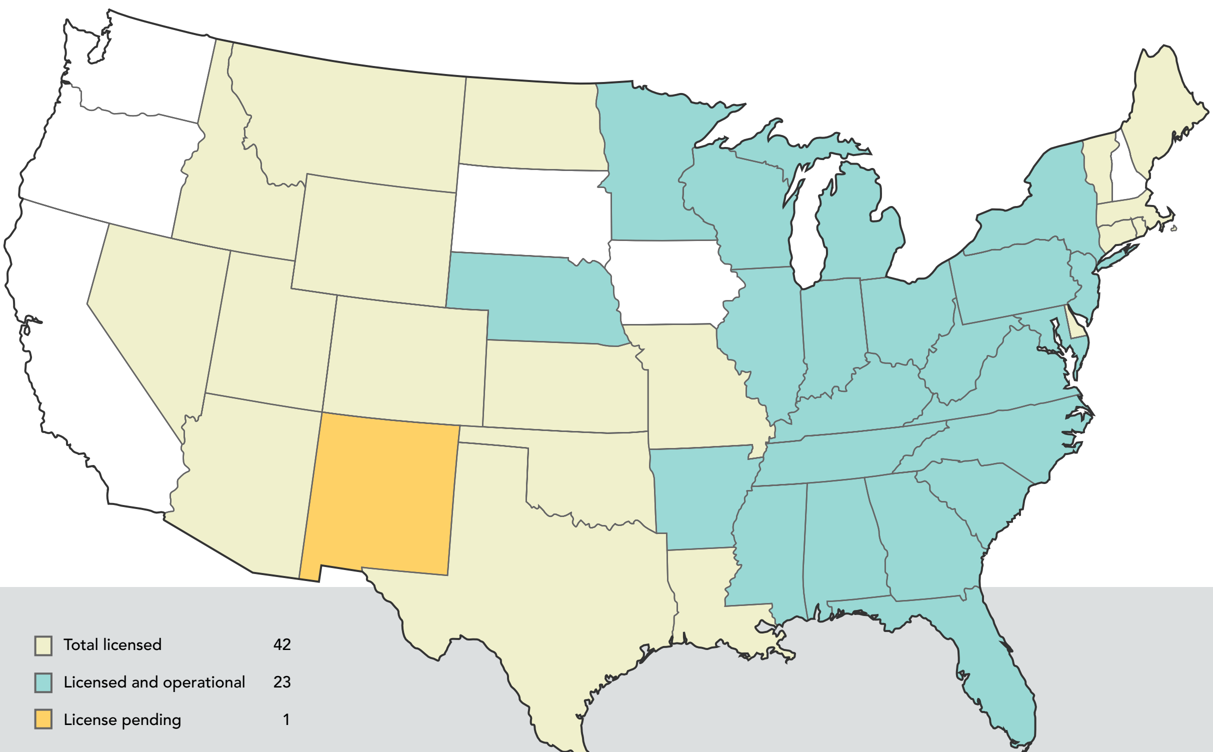
Corporate Office
North Carolina
Chapel Hill
919.968.2200 or
800.326.4842

Michigan Office
Lansing
7402 Westshire Drive
517.622.4900

Nebraska Office
Lincoln
7111 A Street
404.483.0033

New York Office
Pittsford
656 Kreag Road
585.586.3322

South Carolina Office
Columbia
2000 Park Street
803.799.8650
800.732.8005

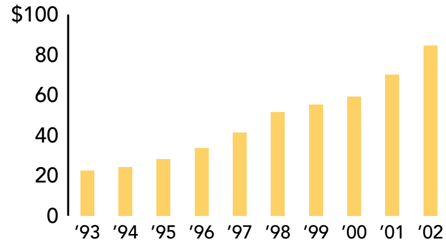


In addition to 27 North Carolina Branch Offices, policies are written through issuing offices in the following states

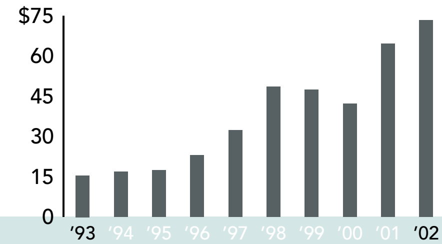
Alabama
Arkansas
District of Columbia
Florida
Georgia
Illinois
Indiana
Kentucky
Maryland
Michigan
Minnesota
Mississippi
Nebraska
New Jersey
New York
North Carolina
Ohio
Pennsylvania
South Carolina
Tennessee
Virginia
West Virginia
Wisconsin

Additional states in which the company is licensed to operate

Arizona
Colorado
Connecticut
Delaware
Idaho
Kansas
Louisiana
Maine
Massachusetts
Missouri
Montana
Nevada
North Dakota
Oklahoma
Rhode Island
Texas
Utah
Vermont
Wyoming



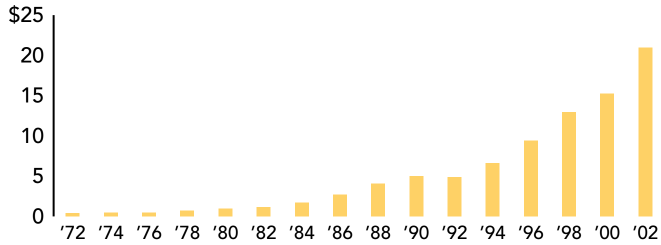
Assets
(in millions)



Revenues
(in millions)

Financial Highlights

For the Year	2002	2001	2000	1999	1998
Net premiums written	$67,693,617	$59,480,545	$37,690,752	$43,819,565	$45,379,696
Revenues	73,247,340	64,472,445	42,229,768	47,366,559	48,476,263
Investment income	2,806,808	2,740,280	2,528,143	2,175,671	1,834,949
Net income	8,108,842	6,008,998	3,140,463	4,420,394	5,459,509
Per Share Data					
Basic earnings per common share	$ 3.22	$ 2.35	$ 1.21	$ 1.59	$ 1.95
Weighted average shares outstanding—Basic	2,517,328	2,554,204	2,594,891	2,776,878	2,806,267
Diluted earnings per common share	$ 3.12	$ 2.31	$ 1.21	$ 1.59	$ 1.92
Weighted average shares outstanding—Diluted	2,597,979	2,599,714	2,601,283	2,786,282	2,841,035
Cash dividends per share	$ .12	$ .12	$ .12	$ .12	$ .12
At Year End					
Assets	$84,637,146	$70,219,700	$59,339,007	$55,156,564	$51,597,812
Investments in securities	65,336,439	53,471,697	45,299,576	41,066,864	35,726,837
Stockholders' equity	52,668,184	44,271,768	39,189,649	37,501,740	36,328,665
Book value/share	20.93	17.59	15.27	13.70	12.93
Performance Ratios					
Net income to:					
Average stockholders' equity	16.73%	14.40%	8.19%	11.97%	16.19%
Total revenues (profit margin)	11.07%	9.32%	7.44%	9.33%	11.26%



Book Value Per Share

Message to Shareholders

Fellow Shareholders,

Last year, Investors Title concluded its thirtieth year of operation and, at the same time, attained its highest levels of annual premiums written and net income to date. Of greatest importance to you, our stock generated a return of 48.7%, including dividends and appreciation. These milestones were achieved through a combination of record mortgage origination volumes, and our continued expansion into new markets.

For mortgage lending, interest rates were the big story in 2002. Mortgage rates drifted downward to their lowest levels in more than forty years. According to Freddie Mac, the average monthly rate decreased from 7% in January to 6.05% in December. A new record for refinance origination was set for the second year in a row, and refinancing represented 58% of total loans.

Declining interest rates also contributed significantly to increased housing affordability, thus continuing to fuel strong sales of new and existing homes. Both categories of home sales also set new annual transaction records in 2002.

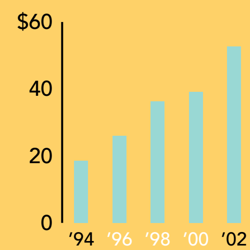
In addition to a favorable economic environment, revenue increases were driven by expansion into new states and marketing areas. We continue to develop our agent network, and last year we facilitated the opening of new affiliated agencies in Illinois and Alabama. We also opened an office in Nebraska, where as sole owner we began providing settlement services and writing title insurance in the second quarter.

