

STEWART INFORMATION SERVICES CORP
Form 10-K405
March 20, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-12688

STEWART INFORMATION SERVICES CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

74-1677330
(I.R.S. Employer
Identification No.)

1980 POST OAK BLVD., HOUSTON, TEXAS
(Address of principal executive offices)

77056
(Zip Code)

Registrant's telephone number, including area code: (713) 625-8100

Securities registered pursuant to Section 12(b) of the Act:

NONE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, \$1 PAR VALUE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained in this report, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of March 11, 2002, 16,751,240 shares of Common Stock, \$1 par value, and 1,050,012 shares of Class B Common Stock, \$1 par value, were outstanding. The aggregate market value as of such date of the Common Stock (based upon the closing sales price of the Common Stock of Stewart Information Services

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

Corporation, as reported by the NYSE on March 1, 2002) held by non-affiliates of the Registrant was approximately \$318,441,073.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement (the "Proxy Statement"), relating to the annual meeting of the Registrant's stockholders to be held April 26, 2002, are incorporated by reference in Parts III and IV of this document.

FORM 10-K

ANNUAL REPORT

YEAR ENDED DECEMBER 31, 2001

TABLE OF CONTENTS

PART I

ITEM NO. -----		PAGE -----
1.	Business	1
2.	Properties	4
3.	Legal Proceedings	5
4.	Submission of Matters to a Vote of Security Holders	5

PART II

5.	Market for Registrant's Common Equity and Related Stockholder Matters	6
6.	Selected Financial Data	7
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	7
7A.	Quantitative and Qualitative Disclosures About Market Risk ..	10
8.	Financial Statements and Supplementary Data	11
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	11

PART III

10.	Directors and Executive Officers of the Registrant	12
11.	Executive Compensation	12
12.	Security Ownership of Certain Beneficial Owners and Management	12
13.	Certain Relationships and Related Transactions	12

PART IV

14.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K	13
	Signatures	14

PART I

ITEM 1. BUSINESS

We are a Delaware corporation formed in 1970. We and our predecessors have been engaged in the title business since 1893.

Our primary business is title insurance. We issue policies through more than 5,800 issuing locations on homes and other real property located in all 50 states, the District of Columbia and several foreign countries. We also sell electronically delivered real estate services and information, as well as mapping products and geographic information systems, to domestic and foreign governments and private entities.

Our two segments of business are title and real estate information ("REI"). The segments significantly influence business to each other because of the nature of their operations and their common customers. The segments provide services through a network of offices, including both direct operations and agents, throughout the United States. The operations in the several international markets in which we do business are generally insignificant to consolidated results.

The financial information related to these segments is discussed in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and is incorporated in this report by reference.

TITLE

The title segment includes the functions of searching, examining, closing and insuring the condition of the title to real property.

Examination and closing. The purpose of a title examination is to ascertain the ownership of the property being transferred, what debts are owed on it and what the title policy coverage will be. This involves searching for and examining documents such as deeds, mortgages, wills, divorce decrees, court judgments, liens, paving assessments and tax records.

At the closing or "settlement", the seller executes a deed to the new owner. The buyer typically signs new mortgage documents. Closing funds are then disbursed to the seller, the prior mortgage company, real estate brokers, the title company and others. The documents are then recorded in the public records. A title policy is generally issued to both the lender and new owner.

Title policies. Lenders in the USA generally require title insurance as a condition to making a loan on real estate, including securitized lending. This is to assure lenders of the priority of their lien position. The purchasers of the property want the assurance given in their policy against claims that may arise against their ownership. The face amount of the policy is normally the purchase price or the amount of the related loan.

Title insurance is substantially different from other types of insurance. Fire, auto, health and life insurance protect against losses and events in the future. In contrast, title insurance seeks to eliminate most risks through the examination and settlement process.

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

Investments. We have established policies and procedures to manage our exposure to changes in the fair value of our investments. These policies include retaining an investment advisory firm, an emphasis on credit quality, management of portfolio duration, maintaining or increasing investment income through high coupon rates and actively managing profile and security mix depending on market conditions. All of our investments are classified as available-for-sale.

Losses. Losses on policies occur because of a title defect not discovered during the examination and settlement process. Other reasons for losses include forgeries, misrepresentations, unrecorded construction liens, the failure to pay off existing liens, mishandling of settlement funds, issuance by agents of unauthorized coverages and other legal issues.

Some claimants seek damages in excess of policy limits. Those claims are based on various legal theories usually alleging misrepresentation by an issuing office. Although we vigorously defend against spurious claims, we have from time to time incurred a loss in excess of policy limits.

Experience shows that most claims against policies and claim payments are made in the first six years after the policy has been issued, although claims may be made many years later. By their nature, claims are often complex, vary greatly in dollar amounts and are affected by economic and market conditions and the legal environment existing at the time of settlement of the claims. Estimating future title loss payments is difficult because of the complex nature of title claims, the long periods of time over which claims are paid, significantly varying dollar amounts of individual claims and other factors.

-1-

Our liability for estimated title losses comprises both known claims and losses expected to be reported in the future. The amount of our loss reserve represents the aggregate future payments, net of recoveries, that we expect to incur on policy losses and in costs to settle claims. Provisions are charged to income in the same year the related premium revenues are recognized. The amounts provided are based on reported claims, historical loss experience, title industry averages, current legal environment and types of policies written.

Amounts shown as our estimated liability for future loss payments are continually reviewed for reasonableness and adjusted as appropriate. Independent actuaries also review the adequacy of the liability amounts on an annual basis. In accordance with industry practice, the amounts have not been discounted to their present values.

Factors affecting revenues. Title revenues are closely related to the level of activity in the real estate market and the prices at which real estate sales are made. Real estate sales are directly affected by the availability and cost of money to finance purchases. Other factors include demand by buyers, consumer confidence and family incomes. These factors may override the seasonal nature of the title business. Generally, the third quarter is the most active in terms of real estate sales and the first quarter is the least active.

