Investors Title

INNOVATIVE BY INSTINCT

April 12, 2024

To Our Fellow Shareholders:

In a challenging year for the real estate market, we focused on proactive steps to strengthen our company and were able to report relatively favorable financial performance. Market conditions remained daunting as interest rates rose to 20-year highs and the supply of available homes for sale remained low. These factors combined to push transaction volumes to lows not seen since the mid-1990s and were the primary reasons for the decline in our revenue. Despite these market-related headwinds, our company achieved an 11.7% pre-tax profit margin, made targeted investments to expand our geographic footprint, and leveraged technology to strengthen our competitive position.

The demand spurred during the COVID-19 era by shifts to remote work combined with the low inventory of homes for sale to drive real estate values to new highs. As the pandemic subsided, the Federal Reserve raised interest rates to curb inflation. The elevated cost to obtain mortgage financing and higher home prices combined to erode affordability. Additionally, many potential sellers have been reluctant to forgo low interest rates on their current mortgages. The net result was that mortgage originations declined last year to the lowest annual level in two decades, which, in turn, pushed title insurance transaction volume down.

The Company's total title insurance premiums declined 31.2% in 2023 but compared favorably to industry declines, generally due to the relative health of our core markets and the growth experienced from our recent expansion into markets such as Florida. This, combined with disciplined expense management, helped soften the impact of premium declines on earnings. In addition to the expenses that typically decline commensurate with volume, such as agent commissions, we implemented targeted reductions in almost all expense categories, including personnel-related costs, especially in geographic areas most affected by the market slowdown.

Other factors that helped mitigate premium declines included higher investment earnings and growth in revenue from non-title services such as like-kind exchange business. For the first time in many years, we were able to invest our investment portfolio at interest rates more in line with historical averages. Interest and dividend income increased 92.5% over the previous year. Higher interest-rate levels also favorably impacted revenue in our like-kind exchange subsidiary. Other non-title services, such as the wealth-management solutions offered by our Investors Trust Company subsidiary, which celebrates 20 years of operations in 2024, also performed well and contributed positively to revenues.

Claims expense increased 12% but, in general, remained in line with the trend of recent years. Title claims often experience an uptick with downturns in the real estate business cycle, but we have not observed a noticeable increase in this market. As in any year, we continue to maintain a robust program of proactive risk mitigation that includes education for both internal and external audiences designed to raise awareness of potential problems.

Disciplined loss prevention and expense management go hand in hand with maximizing internal efficiencies and delivering solutions that save time for business partners. In 2023, we continued to invest significantly in technology initiatives that simplify internal procedures, promote productivity, and meet the complex and evolving needs of diverse customer segments. We implemented new accounting, contract management, and human resources systems. We also launched an improved title insurance rate calculator, refreshed websites with new features such as mobile-device responsiveness, and enhanced our existing or introduced new customer-facing production and payment solutions. These investments optimize operations, strengthen existing relationships, and demonstrate our attractive value proposition to new customers, all of which reinforces our strong financial position and ability to return value to shareholders.

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For the seventh consecutive year, the board of directors declared a special dividend, which reflects our strong relative operational performance and balance sheet. This financial strength provides flexibility to continue to invest in our Company despite the occasional downturn in the real estate market. Our ongoing investments help support growth, strengthen our competitive position, and maintain the financial stability required to ensure policyholder protection. Our superior financial stability continues to be affirmed by rating agencies, such as AM Best, as being among the highest in the industry.

Looking ahead, we see signs that support an optimistic economic outlook: The economy has avoided slipping into recession thus far, employment remains strong, and the Fed has paused rate hikes. Knowing the exact timing of a future turn in the real estate market is impossible, but we are confident the discipline that has helped us navigate market cycles in the past will help us persevere through this one and be fully prepared to maximize opportunities at the onset of the next upturn. Conservative operating and investment principles, strategic and mutually beneficial relationships with partners, and dedication to outstanding service will continue to differentiate us.

We are grateful to our talented and passionate employees for their commitment to the foundational values that have propelled our company forward since its inception in 1972, our partners for their loyal support and their contribution to our mutual success, and you, our fellow shareholders, for your confidence in us and the Company's continued prosperity.

J. Allen Fine	James A. Fine, Jr.	W. Morris Fine
Chairman, Chief Executive Officer	President, Chief Financial Officer, Treasurer	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, 2023, as filed with the Securities and Exchange Commission, and in subsequent filings.