The ongoing development of affiliated and other agent relationships is a key part of our business development efforts. Affiliated agencies enhance our ability to penetrate new markets, provide us with additional fee income and allow us to continue to diversify our revenue base beyond our local markets. In 1992, approximately 67% of our total revenue was generated in North Carolina and today, as we develop an increasingly national presence, only 36% of our revenue comes from this state.

In other areas of revenue growth, our Commercial Services Division enjoyed a successful year. Focusing on large commercial transactions and providing escrow services, the division's revenues increased 31% while operating in a depressed commercial real estate market. This area remains an important focus of Investors Title and we are committed to strengthening our commercial presence.

Claims administration was another area in which financial results improved in 2002. Payments of claims, net of recoveries, declined for the second year in a row. In recent years, we have intensified our analysis of the nature and source of claims. Insights gleaned have been channeled to appropriate areas within the Company and have increasingly fostered development of various preventative measures.

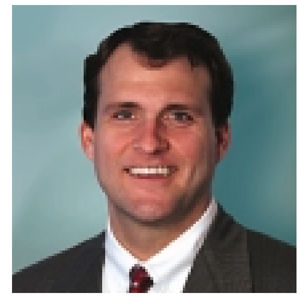
Within the technology arena, we continue to invest in improving our systems. Software has become an essential tool to drive efficiencies in our business. A new version of our proprietary system was released last year and continues to maximize the value of our data and reduce repetition in our production processes.



Stockholders' Equity
(in millions)

Since inception, shareholders' return on equity has averaged 13.4% and growth in book value per share has averaged 14%.

2002 marked the Company's 30th year of operation, a year in which all-time records were achieved in both annual premiums written and net income.



Electronic commerce also remains a priority as it helps us to improve the service we can provide to our customers, thus improving our competitive position. By enhancing the way we communicate with and provide information to clients, we add value to our services and enable them to operate more efficiently.

New and creative ways to utilize the Internet are just some of many ways in which we strive to improve performance. Analysis of projects or other potential initiatives with particular attention paid to the impact on profitability has consistently been a core emphasis at Investors Title. In reflecting back on our first thirty years of operations, one of the financial measures of which we are most proud is our return on equity. In 1972, Investors Title was capitalized with an initial investment of $736,000. From that base, our shareholders' return on equity has averaged 13.4% and growth in book value per share has averaged 14%.

The development of a dedicated and self-motivated team of employees and a forward-looking company culture have provided a solid foundation for identifying opportunity and executing our plans. As reflected by our slogan—"Innovative by Instinct"—we have made it a priority to identify new and improve existing methods through which we can market our products and services and continually improve our operational processes, all with an eye toward the financial results.

We appreciate your confidence and support of Investors Title. With a strong team and an entrepreneurial culture, we look forward to continuing to capitalize on the opportunities in our business and focusing on profitably growing our presence in the industry.

J. Allen Fine
Chairman
Chief Executive Officer

James A. Fine, Jr.
President
Treasurer

W. Morris Fine
Executive Vice President
Secretary

Company Overview

Investors Title Company and Subsidiaries

Investors Title Company, through its subsidiaries, is engaged in the business of issuing and underwriting title insurance policies and providing other real estate and management-related services. The Company continues to maintain its leading market share in North Carolina and pursue its expansion into other markets across the country by providing exceptional customer service and comprehensive services offered through its wholly owned subsidiaries.

Investors Title Insurance Company and Northeast Investors Title Insurance Company

Title insurance is issued through two subsidiaries, Investors Title Insurance Company ("ITIC") and Northeast Investors Title Insurance Company ("NE-ITIC").

These subsidiaries provide significant value to clients by providing:

- Expertise in Residential and Commercial Real Estate transactions:
  —Knowledgeable Staff Attorneys
  —Experienced Underwriters
- Exceptional customer service
- Competitive title insurance rates

Demotech, Inc., a national insurance rating service, has given the following Superior Financial Stability Ratings:
—ITIC— "A Double Prime—unsurpassed financial stability"
—NE-ITIC—"A Prime—unsurpassed financial stability"

Demotech, Inc. has given ITIC and NE-ITIC the highest Commercial Real Estate Recommendation of "Highly Recommended"

Commercial Services Division: The Commercial Services Division of Investors Title Company combines escrow services, title placement services and the commercial title underwriting expertise offered by Investors Title Insurance Company and Northeast Investors Title Insurance Company with the exchange services offered by Investors Title Exchange Corporation and Investors Title Accommodation Corporation.

The Commercial Services Division offers significant value to clients by providing:

- The capacity to insure any size transaction
- One point of contact for coordination and procurement of title evidence throughout the United States and Canada
- Escrow Services for pre- and post-closing deposits maintained in separate interest bearing accounts
- Reinsurance through Ace Capital Title Reinsurance Co.

Investors Title Exchange Corporation

Investors Title Exchange Corporation ("ITEC") was founded in 1988, and serves as a Qualified Intermediary in §1031 like-kind exchanges of real property or personal property.

ITEC offers significant value to clients by providing:

- Prompt, dependable document preparation
- Comprehensive coordination of service
- Fidelity bonding on funds
- Interest-bearing exchange accounts
- Identification and exchange period deadline notification

Investors Title Accommodation Corporation

Investors Title Accommodation Corporation ("ITAC") serves as Exchange Accommodation Titleholder, offering a vehicle for accommodating a reverse exchange when the taxpayer must acquire replacement property before selling the relinquished property.

ITAC offers significant value to clients by providing:

- Qualified Exchange Accommodation Arrangement in compliance with the reverse exchange safe harbor provided in Rev. Proc. 2000-37
- Single-member LLC created to hold title to the replacement property
- Preparation of Qualified Exchange Accommodation Agreement

Investors Title Management Services, Inc.

Investors Title Management Services, Inc. ("ITMS") offers management services to real estate service providers.

ITMS offers significant value to clients by providing:

- Comprehensive training programs
- Consulting services
- Management services focused on optimizing customer and agent operating results

Management's Discussion and Analysis *of Financial Condition and Results of Operations*

The following discussion should be read in conjunction with the consolidated financial statements and the related notes in this report.

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 that 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.

The downward trend in interest rates that began in 2000 continued into 2002, thus helping to sustain strong real estate activity. During the latter part of 2002, mortgage rates dropped to near forty-year lows. A new record for refinance origination was set in the United States in 2002 as steadily declining interest rates created a high demand for mortgage refinancing. According to data published by Freddie Mac, the monthly average thirty-year fixed mortgage interest rates were reported to be 6.54%, 6.97% and 8.05% in 2002, 2001 and 2000, respectively. According to statistics from the National Association of Realtors®, existing home sales reached a record high of 5.6 million. This represents an increase of 5.1% from 2001 to 2002 and an increase of 2.8% from 2000 to 2001. New and existing home sales were 6.5 million, 6.2 million and 6 million in 2002, 2001 and 2000, respectively.

During 2002, the monthly average thirty-year fixed mortgage interest rates began the year at 7.07% and ended the year at 6.05%, which was the lowest monthly average for the year. Low interest rates also resulted in increased affordability of new and existing homes, setting new annual transaction records. Total refinancing volume for 2002 was approximately $1.4 trillion, which was $270 billion more than the preceding year according to the Mortgage Bankers Association of America. 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 also has been recognized by 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:

	2002		2001		2000	
Title insurance	$68,539,235	97.7%	$59,815,041	96.9%	$37,925,106	95.8%
Exchange services	947,426	1.3%	1,018,353	1.7%	1,046,178	2.6%
All other	674,570	1.0%	886,998	1.4%	626,130	1.6%
	$70,161,231	100%	$61,720,392	100%	$39,597,414	100%

Title Insurance

Net premiums written increased 13.8% in 2002 over 2001 and 57.8% in 2001 over 2000. The increase in premiums in 2002 and 2001 resulted primarily from declining mortgage interest rates, which continued to fuel refinance activity. The number of policies and commitments issued in 2002 was 325,918, an increase of 11.5% compared with 292,328 in 2001. In 2001, the number of policies and commitments issued increased by 48.5% compared with 196,836 in 2000.