Selected information for the national real estate industry follows (2001 amounts are preliminary):

	2001	2000	1999
	-----	-----	-----
Housing starts - millions	1.60	1.57	1.64

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

Housing resales - millions	5.25	5.11	5.21
Housing resales - median sales price in \$ thousands	147.5	139.0	133.3

In addition, when interest rates decline, the number of refinancing transactions and associated revenues generally increase.

Customers. The primary sources of title business are attorneys, builders, developers, lenders and real estate brokers. No one customer was responsible for as much as ten percent of our title revenues in any of the last three years. Titles insured included residential and commercial properties, undeveloped acreage, farms and ranches.

Service, location, financial strength, size and related factors affect customer acceptance. Increasing market share is accomplished primarily by providing superior service. The parties to a closing are concerned with personal schedules and the interest and other costs associated with any delays in the settlement. The rates charged to customers are regulated to varying degrees by different states.

Financial strength and stability of the title underwriter are important factors in maintaining and increasing our agency network. Out of the nation's top four title insurers, we earned the highest ratings awarded by the title industry's leading rating companies. We received an A" from Demotech, Inc., an A+ from Fitch, an A+ from Lacle Financial and an A2 from Moodys.

Market share. Title insurance statistics are compiled annually by the title industry's national association. Based on unconsolidated statutory net premiums written for 2000 (2001 amounts are not yet available), Stewart Title Guaranty Company ("Guaranty") is one of the leading individual title insurers in America.

Our principal competitors include Fidelity National Financial, Inc., The First American Corporation and LandAmerica Financial Group, Inc. Like most title insurers, we also compete with abstractors, attorneys who issue title opinions and attorney-owned title insurance bar funds. We also compete with issuers of alternative title insurance products, which typically provide more limited coverage and less service for a smaller premium. A number of homebuilders, financial institutions, real estate brokers and others own or control title insurance agents, some of which issue policies underwritten by Guaranty. This "controlled" business also provides competition for our agents.

-2-

Title revenues by state. The approximate amounts and percentages of consolidated title revenues for the last three years were:

	Amounts (\$ millions)			Percentages		
	2001	2000	1999	2001	2000	1999
California	194	111	158	16	13	16
Texas	190	176	167	16	20	17
Florida	88	60	73	7	7	7
New York	78	67	73	7	8	7
All others	635	450	523	54	52	53

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

1,185	864	994	100	100	100
=====	=====	=====	=====	=====	=====

Offices. At December 31, 2001, we had 5,829 locations issuing policies, compared to 5,354 a year earlier and 4,789 two years earlier. Of these totals 5,373, 4,952 and 4,425 were independent agents at December 31, 2001, 2000 and 1999, respectively.

Regulations. Title insurance companies are subject to extensive state regulations covering rates, agent licensing, policy forms, trade practices, reserve requirements, investments and the flow of funds between an insurer and its parent or its subsidiaries and any similar related party transaction. Kickbacks and similar practices are prohibited by various state and federal laws.

REAL ESTATE INFORMATION

The real estate information segment primarily provides electronic delivery of data, products and services related to real estate transactions. Our services related to the mortgage origination process include title information and insurance, settlement services, flood zone determinations, property valuations, electronic mortgage documents, credit reports and tax services. We also provide document retrieval, preparation and recordation of assignments and lien releases, recordation services, collateral reviews and loan pool certifications. In addition, we provide diverse products and services related to I.R.C. Section 1031 tax-deferred exchanges; automated mapping projects and geodetic positioning; real estate database conversion, construction, maintenance, and access; office automation for government recording and registration; as well as criminal, credit and motor vehicle background checks and pre-employment screening services.

Factors affecting revenues. As in the title segment, REI revenues, particularly those generated by mortgage information services and tax-deferred exchanges, are also closely related to the level of activity in the real estate market. Revenues related to many services are generated on a project basis. Contracts for automating government recording and registration and mapping projects are often awarded through a lengthy bid process.

Our principal competitors vary across the wide range of services. In the mortgage-related products and services area, competitors include the major title underwriters mentioned in the Title section, as well as entities known as vendor management companies.

Customers. The primary sources of our REI business are residential mortgage lenders and servicers. Our timeliness and accuracy in providing services are critical to our customers. It directly affects the service they provide to their customer, primarily the borrower. Delays and errors directly impact the cost of originating or servicing the loan or the value of the loan asset. Our other customers include title agencies, county clerks and recorders, municipalities, real estate professionals and attorneys. Our financial strength, marketplace presence and reputation as a technology innovator are important factors in attracting new business.

GENERAL

Technology. Our automation products and services are increasing productivity in the title office and speeding the real estate closing process for lenders, real estate professionals and consumers. In the past, an order typically required several individuals to search the title, retrieve and review documents and finally create the actual commitment. Today, on a normal subdivision file, one person can receive the order electronically and, on the same screen, view the

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

prior file, examine the index of documents, retrieve and review electronically stored documents, prepare the commitment and deliver the product.

-3-

Trademarks. We have developed numerous automation products and processes which are crucial to both our title and REI segments. These systems automate most facets of the real estate transaction. Among these trademarked products and processes are AIM(R), E-Title(TM), Landata Title Office(R), Landata Title Plant(R), LANDSCAN(R), REI Mall(R), Single-Seat Technology(TM), SureClose(R), Titlelogix(TM) and Virtual Underwriter(R). We consider these trademarks, which are perpetual in duration, to be important in our business.

Employees. As of December 31, 2001, we and our subsidiaries employed 6,915 people. We consider our relationship with our employees to be good.

