

# Investors Title

INNOVATIVE BY INSTINCT

April 12, 2019

## > To Our Fellow Shareholders:

In 2018, Investors Title Company delivered another year of superior results, extending a long history of industry-leading financial performance. Over the past five years, our shareholders have earned a total return that is more than 30% higher than the performance of both the Company's peer group and the Nasdaq composite index.

We continued to benefit in 2018 from strength in the overall economy. Although higher mortgage interest rates dampened the level of mortgage refinancing activity, real estate sales activity remained strong during the year, particularly in our core markets. In addition, the trend toward higher average real estate values continued in 2018. The net result of these factors for the Company was a small reduction in gross premiums written versus the prior year.

Notably, toward the end of 2018 and through the first quarter of this year, mortgage rates have trended downward, reversing a general trend toward higher rates that persisted for most of 2018. As of this writing, mortgage interest rates are approximately 17% below the recent peak levels reached in November 2018. Housing affordability, which is driven by interest rates, housing prices, and wage levels, remains high by historical standards and is further improved by the recent decline in mortgage rates.

Although net premiums written declined slightly in 2018, revenue from non-premium title-related and non-title services increased. Revenue was also impacted by a new accounting standard that requires unrealized changes in the market value of equity investments to be included in income. This accounting change resulted in a \$4.1 million reduction in recorded revenues and was the primary factor resulting in the reduction in pre-tax income versus the prior year.

Based on the operating progress achieved in recent years and the Company's financial results, the board of directors increased the quarterly cash dividend per share from 20 cents to 40 cents in 2017. In addition, the board declared a special dividend in each of the last two years: the first for \$2.40 per share in December 2017 and another for \$10.60 per share in December 2018. Through a combination of dividends and share repurchases, the Company has returned over half of its net income in the past five years to shareholders, resulting in a yield to shareholders that is among the highest of our peer companies over recent years. Our long-term capital allocation strategy provides flexibility over the course of the business cycle to declare special dividends and otherwise prioritize among shareholder payouts, capital expenditures, and acquisitions.

Notwithstanding the higher level of shareholder distributions over the previous two years, the strength of our balance sheet distinguishes us among peers. With no debt and a portfolio of highly liquid and highly tangible assets, our financial position is consistently recognized by rating agencies such as A.M. Best as being among the strongest in the industry. This recognition provides business partners and policyholders the highest level of confidence in the value of our insurance product.

We continue to invest in new technology and process improvements that make us more efficient and more competitive. In 2017, we successfully transitioned branch offices to a new production platform and, in 2018, began offering the platform to a number of agency partners. This new system provides a number of benefits and improvements including a reduction in the time and effort required to process title policies, more comprehensive reporting, and an enhanced ability to integrate with various business vendors who are partners in the loan closing process. The transition to this new system will be completed in 2019, resulting in the conclusion of a significant multi-year strategic initiative.

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Providing innovative business solutions to our business partners, such as this recent system enhancement, serves an important role in our long-term strategy. Since inception, we have endeavored to develop long-term and mutually beneficial relationships. We strive to consistently provide a superior service level to agents that includes a range of offerings such as technology input, expert underwriting advice, and a variety of business-specific educational offerings. This full complement of support helps agents to become more successful in their businesses and, in turn, forms the basis of enduring and prosperous long-term relationships.

We move into 2019 with optimism and an ongoing commitment to prudently and profitably grow the Company. The real estate market has experienced expansion of almost record duration, and a number of factors support continued growth, including emerging demand from younger homebuyers. We are confident that our long-term commitment to an unsurpassed level of client support uniquely positions us not only to grow our existing relationships but also to successfully engage with prospective new clients and agents. We recognize that our success is dependent on the talents and enthusiasm of our hardworking team of employees. We remain grateful to those employees for their dedication, to our business partners for their confidence in us, and to you, our fellow shareholders, for your continued support.



**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, 2018, as filed with the Securities and Exchange Commission, and in subsequent filings.*