Shown below is a schedule of net premiums written for 2002, 2001 and 2000 in all states where our two title insurance subsidiaries, Investors Title Insurance Company and Northeast Investors Title Insurance Company, currently underwrite insurance:

State	2002	2001	2000
Alabama	$ 654,742	$ 90,369	$ —
Arkansas	58,455	—	—
District of Columbia	2,441	—	—
Florida	1,745	10,530	—
Georgia	100,887	318,284	209,300
Illinois	57,977	—	—
Indiana	292,575	14,096	400,488
Iowa	—	31,770	—
Kentucky	1,282,552	132,606	—
Maryland	1,434,872	1,023,093	525,177
Michigan	9,520,086	11,891,314	6,395,071
Minnesota	1,180,045	1,342,606	851,836
Mississippi	1,011,547	160,952	35,509
Nebraska	1,353,233	1,255,563	1,103,168
New Jersey	46,901	—	—
New York	3,894,757	3,384,451	770,082
North Carolina	24,418,013	21,767,115	15,825,323
Ohio	47,912	55,349	43,810
Pennsylvania	4,466,476	3,554,748	962,331
South Carolina	5,640,755	4,054,696	3,893,692
Tennessee	3,260,696	2,521,198	1,097,654
Virginia	7,633,405	6,847,586	4,772,838
West Virginia	1,650,424	1,314,747	1,127,715
Wisconsin	10,776	28,306	6,923
Direct Premiums	68,021,272	59,799,379	38,020,917
Reinsurance Assumed	20,740	21,394	32,363
Reinsurance Ceded	(348,395)	(340,228)	(362,528)
Net Premiums Written	$67,693,617	$59,480,545	$37,690,752

Branch net premiums written as a percentage of total net premiums written were 36.3%, 36.7% and 42.2% in 2002, 2001 and 2000, respectively. Net premiums written from branch operations increased 12.4% in 2002 compared with 2001 and increased 37.3 % in 2001 compared with 2000.

Agency net premiums written as a percentage of total net premiums written were 63.7%, 63.3% and 57.8% in 2002, 2001 and 2000, respectively. Net premiums written from agency operations increased 14.6% compared with 2001 and increased 72.8 % in 2001 compared with 2000.

Exchange Services

Operating revenues from exchange transactions decreased 7% from 2001 to 2002 and decreased 2.7% from 2000 to 2001 due to lower interest rates. 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. Historically, the first quarter has the least real estate activity because fewer real estate transactions occur, while the remaining quarters are more active. Refinance activity is generally less seasonal, but it is subject to interest rate volatility. Fluctuations in mortgage interest rates can cause shifts in real estate activity outside of the normal seasonal pattern.

Exchange Services

Seasonal factors affecting the level of real estate activity and the volume of title 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 2.4% from 2001 to 2002 and increased 8.4% from 2000 to 2001. 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:

	2002		2001		2000	
Title insurance	$60,039,502	97.5%	$54,235,878	97.3%	$36,925,644	97.3%
Exchange services	441,386	.7%	433,811	.8%	225,330	.6%
All other	1,097,610	1.8%	1,063,758	1.9%	818,331	2.1%
	$61,578,498	100%	$55,733,447	100%	$37,969,305	100%

On a combined basis, profit margins were 11.07%, 9.32% and 7.44% in 2002, 2001 and 2000, respectively. The increase of 13.8% in net premiums written coupled with a smaller increase of only 10.5% in operating expenses contributed to the increase in profit margin for 2002. 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 10.78%, 8.69% and 6.02% in 2002, 2001 and 2000, respectively. The increase in premiums written, along with concerted efforts to contain costs, contributed to the improvements in the profit margin for 2002 and 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 14% from 2001 to 2002 and increased 81.5% from 2000 to 2001. Commission expense as a percentage of net premiums written by agents was 74.2%, 74.6% and 71% for 2002, 2001 and 2000, respectively. Commission rates vary geographically and may be influenced by state regulations.

The provision for claims as a percentage of net premiums written was 10.2%, 11.4% and 15.6% in 2002, 2001 and 2000, respectively. This is due in large part to the fact that we have intensified our analysis of the nature and source of claims and used this information to foster the development of preventive measures. The provision reflects actual payments of claims, net of recovery amounts, plus adjustments to the specific and incurred but not reported claims reserves, the latter of which are actuarially determined based on historical claims experience. Payments of claims, net of recoveries, were $2,701,822, $3,270,928 and $3,785,355 in 2002, 2001 and 2000, respectively.

The Company has continued to strengthen its reserves for claims. At December 31, 2002, the total reserves for claims were $25,630,000. Of that total, $3,563,247 was reserved for specific claims, and $22,066,753 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 or operating results.

On a consolidated basis, salaries and employee benefits as a percentage of net premiums written were 18.6%, 18.1% and 25.5% in 2002, 2001 and 2000, respectively. Although salaries and employee benefits have risen in total in 2002 and 2001 compared with 2000, the percentage to net premiums written decreased due to improvements in productivity and increased revenue from agency operations. The title insurance segment's total salaries and employee benefits accounted for 93.5%, 92.8% and 95.1% of total salaries for 2002, 2001 and 2000, respectively. Overall office occupancy and operations as a percentage of net premiums was 7.1%, 8.3% and 9.5% in 2002, 2001 and 2000, respectively. The title insurance segment's total office occupancy and operations accounted for 92.9%, 95.2% and 93.5% in 2002, 2001 and 2000, respectively. In 2002, 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 10.3% from 2001 to 2002 and increased 66.5% from 2000 to 2001 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 .7%, .8%, and .6% for 2002, 2001 and 2000, respectively, which remained at comparable levels for the reporting periods.

Net Income

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

	2002		2001		2000	
Title insurance	$7,706,961	95.0%	$5,429,494	90.3%	$2,434,088	77.5%
Exchange services	317,154	3.9%	370,787	6.2%	514,921	16.4%
All other	84,727	1.1%	208,717	3.5%	191,454	6.1%
	$8,108,842	100%	$6,008,998	100%	$3,140,463	100%

On a consolidated basis, the Company reported an increase in net income of 34.9% and 91.3% in 2002 and 2001, respectively. The increases in 2002 and 2001 were primarily attributable to increased revenue, improved operating efficiencies resulting from expense control procedures and improved claims experience.

Title Insurance

Net income for the title insurance segment increased 41.9% from 2001 to 2002 and increased 123.1% from 2000 to 2001. The increases in 2002 and 2001 were primarily attributable to increased revenues and improved operating efficiencies resulting from expense control procedures.

Exchange Services

The exchange services segment saw a net income decrease of 14.5% from 2001 to 2002 and a decrease of 28% from 2000 to 2001. Decreases in fee revenue, coupled with increases in salaries and employee benefits, contributed to the decreases in net income for the exchange services segment for 2002 and 2001.

Liquidity and Capital Resources

Cash flows provided by operating activities were $12,290,577, $8,723,704 and $7,135,956 in 2002, 2001 and 2000, respectively. The increase in 2002 is primarily the result of the increase in net income compared with 2001.

As of December 31, 2002 and 2001, approximately $46,730,000 and $41,670,000, respectively, of the consolidated stockholders' equity represented net assets of the Company's subsidiaries that cannot be transferred in the form of dividends, loans or advances to the parent company under statutory regulations without prior 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 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 purchased 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 19,134 shares in the twelve months ended December 31, 2002 and 32,184 shares in the twelve months ended December 31, 2001 at an average per share price of $18.81 and $14.75, respectively.

During the twelve months ended December 31, 2002, the Company repurchased common stock for $359,902 and issued common stock totaling $236,086 in satisfaction of stock option exercises, stock bonuses and other stock issuances. In 2002, retained earnings had a net increase of $7,684,469, after repurchases and issuances reduced retained earnings by $123,816.