ITEM 2. PROPERTIES

We own or lease the following principal properties:

Location	Type	Use	Size
Houston, Texas	Leased office building	Executive office of the Registrant and Guaranty	250,077 sq. ft.
Houston, Texas	Leased office building	Office of Guaranty	52,000 sq. ft.
Houston, Texas	Leased office building	Office of Guaranty	41,361 sq. ft.
Los Angeles, California	Leased office building	Office of Guaranty	33,609 sq. ft.
Dallas, Texas	Leased office building	Office of Guaranty	25,921 sq. ft.
Riverside, California	Leased office building	Office of Guaranty	20,968 sq. ft.
San Antonio, Texas	Leased office building	Office of Guaranty	20,864 sq. ft.
Concord, California	Leased office building	Office of Guaranty	18,916 sq. ft.
Irvine, California	Leased office building	Office of Guaranty	15,502 sq. ft.
Galveston, Texas	Owned office building	Office of Guaranty	50,000 sq. ft.
Tucson, Arizona	Owned office building	Office of Guaranty	24,000 sq. ft.
Phoenix, Arizona	Owned office building	Office of Guaranty	24,459 sq. ft.
San Antonio, Texas	Owned office building	Office of Guaranty	26,769 sq. ft.
Phoenix, Arizona	Owned office building	Office of Guaranty	17,500 sq. ft.

(1) This lease terminates in 2016.

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

- (2) This lease terminates in 2006.
- (3) This lease terminates in 2007.
- (4) These leases terminate in 2004.
- (5) This lease terminates in 2009.
- (6) This lease terminates in 2003.
- (7) This lease terminates in 2005.

We lease offices at approximately 473 locations. The average term for all such leases is approximately five years. The leases expire from 2002 to 2016. We believe we will not have any difficulty obtaining renewals of leases as they expire or, alternatively, leasing comparable property. The aggregate annual rental expense under all leases was approximately \$37,181,000 in 2001.

We consider all buildings and equipment that we own or lease to be well maintained, adequately insured and generally sufficient for our purposes.

-4-

ITEM 3. LEGAL PROCEEDINGS

We are a party to a number of lawsuits incurred in connection with our business, most of which are of a routine nature involving disputed policy claims. In many of these suits, the plaintiff seeks exemplary or treble damages in excess of policy limits based on the alleged malfeasance of an issuing agent. We do not expect that any of these proceedings will have a material adverse effect on our consolidated financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

-5-

PART II

ITEM 5. MARKET FOR OUR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock is listed on the New York Stock Exchange (NYSE) under the symbol "STC". The following table sets forth the high and low sales prices of our Common Stock for each fiscal period indicated, as reported by NYSE.

	HIGH	LOW
	-----	-----
2001:		
First quarter	\$ 22.25	\$ 16.80
Second quarter	19.71	16.20
Third quarter	20.64	15.80
Fourth quarter	22.15	18.60
2000:		
First quarter	\$ 15.88	\$ 12.25
Second quarter	16.00	12.44
Third quarter	15.50	12.50

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

Fourth quarter 22.31 13.25

In March 2001, we filed a registration statement with the Securities and Exchange Commission to sell from time to time up to \$75 million of common stock. In August we issued 2.5 million shares at \$19 per share resulting in net proceeds of \$44.5 million, which are being used for acquisitions and to pay down bank debt.

We paid regular quarterly cash dividends on our Common Stock from 1972 through 1999. During 1999, our Board of Directors approved a plan to repurchase up to 5% (680,000 shares) of our outstanding Common Stock. The Board also determined that our regular quarterly dividend should be discontinued in favor of returning those and additional funds to stockholders through the stock repurchase plan. Under this plan, we repurchased 116,900 shares of Common Stock during 2000 and none in 2001. No cash dividends were paid during 2001 or 2000. Our Certificate of Incorporation provides that no cash dividends may be paid on the Class B Common Stock.

The number of shareholders of record as of December 31, 2001 was 3,101. As of March 1, 2002, the price of one share of our Common Stock was \$19.01.

-6-

ITEM 6. SELECTED FINANCIAL DATA (Ten year summary)

	2001	2000	1999	1998	1997	1996	1995
IN MILLIONS OF DOLLARS							
Total revenues	1,271.6	935.5	1,071.3	968.8	708.9	656.0	612.0
Title segment:							
Operating revenues	1,185.4	863.9	993.7	899.7	657.3	609.4	565.0
Investment income	19.9	19.1	18.2	18.5	15.9	14.5	13.0
Investment gains (losses) ..	0.4	0	0.3	0.2	0.4	0.1	0.1
Total revenues	1,205.7	883.0	1,012.2	918.4	673.6	624.0	578.1
Pretax earnings	75.2	5.6	43.6	73.2	29.2	22.5	18.0
REI segment: (1)							
Revenues	65.9	52.5	59.0	50.4	35.3	32.0	28.0
Pretax earnings (losses) ...	5.4	(4.4)	3.0	3.1	(5.5)	0.4	0.0
Title loss provisions	51.5	39.0	44.2	39.2	29.8	33.8	30.0
% of title operating revenues..	4.3	4.5	4.4	4.4	4.5	5.6	4.8
Goodwill expense	3.0	1.8	1.7	1.2	1.0	0.9	0.8
Net earnings	48.7	0.6	28.4	47.0	15.3	14.4	12.0
Cash flow from operations	108.2	31.9	57.9	86.5	36.0	38.3	35.0
Total assets	677.9	563.4	535.7	498.5	417.7	383.4	350.0
Long-term debt	7.0	15.4	6.0	8.9	11.4	7.9	7.0
Stockholders' equity (2)	394.5	295.1	284.9	260.4	209.5	191.0	173.0

PER SHARE DATA (3)

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

Average shares - diluted						
(in millions)	16.3	15.0	14.6	14.2	13.8	13.5
Net earnings - basic	3.01	0.04	1.96	3.37	1.12	1.08
Net earnings - diluted	2.98	0.04	1.95	3.32	1.11	1.07
Stockholders' equity (2)	22.16	19.61	19.39	18.43	15.17	14.17
Market price:						
High	22.25	22.31	31.38	33.88	14.63	11.32
Low	15.80	12.25	10.25	14.25	9.38	9.82
Year end	19.75	22.19	13.31	29.00	14.50	10.38

- (1) Prior to 1995, segment operations for real estate information services were not reported separately from title operations and were less significant.
- (2) Includes unrealized gains and losses upon adoption of FAS 115 in 1993.
- (3) Restated for two-for-one stock split in May 1999 and a three-for-two stock split in April 1994, effected as stock dividends.

