

Investors Title

INNOVATIVE BY INSTINCT

April 12, 2021

> To Our Fellow Shareholders:

In 2020, Investors Title Company delivered another year of superior financial performance, setting new Company records for revenues and net income. Total revenues increased at a rate nearly double that of the industry, while net profit margin reached record levels as a result of low claims and operating leverage afforded by higher volumes.

On the heels of a very strong economy in the prior year, 2020 began as a fairly normal year for the housing market. As the COVID-19 pandemic emerged, the economy quickly slipped into a recession while real estate activity levels dropped precipitously. In response to the economic shock, the Fed lowered policy rates and increased its purchase of mortgage-backed securities, which ultimately drove mortgage interest rates to record lows and freed up capital. In addition to sparking a surge in refinance activity, lower interest rates fueled strong demand for homes, particularly among first-time homebuyers. Even though home prices have climbed in response, demand has remained strong due to low interest rates that have served to keep housing affordability in check.

These factors, in addition to our efforts to expand market share, contributed significantly to revenue increases. Net premiums written increased 40.8% to \$205.4 million, a new Company record and our largest year-over-year increase ever. Relatively low levels of claims activity and operating leverage achieved by higher volumes resulted in a 25.3% increase in net income.

We are especially pleased to report such strong operating results when considering the multitude of unprecedented challenges 2020 brought us. Our employees met these challenges head-on with great creativity, commitment, and resilience, quickly leveraging our capabilities to handle a swift uptick in volumes, accommodating the various working arrangements of our partners and clients, and enabling us to do our jobs while maintaining social distancing protocols.

Based on the strong operating performance of 2020 and recent years, our confidence in the ability to sustain it, and the overall strong financial position of the Company, the board of directors declared a special dividend of \$15.00 per share in 2020. In each of the past four years, the board has declared a special dividend, totaling \$36.00 per share, and, over the same four years, increased the regular quarterly dividend from 20 cents to 44 cents. In total, through a combination of regular dividends, special dividends, and share repurchases, the Company has returned more than 72% of its operating cash flow to its shareholders over the past five years, resulting in a dividend yield that is among the highest of our peer group.

Returning capital to our shareholders is a key element of our capital allocation strategy. We strive to achieve a balance between an attractive shareholder return; financial flexibility appropriate for the various stages of the business cycle; ongoing targeted investments in our business; and superior financial protection for our policyholders.

Our exceptional financial strength is consistently recognized by rating agencies such as A.M. Best as being among the highest in the industry. Our strong balance sheet, with no debt and highly tangible assets, results in a very low level of underwriting leverage in comparison to peer companies. We believe this distinction is an important competitive strength, as it affords our business partners and policyholders a high level of confidence in the value of our insurance product.

In addition to an unwavering commitment to conservative financial management, our business strategy is based on cultivating mutually beneficial relationships that focus on success over the long term. We strive to help our business partners be more profitable by providing them with industry-leading technology solutions, expert underwriting advice, and relevant and timely educational offerings. In addition, we deliver this support in a manner that is carefully tailored to local market customs and practices, based on our in-depth knowledge of the markets we serve. By investing in our business partners' success, we, in turn, form enduring and prosperous long-term relationships that become the foundation of our success.



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Looking ahead to 2021 and beyond, the economic signals are mixed, but we remain optimistic about the prospects for the real estate industry. Although mortgage rates have begun to rise slightly from the lows of 2020 as vaccinations and stimulus spending are prompting economic activity, most forecasts keep rates below 4% for 2021. We believe these offsetting factors will likely support continued stability in overall housing affordability and will drive healthy increases both in the number of home sales and average real estate values for the coming year.

We are confident the Company is well positioned to benefit from this growth. For a variety of reasons, most of the core markets in which we operate are experiencing substantial population growth that is expected to continue for the foreseeable future. Moreover, population demographic trends suggest the number of first-time homebuyers entering the market will continue to increase in the coming years, further contributing to home purchase activity levels and price appreciation.

As we adapt to economic conditions today and in the future, we remain steadfast to the business model that has sustained us since the Company's inception, emphasizing industry-leading financial strength, unparalleled support, and the mutual long-term success of our business partners. We also remain grateful to our hardworking, talented, and enthusiastic employees for their dedication, to our business partners for the confidence they place 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, 2020, as filed with the Securities and Exchange Commission, and in subsequent filings.