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 rebalance its existing asset portfolios or change the character of future investments from time to time to manage its exposure to market risk within defined tolerance ranges.

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, 2002, the Company had approximately $57 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 $2.3 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, 2002, the Company had approximately $7.9 million in preferred and common stocks. 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 $488,000. 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.

Critical Accounting Policies

The Company's management makes various estimates when applying policies affecting the preparation of the consolidated financial statements. Actual results could differ from those estimates. Significant accounting policies of the Company are discussed in Note 1 to the accompanying consolidated financial statements. Following are those accounting policies considered critical to the Company:

Premiums Written and Commissions to Agents

Premiums are recorded and policies or commitments are issued upon receipt of final certificates or preliminary reports with respect to titles. Title insurance commissions earned by the Company's agents are recognized as expense concurrently with premium recognition.

Reserves for Claims

The total reserve for all reported and unreported losses the Company incurred through December 31, 2002, is represented by the reserve for claims. The Company's reserves for unpaid losses and loss adjustment expenses are established using estimated amounts required to settle claims for which notice has been received (reported) and the amount estimated to be required to satisfy incurred claims of policyholders which may be reported in the future. Despite the variability of such estimates, management believes that the reserves are adequate to cover claim losses which might result from pending and future claims. The Company continually reviews and adjusts its reserve estimates to reflect its loss experience and any new information that becomes available.

Claims and losses paid are charged to the reserves for claims. Although claims losses are typically paid in cash, occasionally claims are settled by purchasing the interest of the insured or the claimant in the real property. When this event occurs, the acquiring company carries assets at the lower of cost or estimated realizable value, net of any indebtedness on the property.

Investments in Securities

Securities for which the Company has the intent and ability to hold to maturity are classified as held-to-maturity and are reported at cost, adjusted for amortization of premiums or accretion of discounts and other-than-temporary declines in fair value. Securities held principally for resale in the near term are classified as trading securities and recorded at fair values. Realized and unrealized gains and losses on trading securities are included in other income. Securities not classified as either trading or held-to-maturity are classified as available-for-sale and reported at fair value, adjusted for other-than-temporary declines in fair value, with unrealized gains and losses reported as accumulated other comprehensive income. Fair values of all investments are based on quoted market prices. Realized gains and losses are determined on the specific identification method. Other investments consist primarily of investments in affiliates, which are accounted for under the equity or cost method of accounting.

Recent and Pending Accounting Pronouncements

SFAS 141/142: In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Standards ("SFAS") No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 141 requires the use of the purchase method of accounting for all business acquisitions initiated after June 30, 2001, and the use of pooling-of-interest method is no longer allowed. Under SFAS No. 142, goodwill and intangible assets deemed to have infinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the statement. Other intangible assets will continue to be amortized over their useful lives and reviewed for impairment in accordance with SFAS No. 121, *Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS No. 142 on January 1, 2002. Adoption of SFAS No. 142 did not have any impact on the Company's financial statements.

SFAS 144: In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supercedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS No. 144 on January 1, 2002. Adoption of SFAS No. 144 did not have any impact on the Company's financial statements.

SFAS 146: In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses accounting and reporting for costs associated with exit or disposal activities. SFAS No. 146

requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect the adoption of this Statement to have a material effect on its financial statements.

SFAS 148: In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure—an Amendment of FASB Statement No. 123.* This Statement amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This Statement requires that companies having a fiscal year end after December 15, 2002, follow the prescribed format and provide the additional disclosures in their annual reports. Adoption of SFAS 148 did not have a material impact on the Company's financial statements.

FIN 45: FASB Interpretation No. 45, *Guarantor's Accounting and Disclosures Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others* became effective on December 31, 2002. This Interpretation addresses the disclosure requirements for guarantees and indemnification agreements entered into by the entity. The implementation of this pronouncement did not have any effect on the Company's financial statements.

Selected Quarterly Financial Data

2002	March 31	June 30	September 30	December 31
Net premiums written	$14,680,725	$14,871,197	$18,041,421	$20,100,274
Investment income	669,038	692,781	680,991	763,998
Net income	1,547,179	1,700,998	2,146,025	2,714,640
Basic earnings per common share	.61	.68	.85	1.08
Diluted earnings per common share	.60	.65	.83	1.04

2001	March 31	June 30	September 30	December 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

Investors Title Company and Subsidiaries

Consolidated Balance Sheets

as of December 31,	2002	2001
Assets		
Cash and cash equivalents	$ 3,781,961	$ 3,069,929
Investments in securities (Notes 2 and 3):		
Fixed maturities:		
Held-to-maturity, at amortized cost (fair value: 2002: $4,577,069; 2001: $5,010,237)	4,395,081	4,907,066
Available-for-sale, at fair value (amortized cost: 2002: $49,353,717; 2001: $41,746,795)	52,491,648	43,066,186
Equity securities, at fair value (cost: 2002: $6,393,289; 2001: $3,202,085)	7,884,928	5,433,557
Other investments	564,782	64,888
Total investments	65,336,439	53,471,697
Premiums receivable (less allowance for doubtful accounts: 2002: $1,800,000; 2001: $1,405,000)	7,949,904	7,104,580
Accrued interest and dividends	720,902	725,757
Prepaid expenses and other assets	1,095,230	765,348
Property acquired in settlement of claims	749,562	294,510
Property, net (Note 4)	4,109,885	4,433,855
Deferred income taxes, net (Note 8)	893,263	354,024
Total Assets	$84,637,146	$70,219,700
Liabilities and Stockholders' Equity		
Liabilities		
Reserves for claims (Note 6)	$25,630,000	$21,460,000
Accounts payable and accrued liabilities	4,780,865	3,700,095
Commissions and reinsurance payables (Note 5)	401,040	281,961
Premium taxes payable	268,972	367,055
Current income taxes payable	888,085	138,821
Total liabilities	31,968,962	25,947,932
Commitments and Contingencies (Notes 5, 9 and 11)		
Stockholders' Equity (Notes 2, 3, 7 and 12)		
Class A Junior Participating preferred stock (shares authorized 100,000; no shares issued)	—	—
Common stock-no par value (shares authorized 10,000,000; 2,855,744 and 2,855,744 shares issued; and 2,515,804 and 2,516,298 shares outstanding 2002 and 2001, respectively)	1	1
Retained earnings	49,613,044	41,928,575
Accumulated other comprehensive income (net unrealized gain on investments) (net of deferred taxes: 2002: $1,574,431; 2001: $1,207,670) (Note 8)	3,055,139	2,343,192
Total stockholders' equity	52,668,184	44,271,768
Total Liabilities and Stockholders' Equity	$84,637,146	$70,219,700

See notes to consolidated financial statements.

Investors Title Company and Subsidiaries

Consolidated Statements of Income

for the Years Ended December 31,	2002	2001	2000
Revenues			
Underwriting income:			
Premiums written (Note 5)	$68,042,012	$59,820,773	$38,053,280
Less—premiums for reinsurance ceded (Note 5)	348,395	340,228	362,528
Net premiums written	67,693,617	59,480,545	37,690,752
Investment income-interest and dividends (Note 3)	2,806,808	2,740,280	2,528,143
Net realized gain on sales of investments (Note 3)	279,301	11,773	104,211
Other	2,467,614	2,239,847	1,906,662
Total	73,247,340	64,472,445	42,229,768
Operating Expenses			
Commissions to agents	32,006,188	28,074,489	15,470,852
Provision for claims (Note 6)	6,871,822	6,786,263	5,865,355
Salaries, employee benefits and payroll taxes (Notes 7 and 10)	12,591,736	10,747,424	9,602,572
Office occupancy and operations (Note 9)	4,810,283	4,911,912	3,568,760
Business development	2,161,928	1,879,224	1,521,120
Taxes, other than payroll and income	387,594	287,804	309,098
Premium and retaliatory taxes	1,378,880	1,250,177	750,697
Professional fees	772,096	910,586	749,047
Other	597,971	885,568	131,804
Total	61,578,498	55,733,447	37,969,305
Income Before Income Taxes	11,668,842	8,738,998	4,260,463
Provision for Income Taxes (Note 8)	3,560,000	2,730,000	1,120,000
Net Income	$ 8,108,842	$ 6,008,998	$ 3,140,463
Basic Earnings per Common Share (Note 7)	$ 3.22	$ 2.35	$ 1.21
Weighted Average Shares Outstanding—Basic	2,517,328	2,554,204	2,594,891
Diluted Earnings per Common Share (Note 7)	$ 3.12	$ 2.31	$ 1.21
Weighted Average Shares Outstanding—Diluted	2,597,979	2,599,714	2,601,283

See notes to consolidated financial statements.