ITEM 7. MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL. Our primary business is title insurance. We close transactions and issue policies on homes and other real property located in all 50 states, the District of Columbia and several foreign countries through more than 5,800 issuing locations. We also sell electronically delivered real estate services and information, as well as mapping products and geographic information systems, to domestic and foreign governments and private entities.

-7-

Our business has two main segments: title insurance and real estate information, or REI. These segments are closely related due to the nature of their operations and common customers. The segments provide services throughout the United States through a network of offices, including both direct operations and agents. Although we conduct operations in several international markets, at current levels they are generally immaterial with respect to our consolidated financial results.

Generally, the principal factors that contribute to increases in our operating revenues for our title and REI segments include:

- o declining mortgage interest rates, which usually increase home sales and refinancing transactions;
- o rising home prices;
- o higher premium rates;
- o increased market share; o additional revenues from our new offices; and
- o increased revenues from our commercial transactions. Large commercial transactions, although relatively few in number, typically yield higher premiums.

CRITICAL ACCOUNTING POLICIES. We believe the accounting policies that are the most critical to our financial statements, and that are subject to the most judgment, are those relating to title loss reserves, premium revenue recognition and recoverability of long-lived assets, such as goodwill and title plants. See

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

Note 1 to the consolidated financial statements for details.

RESULTS OF OPERATIONS

A comparison of the results of operations of the Company for 2001 with 2000 and 2000 with 1999 follows.

OPERATING ENVIRONMENT. According to published industry data, interest rates for 30-year fixed mortgages, excluding points, for the year 2001 averaged 7.0% as compared to 8.1% in 2000. Rates averaged 7.4% in 1999.

The rates in the first half of 1999 were rather steady at slightly above or below the 7% mark. In June, they began a decided move upward. At year-end 1999, rates were just over 8%. In 2000, the upward trend continued, with rates reaching a peak of 8.5% in May. Rates then declined for seven consecutive months. In 2001, rates held steady at close to 7% for most of the year.

Operating in these mortgage interest rate environments and in good general economies, real estate activity was strong in 2001 and weak in 2000. Nationwide, refinancing transactions increased significantly in 2001. The ratio of refinancings to total loan applications was 56.0% for 2001, 20.0% for 2000 and 30.6% for 1999. Existing home sales increased 2.7% in 2001 over 2000, while decreasing 1.8% in 2000 from 1999.

TITLE REVENUES. Our revenues from premiums, fees and other revenues increased 37.2% in 2001 over 2000 while decreasing 13.1% in 2000 from 1999.

Revenues from direct business increased 41.8% in 2001 while decreasing 0.3% in 2000. The number of direct closings we handled increased 55.7% in 2001 while decreasing 7.4% in 2000. The average revenue per closing decreased 9.2% in 2001 due to the large number of refinancings with their lower premiums but increased 9.0% in 2000 because of higher home prices, increased commercial transactions and fewer refinancings as compared to 1999. There were no major revenue rate changes in 2001, 2000 or 1999.

Premiums from agents increased 33.8% to \$661.9 million in 2001 while decreasing 20.6% to \$494.6 million in 2000 from \$623.3 million in 1999. The increase in 2001 was primarily due to the increase in refinancings and regular transactions. The largest increases were in California, Florida, Pennsylvania and New York. The decrease in 2000 resulted primarily from declining refinancings and regular transactions handled by agents nationwide. While premiums in nearly all states declined in 2000, the largest decreases were in California, Utah, Florida and Oregon.

Other revenues in 2000 included \$1.6 million in losses in an equity investee startup operation. In 1999 other revenues included a \$1.3 million pretax gain resulting from a settlement of a lawsuit and a related sale of an equity ownership in a title agency.

-8-

TITLE REVENUES BY STATE. The approximate amounts and percentages of consolidated title revenues for the last three years were:

Amounts (\$ millions)			Percentages		
2001	2000	1999	2001	2000	1999

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

	-----	-----	-----	-----	-----	-----
California	194	111	158	16	13	16
Texas	190	176	167	16	20	17
Florida	88	60	73	7	7	7
New York	78	67	73	7	8	7
All others	635	450	523	54	52	53
	-----	-----	-----	-----	-----	-----
	1,185	864	994	100	100	100
	=====	=====	=====	=====	=====	=====

REI REVENUES. Real estate information revenues were \$65.9 million in 2001, \$52.5 million in 2000 and \$59.0 million in 1999. The increase in 2001 resulted primarily from providing an increased number of post-closing services, flood determinations and electronic mortgage documents resulting from the large volume of real estate transactions. The decrease in 2000 resulted primarily from decreased real estate transactions and fewer ongoing mapping and title plant projects.

INVESTMENTS. Investment income increased 4.3% in 2001 primarily because of increases in average balances invested, partially offset by lower yields. Investment income increased 4.6% in 2000 primarily because of an increase in yields. Investment gains in 2001, 2000 and 1999 were realized as part of the ongoing management of the investment portfolio for the purpose of improving performance.

AGENT RETENTION. The amounts retained by agents, as a percentage of premiums from agents, were 81.5%, 81.2% and 80.9% in the years 2001, 2000 and 1999, respectively. Amounts retained by title agents are based on contracts between agents and our title underwriters. The percentage that amounts retained by agents bears to agent revenues may vary from year to year because of the geographical mix of agent operations and the volume of title revenues.

SELECTED COST RATIOS (BY SEGMENT). The following table shows employee costs and other operating expenses as a percentage of related title and real estate information operating revenues for the last three years.

