

## To Our Fellow Shareholders:

In 2016, Investors Title Company extended its long history of industry-leading financial performance, along the way setting new records for share price, revenue, profits, and book value. In our letter to shareholders last year, we noted that our stock price climbed to \$100 per share at the end of 2015. For much of 2016, our stock traded in record territory again and closed the year at \$158, representing a 58% increase in value in one year. Indeed, the Company's stock price has grown at a compound annual rate of 15% since January 1, 2000, and during that same time period, the Company has returned 37% of its net income to shareholders through a combination of dividends and share repurchases.

Long-term investments to expand our presence in targeted markets, coupled with the tailwind of a strengthening economy and a relatively healthy housing market, led to the third successive year of new record levels of revenue. In addition to growth in transaction volumes in 2016, the average revenue per transaction grew nearly 6% as a result of increases in real estate values, rate increases in certain markets, and a shift in mortgage lending toward higher-margin purchase business. We were pleased to see growth in the size of each of our core markets last year, and we are encouraged that the markets representing the majority of our business remain fundamentally strong.

This strong growth in revenue, combined with favorable claims experience and ongoing expense control activities, led to a record level of profits. Claims expense benefited again in 2016 from non-recurring adjustments resulting from favorable loss development in recent policy years, in addition to lower levels of claims activity. We believe the lower levels of claims activity are a reflection of the health of the overall market as well as our internal long-term efforts to manage claims risk. Net income for 2016 was up 56% from the prior year and 33% from the prior record set three years earlier. In addition to favorable operating results, our balance sheet continued to strengthen during 2016, setting new records for total assets and shareholders' equity – with no debt and a portfolio of assets that is highly liquid and highly tangible.

While we are very pleased with our results for 2016, we recognize the potential for cyclical changes in market conditions to impact our business. It is for this reason that we maintain a long-term focus on our mission of increasing shareholder value. We do this by staying true to core competencies that have differentiated us since our Company's inception forty-five years ago: emphasizing long-term, mutually beneficial relationships with like-minded business partners. We provide our clients with unmatched training and support, highly innovative business solutions, and local market knowledge – all delivered in a highly personal way that stresses the importance we place on the relationship and the inherent benefits of helping make our partners more successful in their businesses.

Our financial position distinguishes us among our peers and is critical for our continued leadership, providing our business partners and policyholders the highest level of confidence in the value of our insurance product. Furthermore, our strong balance sheet provides the flexibility to balance profitable growth with stakeholder protection during the ebbs and flows of the business cycle. Our financial strength is consistently recognized by rating agencies such as A.M. Best. As of this writing, no other company in the industry has an A.M. Best rating that is higher than ours.

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# Investors Title

INNOVATIVE BY INSTINCT

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Our capital strategy seeks to allocate capital to three primary objectives: to fund growth in existing businesses; to allow us to pursue targeted acquisitions that are compatible with our overall business strategy; and to provide a return to shareholders in the form of dividends and share repurchases. In keeping with our strategy, last year we acquired University Title Company, a well-established title agency with a fifty-year track record and the number one market position in the College Station, Texas, area. We are delighted to welcome the sixty-four talented professionals of University Title to the Investors Title team. Furthermore, we increased the Company's dividend payout ratio for the second time in as many years, reflecting our continued confidence in the Company's capital position and its ability to generate future positive cash flow.

As we move forward, we will continue to focus on our core competencies, building upon a formula that has proven successful not only for the past year, but over the span of the Company's history. With the enthusiasm and commitment of our employees, the foundation of a sound business strategy, an unsurpassed financial position, and the continued support of you, our fellow shareholders, we look forward to extending our winning record for many years to come.



**J. Allen Fine**  
Chairman, Chief Executive Officer



**James A. Fine, Jr.**  
President, Chief Financial Officer, Treasurer



**W. Morris Fine**  
Executive Vice President, Secretary

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### Cautionary Information about Forward-Looking Statements

*Certain statements contained herein may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, among others, statements about new software making our agents more efficient; management's intent to continue its disciplined approach toward maintaining our competitive advantages while using our superior capital position to prudently grow the business and its returns; and our strategy for capital allocation. These statements involve a number of risks and uncertainties that could cause actual results to differ materially from anticipated and historical results. Such risks and uncertainties include, without limitation: the cyclical demand for title insurance due to changes in the residential and commercial real estate markets; the occurrence of fraud, defalcation or misconduct; variances between actual claims experience and underwriting and reserving assumptions, including the limited predictive power of historical claims experience; declines in the performance of the Company's investments; government regulation; changes in the economy; the possible loss of agency relationships or significant reductions in agent-originated business; and other considerations set forth under the caption "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission, and in subsequent filings.*