Investors Title Company and Subsidiaries

Consolidated Statements of Stockholders' Equity

for the Years Ended December 31, 2002, 2001 and 2000	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income (Net Unrealized Gain on Investments)	Total Stockholders' Equity
Balance,					
January 1, 2000	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 ($.12 per share)			(342,689)		(342,689)
Purchases of 50,561 shares of common stock (net of distributions)	(50,561)		(759,004)		(759,004)
Net unrealized gain on investments				174,814	174,814
Balance,					
December 31, 2001	2,516,298	1	41,928,575	2,343,192	44,271,768
Net income			8,108,842		8,108,842
Dividends ($.12 per share)			(300,557)		(300,557)
Purchases of 494 shares of common stock (net of distributions)	(494)		(123,816)		(123,816)
Net unrealized gain on investments				711,947	711,947
Balance,					
December 31, 2002	2,515,804	$1	$49,613,044	$3,055,139	$52,668,184

See notes to consolidated financial statements.

Investors Title Company and Subsidiaries

Consolidated Statements of Comprehensive Income

for the Years Ended December 31,	2002	2001	2000
Net income	$8,108,842	$6,008,998	$3,140,463
Other comprehensive income, before tax:			
Unrealized gains on investments arising during the year	1,358,009	276,642	1,586,411
Less: reclassification adjustment for gains realized in net income	(279,301)	(11,773)	(104,211)
Other comprehensive income, before tax	1,078,708	264,869	1,482,200
Income tax expense related to unrealized gains on investments arising during the year	461,723	94,058	539,380
Income tax expense related to reclassification adjustment for gains realized in net income	(94,962)	(4,003)	(35,432)
Net income tax expense on other comprehensive income	366,761	90,055	503,948
Other comprehensive income	711,947	174,814	978,252
Comprehensive income	$8,820,789	$6,183,812	$4,118,715

See notes to consolidated financial statements.

Investors Title Company and Subsidiaries

Consolidated Statements of Cash Flows

for the Years Ended December 31,	2002	2001	2000
Operating Activities			
Net income	$ 8,108,842	$ 6,008,998	$ 3,140,463
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	961,872	1,412,023	794,689
Amortization (accretion), net	25,022	1,818	(1,312)
Provision (benefit) for losses on premiums receivable	395,000	680,000	(50,000)
Net gain on disposals of property	(15,485)	(22,263)	(4,523)
Net realized gain on sales of investments	(279,301)	(11,773)	(104,211)
Provision (benefit) for deferred income taxes	(906,000)	(483,921)	149,987
Provision for claims	6,871,822	6,786,263	5,865,355
Payments of claims, net of recoveries	(2,701,822)	(3,270,928)	(3,785,355)
Changes in assets and liabilities:			
(Increase) decrease in receivables and other assets	(2,020,403)	(4,699,594)	50,734
Increase in accounts payable and accrued liabilities	1,080,770	1,782,061	357,098
Increase in commissions and reinsurance payables	119,079	59,213	14,143
Increase (decrease) in premium taxes payable	(98,083)	367,055	(20,618)
Increase in current income taxes payable	749,264	114,752	729,506
Net cash provided by operating activities	12,290,577	8,723,704	7,135,956
Investing Activities			
Purchases of available-for-sale securities	(18,534,327)	(11,194,289)	(7,899,367)
Purchases of held-to-maturity securities	(365,796)	(600,000)	—
Purchases of other securities	(499,894)	—	—
Proceeds from sales of available-for-sale securities	7,987,511	2,555,417	3,347,164
Proceeds from sales of held-to-maturity securities	880,751	1,406,463	1,907,214
Purchases of property	(691,968)	(392,157)	(484,151)
Proceeds from disposals of property	69,551	65,168	33,825
Net cash used in investing activities	(11,154,172)	(8,159,398)	(3,095,315)
Financing Activities			
Repurchases of common stock, net	(303,146)	(792,666)	(2,103,947)
Exercise of options	179,330	33,662	15,830
Dividends paid	(300,557)	(342,689)	(342,689)
Net cash used in financing activities	(424,373)	(1,101,693)	(2,430,806)
Net Increase (Decrease) in Cash and Cash Equivalents	712,032	(537,387)	1,609,835
Cash and Cash Equivalents, Beginning of Year	3,069,929	3,607,316	1,997,481
Cash and Cash Equivalents, End of Year	$ 3,781,961	$ 3,069,929	$ 3,607,316
Supplemental Disclosures			
Cash Paid During the Year for			
Income Taxes (net of refunds)	$ 3,718,000	$ 3,101,000	$ 240,000

Noncash Financing Activities

Bonuses and fees totaling $56,757, $61,472 and $126,850 were paid for the twelve months ended December 31, 2002, 2001 and 2000, respectively, by issuance of the Company's common stock.

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies

Description of Business—Investors Title Company's (the "Company") two primary business segments are title insurance and exchange services. The Company's title insurance segment, through its two subsidiaries, Investors Title Insurance Company ("ITIC") and Northeast Investors Title Insurance Company ("NE-ITIC"), is licensed to insure titles to residential, institutional, commercial and industrial properties. The Company issues title insurance policies through approved attorneys from underwriting offices in North Carolina and South Carolina, and primarily through independent issuing agents in the District of Columbia, Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Nebraska, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, West Virginia and Wisconsin. The majority of the Company's business is concentrated in Michigan, New York, North Carolina, Pennsylvania, South Carolina, Tennessee and Virginia. Investors Title Exchange Corporation ("ITEC") acts as an intermediary in tax-free exchanges of property held for productive use in a trade or business or for investments, while Investors Title Accommodation Corporation ("ITAC") serves as an exchange accommodation titleholder, offering a vehicle for accomplishing a reverse exchange when a taxpayer must acquire replacement property before selling the relinquished property. ITEC's and ITAC's income is derived from fees for handling exchange transactions.

Principles of Consolidation and Basis of Presentation—The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Significant Accounting Policies—The significant accounting policies of the Company are summarized below:

Cash and Cash Equivalents

For the purpose of presentation in the Company's statements of cash flows, cash equivalents are highly liquid investments with original maturities of three months or less. The carrying amount of cash and cash equivalents is a reasonable estimate of fair value due to the short-term maturity of these investments.

Investments in Securities

Securities for which the Company has the intent and ability to hold to maturity are classified as held-to-maturity and reported at cost, adjusted for amortization of premiums or accretion of discounts and other-than-temporary declines in fair value. Securities held principally for resale in the near term are classified as trading securities and recorded at fair values. Realized and unrealized gains and losses on trading securities are included in other income. Securities not classified as either trading or held-to-maturity are classified as available-for-sale and reported at fair value, adjusted for other-than-temporary declines in fair value, with unrealized gains and losses reported as accumulated other comprehensive income. Fair values of all investments are based on quoted market prices. Realized gains and losses are determined on the specific identification method. Other investments consist primarily of investments in affiliates, which are accounted for under the equity or cost method of accounting.

Property Acquired in Settlement of Claims

Property acquired in settlement of claims is carried at estimated realizable value. Adjustments to reported estimated realizable values and realized gains or losses on dispositions are recorded as increases or decreases in claim costs.

Property and Equipment

Property and equipment are recorded at cost and are depreciated principally under the straight-line method over the estimated useful lives (3 to 25 years) of the respective assets. During 2001, the Company changed the estimated useful life of EDP equipment from 5 to 3 years. This accounting estimate change had an effect of decreasing net income for the year by approximately $291,600. Maintenance and repairs are charged to operating expenses and improvements are capitalized.