	Employee costs (%)			Other operating (%)		
	2001	2000	1999	2001	2000	1999
	-----	-----	-----	-----	-----	-----
Title	27.5	29.7	25.1	16.0	18.3	15.4
REI.....	59.3	68.8	57.5	19.1	28.4	26.9

These two categories of expenses are discussed below.

EMPLOYEE COSTS. Employee costs for the combined business segments increased 25.1% in 2001 and 3.3% in 2000. The number of persons we employed at December 31, 2001, 2000 and 1999 was approximately 6,900, 5,600 and 5,800, respectively. The increase in staff in 2001 was primarily due to increased title and REI volume and acquisitions of new offices. The decrease in staff in 2000 was primarily the result of reductions in existing operations in response to decreased volume. The reductions were offset partially by acquisitions and expansion in national marketing and technology operations.

In the REI segment, employee costs increased in 2001 and 2000 primarily due to a shift in focus to provide more post-closing services to lenders. These services are considerably more labor intensive.

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

OTHER OPERATING EXPENSES. Other operating expenses for the combined business segments increased 16.9% in 2001 and 2.4% in 2000. The overall increase in other operating expenses for the combined business segments in 2001 was in new offices, search fees, premium taxes and rent. In 2000, the increase was in new offices, rent, search fees and provisions for regulatory actions brought against the Company. These were offset partially by reductions in premium taxes and certain REI expenses in response to volume decreases.

Other operating expenses also include business promotion, title plant expenses, telephone, supplies and policy forms. Most of these expenses follow, to varying degrees, the changes in transaction volume and revenues.

Our labor and certain other operating costs are sensitive to inflation. To the extent inflation causes increases in the prices of homes and other real estate, premium revenues are also increased. Premiums are determined in part by the insured values of the transactions we handle.

-9-

TITLE LOSSES. Provisions for title losses, as a percentage of title premiums, fees and other revenues, were 4.3%, 4.5% and 4.4% in 2001, 2000 and 1999, respectively. The continued improvement in industry trends in claims and increases in refinancing transactions, which generally result in lower loss exposure, have led to lower loss ratios in recent years.

INCOME TAXES. The provision for federal, state and foreign income taxes represented effective tax rates of 39.6%, 47.1% and 39.0% in 2001, 2000 and 1999, respectively. The 2000 effective rate was higher primarily due to state income taxes, which were proportionately higher in relation to taxable income.

LIQUIDITY AND CAPITAL RESOURCES. In 2001, 2000 and 1999 we financed a portion of the purchase price of certain acquisitions through the issuance of \$3.2 million, \$4.9 million and \$7.4 million, respectively, of our common stock. Acquisitions during 2001, 2000 and 1999 resulted in additions to our goodwill of \$19.3 million, \$7.5 million and \$8.8 million, respectively.

We filed a registration statement with the Securities and Exchange Commission in March 2001 to sell from time to time up to \$75 million of common stock. In August we issued 2.5 million shares at \$19 per share resulting in net proceeds of \$44.5 million, which are being used for acquisitions and to pay down bank debt.

Cash provided by operations was \$108.2 million, \$31.9 million and \$57.9 million in 2001, 2000 and 1999, respectively. Internally generated cash flow has been the primary source of financing for additions to property and equipment, expanding operations and other requirements. This source may be supplemented by bank borrowings. We do not have any material source of liquidity and financing that involves off-balance sheet arrangements.

A substantial majority of consolidated cash and investments is held by Stewart Title Guaranty Company (Guaranty) and its subsidiaries. Cash transfers between Guaranty and its subsidiaries and the Company are subject to certain legal restrictions. See Notes 3 and 4 to the consolidated financial statements.

Our liquidity, excluding Guaranty and its subsidiaries, is comprised of cash and investments aggregating \$18.0 million and short-term liabilities of

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

\$1.0 million at December 31, 2001. We know of no commitments or uncertainties that are likely to materially affect our ability to fund cash needs.

We consider our capital resources, represented primarily by long-term debt of \$7.0 million and stockholders' equity of \$394.5 million at December 31, 2001, to be adequate.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The discussion below about our risk management strategies includes forward-looking statements that are subject to risk and uncertainties. Management's projections of hypothetical net losses in fair value of our market rate sensitive instruments should certain potential changes in market rates occur, is presented below. While we believe that the potential market rate changes are reasonably possible, actual results could differ.

Our only material market risk in investments in financial instruments is in our debt securities portfolio. We invest primarily in marketable municipal, U.S. Government, corporate and mortgage-backed debt securities. We do not invest in financial instruments of a hedging or derivative nature.

We have established policies and procedures to manage our exposure to changes in the fair value of our investments. These policies include retaining an investment advisory firm, an emphasis upon credit quality, management of portfolio duration, maintaining or increasing investment income through high coupon rates and actively managing profile and security mix depending upon market conditions. We have classified all of our investments as available-for-sale.

-10-

The market value of our investments in debt securities at December 31, 2001 was \$314.7 million. Debt securities at December 31, 2001 mature, according to their contractual terms, as follows (actual maturities may differ because of call or prepayment rights):

	Amortized Cost	Market Value
	-----	-----
	(\$000 Omitted)	
In one year or less	14,546	14,722
After one year through two years	21,947	22,393
After two years through three years	21,729	22,626
After three years through four years	19,307	20,050
After four years through five years	45,135	46,265
After five years	162,179	163,599
Mortgage-backed securities	24,458	25,002
	-----	-----
	309,301	314,657
	=====	=====

We believe our investment portfolio is diversified and do not expect any material loss to result from the failure to perform by issuers of the debt securities we hold. Our investments are not collateralized. The mortgage-backed securities are insured by agencies of the U.S. Government.