Reserves for Claims

The total reserve for all reported and unreported losses the Company incurred through December 31, 2002, is represented by the reserve for claims. The Company's reserves for unpaid losses and loss adjustment expenses are established using estimated amounts required to settle claims for which notice has been received (reported) and the amount estimated to be required to satisfy incurred claims of policyholders which may be reported in the future. Despite the variability of such estimates, management believes that the reserves are adequate to cover claim losses which might result from pending and future claims. The Company continually reviews and adjusts its reserve estimates to reflect its loss experience and any new information that becomes available.

Claims and losses paid are charged to the reserves for claims. Although claims losses are typically paid in cash, occasionally claims are settled by purchasing the interest of the insured or the claimant in the real property. When this event occurs, the acquiring company carries assets at the lower of cost or estimated realizable value, net of any indebtedness on the property.

Deferred Income Taxes

The Company provides for deferred income taxes (benefits) on temporary differences between the financial statements' carrying values and the tax bases of assets and liabilities.

Premiums Written and Commissions to Agents

Premiums are recorded and policies or commitments are issued upon receipt of final certificates or preliminary reports with respect to titles. Title insurance commissions earned by the Company's agents are recognized as expense concurrently with premium recognition.

Stock Option Disclosure

The Company has adopted Employee Stock Option Purchase Plans (the "Plans") under which options to purchase shares (not to exceed 650,000 shares) of the Company's stock may be granted to key employees of the Company at a price not less than the market value on the date of grant. All options are exercisable at 10% to 20% per year beginning on the date of grant or one year from the date of grant and generally expire in five to ten years. The Company applies the intrinsic value method of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees,* and related Interpretations in accounting for its employee stock option plans and, accordingly, no compensation cost has been recognized.

Had compensation cost for the Plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of Financial Accounting Standards Board Statement No. 123, *Accounting for Stock-Based Compensation*, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	2002	2001	2000
Net income:			
As reported	$ 8,108,842	$ 6,008,998	$ 3,140,463
Pro forma	7,983,301	5,881,756	3,041,875
Basic earnings per common share:			
As reported	$ 3.22	$ 2.35	$ 1.21
Pro forma	3.17	2.30	1.17
Diluted earnings per common share:			
As reported	$ 3.12	$ 2.31	$ 1.21
Pro forma	3.07	2.26	1.17

Comprehensive Income

The Company's other comprehensive income is solely comprised of its unrealized holding gains on available-for-sale securities.

Escrows and Trust Deposits

As a service to its customers, the Company, through ITIC, administers escrow and trust deposits representing earnest money received under real estate contracts, undisbursed amounts received for settlement of mortgage loans and indemnities against specific title risks. In administering tax-free exchanges, ITEC serves as a qualified intermediary for exchanges, holding the net sales proceeds from relinquished property to be used for purchase of replacement property. ITAC serves as exchange accommodation titleholder and holds property for exchangers in reverse exchange transactions. Cash and other assets held by the Company for these purposes were approximately $63,642,000 and $67,713,000 as of December 31, 2002 and 2001, respectively. These amounts are not considered assets of the Company and, therefore, are excluded from the accompanying consolidated balance sheets.

Recently Issued and Pending Accounting Standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company adopted SFAS 133 on January 1, 2001. Adoption of SFAS 133 did not have any impact on the Company's financial statements.

In July 2001, the FASB issued SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 141 requires the use of the purchase method of accounting for all business acquisitions initiated after June 30, 2001, and the use of the pooling-of-interest method is no longer allowed. Under SFAS No. 142, goodwill and intangible assets deemed to have infinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statement. Other intangible assets will continue to be amortized over their useful lives and reviewed for impairment in accordance with SFAS No. 121, *Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS No. 142 on January 1, 2002. Adoption of SFAS No. 142 did not have any impact on the Company's financial statements.

In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supercedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS No. 144 on January 1, 2002. Adoption of SFAS No. 144 did not have any impact on the Company's financial statements.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses accounting and reporting for costs associated with exit or disposal activities. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect the adoption of this statement to have a material effect on its financial statements.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure—an Amendment of FASB Statement No. 123.* This Statement amends SFAS No. 123, *Accounting for Stock-Based Compensation,* to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This Statement requires that companies having a year end after December 15, 2002, follow the prescribed format and provide the additional disclosures in their annual reports. Adoption of SFAS No. 148 did not have a material impact on the Company's financial statements.

FASB Interpretation No. 45, *Guarantor's Accounting and Disclosures Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others* became effective on December 31, 2002. This Interpretation addresses the disclosure requirements for guarantees and indemnification agreements entered into by the entity. The implementation of this pronouncement did not have any effect on the Company's financial statements.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain 2001 and 2000 amounts have been reclassified to conform with 2002 classifications.

2. Statutory Restrictions on Consolidated Stockholders' Equity and Investments

The Company has designated approximately $25,467,000 and $21,948,000 of retained earnings as of December 31, 2002 and 2001, respectively, as appropriated to reflect the required statutory premium reserve. See Note 8 for the tax treatment of the statutory premium reserve.

As of December 31, 2002 and 2001, approximately $46,730,000 and $41,670,000, respectively, of consolidated stockholders' equity represents net assets of the Company's subsidiaries that cannot be transferred in the form of dividends, loans or advances to the parent company under statutory regulations without prior insurance department approval.

Bonds and certificates of deposit totaling approximately $3,420,000 and $3,170,000 at December 31, 2002 and 2001, respectively, are deposited with the insurance departments of the states in which business is conducted. These investments are restricted as to withdrawal as required by law.

The National Association of Insurance Commissioners has established new statutory accounting practices, which became effective January 1, 2001, subject to adoption by the various state insurance departments. Adoption of the new practices, as amended by state insurance departments, resulted in an adjustment that increased surplus $1,000,000 as of January 1, 2001. The increase in surplus related to deferred tax assets.

3. Investments in Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2002				
Fixed maturities—				
Held-to-maturity, at amortized cost:				
Certificates of deposit	$ 1,035,924	$ —	$ —	$ 1,035,924
Obligations of states and political subdivisions	3,359,157	184,417	2,429	3,541,145
Total	$ 4,395,081	$ 184,417	$ 2,429	$ 4,577,069
Fixed maturities—				
Available-for-sale, at fair value:				
Obligations of states and political subdivisions	$25,895,959	$1,879,795	$ —	$27,775,754
Corporate debt securities	13,975,517	1,258,136	—	15,233,653
Other	9,482,241	—	—	9,482,241
Total	$49,353,717	$3,137,931	$ —	$52,491,648
Equity securities, at fair value—				
Common stocks and nonredeemable preferred stocks	$ 6,393,289	$1,665,624	$173,985	$ 7,884,928
December 31, 2001				
Fixed maturities—				
Held-to-maturity, at amortized cost:				
Certificates of deposit	$ 670,126	$ —	$ —	$ 670,126
Obligations of states and political subdivisions	4,236,940	120,282	17,111	4,340,111
Total	$ 4,907,066	$ 120,282	$ 17,111	$ 5,010,237
Fixed maturities—				
Available-for-sale, at fair value:				
Obligations of states and political subdivisions	$24,302,114	$ 722,428	$ 46,938	$24,977,604
Corporate debt securities	14,816,885	669,510	25,609	15,460,786
Other	2,627,796	—	—	2,627,796
Total	$41,746,795	$1,391,938	$ 72,547	$43,066,186
Equity securities, at fair value—				
Common stocks and nonredeemable preferred stocks	$ 3,202,085	$2,335,603	$104,131	$ 5,433,557

The scheduled maturities of fixed maturities at December 31, 2002 are as follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$11,090,185	$11,121,498	$1,095,764	$1,096,778
Due after one year through five years	12,403,845	13,317,270	348,664	349,274
Due after five years through ten years	17,597,015	19,232,314	1,080,938	1,146,005
Due after ten years	8,262,672	8,820,566	1,869,715	1,985,012
Total	$49,353,717	$52,491,648	$4,395,081	$4,577,069

Earnings on investments and net realized gains for the years ended December 31 are as follows:

	2002	2001	2000
Fixed maturities	$2,397,307	$2,235,401	$1,838,463
Equity securities	225,913	160,493	174,757
Invested cash and other short-term investments	166,298	293,729	497,653
Miscellaneous interest	17,290	50,657	17,270
Net realized gain	279,301	11,773	104,211
Investment income	$3,086,109	$2,752,053	$2,632,354

Gross realized gains and losses on sales of available-for-sale securities for the years ended December 31 are summarized as follows:

	2002	2001	2000
Gross realized gains:			
Obligations of states and political subdivisions	$ 5,909	$ 323	$ 280
Debt securities of domestic corporations	6,820	—	—
Common stocks and nonredeemable preferred stocks	405,449	79,766	501,942
Total	418,178	80,089	502,222
Gross realized losses:			
Obligations of states and political subdivisions	(7,672)	(155)	(147,659)
Common stocks and nonredeemable preferred stocks	(131,205)	(68,161)	(250,352)
Total	(138,877)	(68,316)	(398,011)
Net realized gain	$ 279,301	$ 11,773	$ 104,211

4. Property and Equipment

Property and equipment and estimated useful lives at December 31 are summarized as follows:

	2002	2001
Land	$ 1,107,582	$ 1,107,582
Title plant	200,000	—
Office buildings and improvements (25 years)	1,625,544	1,617,387
Furniture, fixtures and equipment (3 to 10 years)	5,205,145	4,860,555
Automobiles (3 years)	399,169	468,201
Total	8,537,440	8,053,725
Less accumulated depreciation	(4,427,555)	(3,619,870)
Property and equipment, net	$ 4,109,885	$ 4,433,855

5. Reinsurance

The Company assumes and cedes reinsurance with other insurance companies in the normal course of business. Premiums assumed and ceded were approximately $21,000 and $348,000, respectively, for 2002, $21,000 and $340,000, respectively, for 2001, and $32,000 and $363,000, respectively, for 2000. Ceded reinsurance is comprised of excess of loss treaties, which protects against losses over certain amounts. The Company remains liable to the insured for claims under ceded insurance policies in the event that the assuming insurance companies are unable to meet their obligations under these contracts.

6. Reserves for Claims

Changes in the reserves for claims for the years ended December 31 are summarized as follows based on the year in which the policies were written:

	2002	2001	2000
Balance, beginning of year	$21,460,000	$17,944,665	$15,864,665
Provision related to:			
Current year	9,714,121	7,056,008	5,832,040
Prior years	(2,842,299)	(269,745)	33,315
Total provision charged to operations	6,871,822	6,786,263	5,865,355
Claims paid, net of recoveries, related to:			
Current year	(395,688)	(241,263)	(413,129)
Prior years	(2,306,134)	(3,029,665)	(3,372,226)
Total claims paid, net of recoveries	(2,701,822)	(3,270,928)	(3,785,355)
Balance, end of year	$25,630,000	$21,460,000	$17,944,665

In management's opinion, the reserves are adequate to cover claim losses which might result from pending and possible claims.

7. Common Stock and Stock Options

The Company has adopted Employee Stock Option Purchase Plans (the "Plans") under which options to purchase shares (not to exceed 650,000 shares) of the Company's stock may be granted to key employees of the Company at a price not less than the market value on the date of grant. All options are exercisable at 10% to 20% per year beginning on the date of grant or one year from the date of grant and generally expire in five to ten years. The Company applies Accounting Principles Board Opinion No. 25 and related Interpretations in accounting for its plans and, accordingly, no compensation cost has been recognized. Had compensation cost for the Plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of Financial Accounting Standards Board Statement No. 123, *Accounting for Stock-Based Compensation*, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	2002	2001	2000
Net income:			
As reported	$ 8,108,842	$ 6,008,998	$ 3,140,463
Pro forma	7,983,301	5,881,756	3,041,875
Basic earnings per common share:			
As reported	$ 3.22	$ 2.35	$ 1.21
Pro forma	3.17	2.30	1.17
Diluted earnings per common share:			
As reported	$ 3.12	$ 2.31	$ 1.21
Pro forma	3.07	2.26	1.17

The estimated weighted average grant-date fair value of options granted for the years ended December 31 are as follows:

	2002	2001	2000
Exercise price equal to market price on date of grant:			
Weighted average exercise price	$19.40	$14.91	$12.07
Weighted average grant-date fair value	8.83	7.19	5.85

There are no stock options granted where the exercise price is greater than the market price on the date of grant.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2002, 2001 and 2000, respectively: dividend yield of .6%, .8% and .6%; expected volatility of 32%, 33% and 34%; risk-free interest rates of approximately 3.9%, 5% and 5.5%; and expected lives of 5 to 10 years. A summary of the status of the Company's plans as of December 31 and changes during the years ended on those dates is presented below:

	2002		2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	291,835	$15.08	279,080	$15.05	82,320	$22.74
Granted	28,650	19.40	31,300	14.91	212,500	12.07
Exercised	(15,604)	11.49	(3,150)	10.53	(2,060)	7.60
Terminated	(6,140)	15.04	(15,395)	15.27	(13,680)	16.29
Outstanding at end of year	298,741	$15.68	291,835	$15.08	279,080	$15.05
Options exercisable at year-end	145,156	$15.22	126,145	$14.81	108,744	$14.89

The following table summarizes information about fixed stock options outstanding at December 31, 2002:

	Options Outstanding at Year-End			Options Exercisable at Year-End	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$10.00–$12.00	87,965	5	$11.13	35,960	$11.12
13.06– 15.58	126,800	4	13.40	80,160	13.18
16.25– 19.35	17,740	9	18.35	2,215	18.07
20.00– 22.75	24,396	8	20.52	5,926	20.91
25.50– 29.15	41,840	5	28.21	20,895	28.21
$10.00–$29.15	298,741	5	$15.68	145,156	$15.22

The employee stock options are considered outstanding for the diluted earnings per common share calculation. The total increase in the weighted average shares outstanding related to these equivalent shares was 80,651, 45,510 and 6,392 for 2002, 2001 and 2000, respectively.

Options to purchase 69,386, 57,626 and 174,880 shares of common stock were outstanding during 2002, 2001 and 2000, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares.

8. Income Taxes

The components of income tax expense for the years ended December 31 are summarized as follows:

	2002	2001	2000
Current:			
Federal	$4,425,000	$2,993,500	$ 889,038
State	41,000	61,500	79,037
Total	4,466,000	3,055,000	968,075
Deferred expense (benefit)	(906,000)	(325,000)	151,925
Total	$3,560,000	$2,730,000	$1,120,000

For state income tax purposes, ITIC and NE-ITIC must pay only a gross premium tax.

At December 31, the approximate effect on each component of deferred income taxes and liabilities is summarized as follows:

	2002	2001
Deferred income tax assets:		
Recorded reserves for claims net of statutory premium reserves	$1,622,992	$1,027,881
Accrued vacation	246,911	203,181
Reinsurance and commissions payable	64,497	23,681
Bad debt reserve	612,000	477,700
Other	134,338	8,000
Total	2,680,738	1,740,443
Deferred income tax liabilities:		
Net unrealized gain on investments	1,574,431	1,207,670
Excess of tax over book depreciation	152,739	142,089
Discount accretion on tax-exempt obligations	33,849	35,661
Other	26,456	999
Total	1,787,475	1,386,419
Net deferred income tax assets	$ 893,263	$ 354,024

A reconciliation of income tax as computed for the years ended December 31 at the U.S. federal statutory income tax rate (34%) to income tax expense follows:

	2002	2001	2000
Anticipated income tax expense	$3,967,406	$2,971,259	$1,448,557
Increase (reduction) related to:			
State income taxes, net of the federal income tax benefit	25,740	47,413	48,408
Tax exempt interest income (net of amortization)	(461,300)	(466,408)	(466,041)
Other, net	28,154	177,736	89,076
Provision for income taxes	$3,560,000	$2,730,000	$1,120,000

9. Leases

The Company leases certain office facilities and equipment under operating leases. Rent expense totaled approximately $643,000, $575,000 and $584,000 in 2002, 2001 and 2000, respectively. The future minimum lease payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2002 are summarized as follows:

Year End:	
2003	$464,328
2004	261,285
2005	123,383
Total	$848,996

10. Employee Benefit Plan

After three years of service, employees are eligible to participate in a Simplified Employee Pension Plan. Contributions, which are made at the discretion of the Company, are based on the employee's salary, but in no case will such contribution exceed $40,000 annually per employee. All contributions are deposited in Individual Retirement Accounts for participants. Contributions under the plan were approximately $475,000, $416,000 and $393,000 for 2002, 2001 and 2000, respectively.

11. Commitments and Contingencies

The Company and its subsidiaries are involved in various routine legal proceedings that are incidental to their business. All of these proceedings arose in the ordinary course of business and, in the Company's opinion, any potential liability of the Company or its subsidiaries with respect to these legal proceedings will not, in the aggregate, be material to the Company's consolidated financial condition or operations.

12. Statutory Accounting

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

Stockholders' equity on a statutory basis was $44,597,876 and $36,750,825 as of December 31, 2002 and 2001, respectively. Net income on a statutory basis was $8,466,841, $5,348,071 and $3,911,764 for the twelve months ended December 31, 2002, 2001 and 2000, respectively. The Company's subsidiaries complied with all applicable state insurance department requirements at December 31, 2002.

13. Segment Information

The Company's operations include two reportable segments: title insurance services and tax-free exchange services.

The title insurance segment issues title insurance policies through approved attorneys from underwriting offices and through independent issuing agents. Title insurance policies insure titles to residential, institutional, commercial and industrial properties.

The tax-free exchange segment acts as an intermediary in tax-free exchanges of property held for productive use in a trade or business or for investments and serves as exchange accommodation titleholder, holding property for exchangers in reverse exchange transactions. Revenues are derived from fees for handling exchange transactions.

Provided below is selected financial information about the company's operations by segment for the three years ended December 31, 2002, 2001 and 2000:

	Operating Revenues	Income Before Income Taxes	Provision for Income Taxes	Assets
2002				
Title insurance	$68,539,235	$11,035,961	$3,329,000	$77,427,725
Exchange services	947,426	512,154	195,000	386,419
All other	674,570	120,727	36,000	6,823,002
Consolidated total	$70,161,231	$11,668,842	$3,560,000	$84,637,146
2001				
Title insurance	$59,815,041	$ 7,779,494	$2,350,000	$64,928,091
Exchange services	1,018,353	600,787	230,000	367,848
All other	886,998	358,717	150,000	4,923,761
Consolidated total	$61,720,392	$ 8,738,998	$2,730,000	$70,219,700
2000				
Title insurance	$37,925,106	$ 3,115,950	$681,862	$55,299,670
Exchange services	1,046,178	838,326	323,405	724,020
All other	626,130	306,187	114,733	3,315,317
Consolidated total	$39,597,414	$ 4,260,463	$1,120,000	$59,339,007

14. Stockholders' Equity

On November 12, 2002, the Company's Board of Directors amended the Company's Articles of Incorporation, creating a series of Class A Junior Participating Preferred Stock (the "Class A Preferred Stock"). The number of shares constituting the Class A Preferred Stock is 100,000. The Class A Preferred Stock is senior to common stock in dividends or distributions of assets upon liquidations, dissolutions or winding up of the Company. Dividends on the Class A Preferred Stock are cumulative and accrue from the quarterly dividend payment date. Each share of Class A Preferred Stock entitles the holder thereof to 100 votes on all matters submitted to a vote of shareholders of the Company. These shares were reserved for issuance under the Shareholder Rights Plan (the "Plan"), which was adopted on November 21, 2002, by the Company's Board of Directors. Under the terms of the Plan, the Company's common stock acquired by a person or a group buying 15% or more of the Company's common stock would be diluted, except in transactions approved by the Board of Directors.

In connection with the Plan, the Company's Board of Directors declared a dividend distribution of one right (a "Right") for each outstanding share of the Company's common stock paid on December 16, 2002, to shareholders of record at the close of business on December 2, 2002. Each Right entitles the registered holder to purchase from the Company a unit (a "Unit") consisting of one one-hundredth of a share of Class A Preferred Stock at a purchase price of $80 per Unit. Under the Plan, the Rights detach and become exercisable upon the earlier of (1) 10 days following public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of the Company's common stock, or (2) 10 business days following the commencement of, or first public announcement of the intent of a person or group to commence, a tender offer or exchange offer that would result in a person or group beneficially owing 15% or more of such outstanding shares of the Company's common stock. The exercise price, the kind and the number of shares covered by each right are subject to adjustment upon the occurrence of certain events described in the Plan.

If the Company is acquired in a merger or consolidation in which the Company is not the surviving corporation, or the Company engages in a merger or consolidation in which the Company is the surviving corporation and the Company's common stock is changed or exchanged, or more than 50% of the Company's assets or earning power is sold or transferred, the Rights entitle a holder (other than the acquiring person or group) to buy, at the exercise price, stock of the acquiring company having a market value equal to twice the exercise price. Following an acquisition by such person or group of 50% or more of the outstanding common stock, the Company's Board of Directors may exchange the Rights (other than the Rights owned by such person or group), in whole or in part, at an exchange ratio of one share of the Company's common stock, or one one-hundredth of a share of Preferred Stock, per Right.

The Rights expire on November 11, 2012 and are redeemable upon action by the Board of Directors at a price of $0.01 per right at any time before they become exercisable. Until the Rights become exercisable, they are evidenced only by the common stock certificates and are transferred with and only with such certificates.

Report of Independent Auditors

Investors Title Company and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Investors Title Company (the "Company") and its subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Investors Title Company and its subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Raleigh, North Carolina
March 11, 2003

Corporate Information

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Investors Title Company
121 North Columbia Street (27514)
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Chapel Hill, North Carolina 27515-2687

Annual Meeting
May 21, 2003, 11:00 a.m.
Corporate Headquarters
121 North Columbia Street
Chapel Hill, North Carolina 27514

Form 10-K and Other Investor Information
A copy of the Company's Form 10-K as filed with the Securities and Exchange Commission can be obtained upon written request to the Corporate Secretary, P.O. Drawer 2687, Chapel Hill, North Carolina 27515-2687, or by e-mail request to investorrelations@invtitle.com.

Investors Title Company

Officers
J. Allen Fine
Chief Executive Officer

James A. Fine, Jr.
President, Treasurer

W. Morris Fine
Executive Vice President, Secretary

Elizabeth P. Bryan
Vice President, Assistant Secretary

L. Dawn Martin
Vice President, Assistant Secretary

Directors
J. Allen Fine
Chairman, Chief Executive Officer

James A. Fine, Jr.
President, Treasurer

W. Morris Fine
Executive Vice President, Secretary

David L. Francis
Retired

Loren B. Harrell, Jr.
President, SoftPro Corporation

William J. Kennedy III
Retired

H. Joe King, Jr.
Retired

James R. Morton
President, TransCarolina Corporation

Lillard H. Mount
Retired

A. Scott Parker III
President, Today's Home, Inc.

Common Stock Data
The Common Stock of the Company is traded under the symbol "ITIC" in the over-the-counter market and is quoted on the National Market System of the National Association of Securities Dealers Automated Quotation System ("NASDAQ"). The Company has approximately 1,500 shareholders of record, including shareholders whose shares are held in street name. The following table shows the high and low sales prices reported on the NASDAQ National Market System.

	2002		2001	
	High	Low	High	Low
First Quarter	$19.92	$15.24	$17.00	$13.75
Second Quarter	$20.90	$18.30	$16.00	$14.49
Third Quarter	$20.20	$17.60	$17.44	$12.01
Fourth Quarter	$22.96	$17.67	$17.00	$14.00

The Company paid cash dividends of $.03 per share in each of the four quarters during 2002 and 2001.

Market Makers
Davenport & Co. of Virginia
Goldman, Sachs & Co.
Knight Securities L.P.

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Investors Title Company

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