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

Based on our debt securities portfolio and interest rates at December 31, 2001, a 100 basis point increase in interest rates would result in a decrease of approximately \$14.6 million, or 4.5%, in the fair value of our portfolio. Changes in interest rates may affect the fair value of the debt securities portfolio and may result in unrealized gains or losses. Gains or losses would only be realized upon the sale of the investments. Any other than temporary declines in market values of securities are charged to earnings.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required to be provided in this item is included in our Consolidated Financial Statements, including the Notes thereto, attached hereto as pages F-1 to F-16, and such information is incorporated in this report by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

-11-

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

The information regarding our directors will be included in the proxy statement for our 2002 Annual Meeting of Stockholders (the "Proxy Statement") to be filed within 120 days after December 31, 2001, and is incorporated in this report by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive compensation will be included in the Proxy Statement and is incorporated in this report by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information, if any, regarding beneficial ownership of our Common Stock will be included in the Proxy Statement and is incorporated in this report by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding Certain Relationships and Related Transactions will be included in the Proxy Statement and is incorporated in this report by reference.

-12-

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial Statements and Financial Statement Schedules

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

The financial statements and financial statement schedules filed as part of this report are listed in the "Index to Consolidated Financial Statements" on Page F-1 hereof. All other schedules are omitted, as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

(b) Reports on Form 8-K

We did not file any reports on Form 8-K during the three months ended December 31, 2001.

(c) Exhibits

- 3.1 - Certificate of Incorporation of the Registrant, as amended March 19, 2001 (incorporated by reference in this report from Exhibit 3.1 of Annual Report on Form 10-K for the fiscal year ended December 31, 2000)
- 3.2 - By-Laws of the Registrant, as amended March 13, 2000 (incorporated by reference in this report from Exhibit 3.2 of Annual Report on Form 10-K for the fiscal year ended December 31, 2000)
- 4. - Rights of Common and Class B Common Stockholders (incorporated by reference to Exhibits 3.1 and 3.2 hereto)
- * 10.1 - Summary of agreements as to payment of bonuses to certain executive officers
- * 10.2 - Deferred Compensation Agreements dated March 10, 1986, amended July 24, 1990 and October 30, 1992, between the Registrant and certain executive officers (incorporated by reference in this report from Exhibit 10.2 of Annual Report on Form 10-K for the fiscal year ended December 31, 1997)
- * 10.3 - Stewart Information Services Corporation 1999 Stock Option Plan (incorporated by reference in this report from Exhibit 10.3 of Annual Report on Form 10-K for the fiscal year ended December 31, 1999)
- 21. - Subsidiaries of the Registrant
- 23. - Consent of Independent Certified Public Accountant, including consent to incorporation by reference of their reports into previously filed Securities Act registration statements

*Indicates a management contract or compensation plan.

-13-

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, we have duly caused this report to be signed on our behalf by the undersigned, thereunto duly authorized.

STEWART INFORMATION SERVICES CORPORATION

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

(Registrant)

By: Malcolm S. Morris

Malcolm S. Morris, Co-Chief Executive Officer
and Chairman of the Board of Directors

By: Stewart Morris, Jr.

Stewart Morris, Jr. Co-Chief Executive Officer
President and Director

By: Max Crisp

Max Crisp, Vice President-Finance, Secretary-Treasurer,
Director and Principal Financial and Accounting Officer

Dated: March 18, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934 this report has been signed by the following persons on our behalf and in the capacities and on the dates indicated:

Lloyd Bentsen, III ----- (Lloyd Bentsen, III)	Director	March 18, 2002 -----
Max Crisp ----- (Max Crisp)	Director	March 18, 2002 -----
Nita Hanks ----- (Nita Hanks)	Director	March 18, 2002 -----
----- (Paul Hobby)	Director	-----
----- (E. Douglas Hodo)	Director	-----
----- (John P. LaWare)	Director	-----
Malcolm S. Morris -----	Director	March 18, 2002 -----

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

(Malcolm S. Morris)

Stewart Morris, Jr.	Director	March 18, 2002
-----		-----
(Stewart Morris, Jr.)		
	Director	
-----		-----
(W. Arthur Porter)		

-14-

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Stewart Information Services Corporation and Subsidiaries' Consolidated Financial Statements:

Independent Auditors' Report	F-2
Consolidated Statements of Earnings, Retained Earnings and Comprehensive Earnings for the years ended December 31, 2001, 2000 and 1999	F-3
Consolidated Balance Sheets as of December 31, 2001 and 2000	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999	F-5
Notes to Consolidated Financial Statements	F-6
Financial Statement Schedules:	
Schedule I - Financial Information of the Registrant (Parent Company)	S-1
Schedule II - Valuation and Qualifying Accounts	S-5

F-1

Independent Auditors' Report

To the Board of Directors and Stockholders
of Stewart Information Services Corporation:

We have audited the consolidated financial statements of Stewart Information Services Corporation and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedules as listed in the accompanying index. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules 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

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Stewart Information Services Corporation and subsidiaries at December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedules when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Houston, Texas
February 13, 2002

F-2

CONSOLIDATED STATEMENTS OF EARNINGS, RETAINED EARNINGS AND COMPREHENSIVE EARNINGS

Years ended December 31 -----	2001 -----	2000 ----- (\$000 Omitted)
REVENUES		
Title premiums, fees and other revenues	1,185,455	863,892
Real estate information services	65,852	52,463
Investment income	19,922	19,107
Investment gains - net	356	23
	1,271,585	935,485
EXPENSES		
Amounts retained by agents	539,369	401,761
Employee costs	365,562	292,276
Other operating	202,342	173,038
Title losses and related claims	51,454	38,999
Depreciation	19,637	19,144
Goodwill	3,011	1,807
Interest	2,216	2,266
Minority interests	7,414	5,048
	1,191,005	934,339
Earnings before taxes	80,580	1,146
Income taxes	31,894	540
	48,686	606
NET EARNINGS	48,686	606

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

Retained earnings at beginning of year	210,060	209,454
Cash dividends on Common Stock (\$.16 per share in 1999)	--	--
Stock dividend	--	--
	-----	-----
Retained earnings at end of year	258,746	210,060
	=====	=====
Average number of shares outstanding - assuming dilution (000 omitted)	16,348	14,980
Earnings per share - basic	3.01	.04
EARNINGS PER SHARE - DILUTED	2.98	.04
	=====	=====
Comprehensive earnings:		
Net earnings	48,686	606
Changes in other comprehensive earnings, net of taxes of \$1,158, \$2,985 and (\$5,269)	2,151	5,528
	-----	-----
COMPREHENSIVE EARNINGS	50,837	6,134
	=====	=====

See notes to consolidated financial statements.

F-3

CONSOLIDATED BALANCE SHEETS

December 31	2001	2000
-----	-----	-----
	(\$000 Omitted)	
ASSETS		
Cash and cash equivalents	60,706	36,505
Short-term investments	56,267	52,971
Investments in debt and equity securities, at market:		
Statutory reserve funds	239,084	206,150
Other	86,046	52,242
	-----	-----
	325,130	258,392
Receivables:		
Notes	8,923	17,184
Premiums from agents	17,738	16,590
Other	30,039	28,392
Less allowance for uncollectible amounts.....	(4,664)	(5,127)
	-----	-----
	52,036	57,039
Property and equipment, at cost:		
Land	2,402	2,172
Buildings	7,823	7,779

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

Furniture and equipment	146,108	133,288
Less accumulated depreciation and amortization	(107,561)	(97,780)
	-----	-----
	48,772	45,459
Title plants, at cost	37,715	32,491
Real estate, at lower of cost or net realizable value	4,126	2,196
Investments in investees, on an equity basis.....	12,158	11,780
Goodwill, less accumulated amortization of \$13,479 and \$10,468 ...	52,971	36,693
Deferred income taxes	4,288	7,352
Other assets	23,694	22,570
	-----	-----
	677,863	563,448
	=====	=====
LIABILITIES		
Notes payable, including \$6,966 and \$15,439 long-term portion	13,794	32,543
Accounts payable and accrued liabilities	57,752	38,617
Estimated title losses	202,544	190,298
Minority interests	9,233	6,901
Contingent liabilities and commitments		
STOCKHOLDERS' EQUITY		
Common - \$1 par, authorized 30,000,000, issued and outstanding 16,751,240 and 14,001,645	16,868	14,118
Class B Common - \$1 par, authorized 1,500,000, issued and outstanding 1,050,012	1,050	1,050
Additional paid-in capital	115,239	69,375
Retained earnings	258,746	210,060
Accumulated other comprehensive earnings:		
Unrealized investment gains	3,843	1,888
Foreign currency translation adjustments	306	110
Treasury stock - 116,900 Common shares, at cost	(1,512)	(1,512)
	-----	-----
Total stockholders' equity (\$22.16 and \$19.61 per share)	394,540	295,089
	-----	-----
	677,863	563,448
	=====	=====

See notes to consolidated financial statements.

F-4

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31 -----	2001 -----	2000 -----
		(\$000 Omitted)
Cash Provided by Operating Activities (Note)	108,186	31,913

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

Investing activities:

Purchases of property and equipment, title plants and real estate net	(23,452)	(19,191)
Proceeds from investments matured and sold	70,074	87,325
Purchases of investments	(135,579)	(80,550)
Increases in notes receivable	(3,208)	(10,535)
Collections on notes receivable	11,531	1,733
Proceeds from sale of equity investment - net	--	--
Cash paid for equity investees	--	(6,863)
Cash paid for acquisitions of subsidiaries - net	(13,016)	(9,475)
	-----	-----
Cash Used by Investing Activities	(93,650)	(37,556)

Financing activities:

Dividends paid	--	--
Purchases of treasury stock	--	(1,512)
Distribution to minority interests	(5,926)	(4,814)
Proceeds from exercise of stock options	337	19
Proceeds from stock offering - net	44,509	--
Proceeds of notes payable	6,597	16,856
Payments on notes payable	(35,852)	(5,829)
	-----	-----
Cash Provided (Used) by Financing Activities	9,665	4,720
	-----	-----
Increase (Decrease) in Cash and Cash Equivalents	24,201	(923)
	=====	=====

Note: Reconciliation of net earnings to the above amounts

Net earnings	48,686	606
Add (deduct):		
Depreciation and amortization	22,648	20,951
Provisions for title losses in excess of payments	11,483	6,511
(Increase) decrease in receivables - net	(1,660)	576
Increase (decrease) in payables and accrued liabilities - net	18,450	(3,138)
Minority interest expense	7,414	5,048
Equity in net (earnings) losses of investees	(1,345)	596
Dividends received from equity investees	2,275	1,132
Other - net	235	(369)
	-----	-----
Cash provided by operating activities	108,186	31,913
	=====	=====

Supplemental information:

Income taxes paid	14,615	528
Interest paid	1,649	1,687
Net assets acquired (purchase method):		
Goodwill	19,312	7,528
Title plants	5,056	5,239
Other	4,830	3,645
Liabilities assumed	(12,962)	(2,000)
Common Stock issued	(3,220)	(4,937)
	-----	-----
Cash paid for acquisitions	13,016	9,475
	=====	=====

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Three years ended December 31, 2001)

NOTE 1

GENERAL. Stewart Information Services Corporation, through its subsidiaries (collectively, the Company), is primarily engaged in the title insurance business. The Company also provides real estate information services. The Company operates through a network of direct and agent offices throughout the United States. Approximately 32 percent of consolidated title revenues are generated in Texas and California. The operations in the international markets in which the Company does business are insignificant to consolidated results.

A. MANAGEMENT RESPONSIBILITY. The accompanying financial statements were prepared by management, which is responsible for their integrity and objectivity. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), including management's best judgments and estimates. Actual results could differ from estimates.

B. NEW ACCOUNTING PRONOUNCEMENTS. In accordance with FAS 141 "Business Combinations", the Company has used the purchase method of accounting for business combinations after June 30, 2001. The effect on the Company's consolidated financial position or results of operations was immaterial.

The Company will adopt FAS 142 "Goodwill and Other Intangible Assets" effective January 1, 2002, as required, and will no longer amortize goodwill. Instead, goodwill will be reviewed no less than annually and amounts determined to be impaired will be expensed to current operations. The Company has not fully determined the impact this will have on its consolidated financial position or results of operations.

C. RECLASSIFICATIONS. Certain prior year amounts in the consolidated financial statements have been reclassified for comparative purposes. Net earnings, as previously reported, were not affected.

D. CONSOLIDATION. The consolidated financial statements include all subsidiaries in which the Company owns more than 50% voting rights in electing directors. Unconsolidated investees, owned 20% through 50%, and over which the Company exercises significant influence, are accounted for by the equity method. All significant intercompany accounts and transactions are eliminated and provisions are made for minority interests.

E. STATUTORY ACCOUNTING. Stewart Title Guaranty Company (Guaranty) and other title insurance underwriters owned by the Company prepare financial statements in accordance with statutory accounting practices prescribed or permitted by regulatory authorities.

In restating to GAAP, statutory premium reserve and reserve for reported title losses are eliminated and, in substitution, amounts are established for estimated title losses (see below). The net effect, after providing for certain deferred income taxes, is included in consolidated retained earnings. In calculating the amount owed on federal income tax returns, the statutory premium reserve and reserve for reported title losses must be discounted to their present values.

F. REVENUE RECOGNITION. Operating revenues from direct title operations are

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

considered earned at the time of the closing of the related real estate transactions. Premiums on title insurance policies written by agents are recognized primarily when policies are reported to the Company. The Company also accrues for unreported policies where reasonable estimates can be made based on historical reporting patterns of agents, current trends and known information about agents.

Revenues from real estate information are considered earned at the time the service is performed or the work product is delivered to the customer.

G. TITLE LOSSES AND RELATED CLAIMS. Estimating future title loss payments is difficult because of the complex nature of title claims, the long periods of time over which claims are paid, significantly varying dollar amounts of individual claims and other factors.

The Company's liability for estimated title losses comprises both known claims and other losses expected to be reported in the future. The amount of the reserve represents the aggregate future payments, net of recoveries, that the Company expects to incur on policy losses and in costs to settle claims. Provisions are charged to income in the same year the related premium revenues are recognized. The amounts provided are based on reported claims, historical loss experience, title industry averages, current legal environment and types of policies written.

Amounts shown as the Company's estimated liability for future loss payments are continually reviewed for reasonableness and adjusted as appropriate. Independent actuaries also review the adequacy of the liability amounts on an annual basis. In accordance with industry practice, the amounts have not been discounted to their present values.

F-6

H. INCOME TAXES. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the tax bases and the book carrying values for certain assets and liabilities. Valuation allowances are provided as may be appropriate. Enacted tax rates are used in calculating amounts.

I. CASH EQUIVALENTS. Cash equivalents are highly liquid investments that are convertible to cash or mature on a daily basis as part of the Company's management of day-to-day operating cash.

J. SHORT-TERM INVESTMENTS. Short-term investments comprise time deposits with banks and savings and loan associations, federal government obligations, money market accounts and other investments maturing in less than one year.

K. INVESTMENTS. The Company has classified its investment portfolio as available-for-sale. Realized gains and losses on sales of investments are determined using the specific identification method. Net unrealized gains and losses on securities, net of applicable deferred taxes, are included in stockholders' equity. Any other than temporary declines in fair values of securities are charged to earnings.

L. PROPERTY AND EQUIPMENT. Depreciation is computed principally using the straight-line method at the following rates: buildings - 30 to 40 years and furniture and equipment - 3 to 10 years. Maintenance and repairs are expensed as incurred while improvements are capitalized. Gains and losses are recognized at disposal.

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

M. TITLE PLANTS. Title plants include compilations of a county's official land records, prior examination files, copies of prior title policies, maps and related materials that are geographically indexed to a specific property. The costs of acquiring existing title plants and creating new ones, prior to the time such plants are placed in operation, are capitalized. Such costs are not amortized because there is no indication of any loss of value. The costs of maintaining and operating title plants are expensed as incurred. Gains and losses on sales of copies of title plants or interests in title plants are recognized at the time of sale.

N. GOODWILL. Goodwill is the excess of the purchase price over the fair value of net assets of subsidiaries acquired. Prior to January 1, 2002, goodwill was amortized using the straight-line method by charges to earnings generally over 20 to 40 years. Effective January 1, 2002, goodwill will not be amortized but will be reviewed and, if determined to be impaired, will be expensed to current operations. Goodwill impairment charges were \$703,000 in 2001. There were no such charges in 2000 and 1999. See Note 1B.

O. OTHER ACQUIRED INTANGIBLES. The Company does not have any significant intangible assets, other than title plants and goodwill.

P. LONG-LIVED ASSETS. The Company reviews the carrying values of goodwill, title plants and other long-lived assets if certain events occur that may indicate impairment. Goodwill is reviewed no less than annually. Impairment is indicated when projected undiscounted cash flows over the estimated life of the assets are less than carrying values. If impairment is determined by management, the book amounts are written down to fair value by calculating the discounted value of projected cash flows. See Note 1B.

Q. FAIR VALUES. The fair values of financial instruments, including cash and cash equivalents, short-term investments, notes receivable, notes payable and accounts payable, are determined by reference to various market data and other valuation techniques, as appropriate. The fair values of these financial instruments approximate their carrying values. Investments in debt and equity securities are carried at their fair values.

R. DERIVATIVES AND HEDGING. The Company does not invest in hedging or derivative instruments. Accordingly, FAS 133 "Accounting for Derivative Instruments and Hedging Activities", which was effective January 1, 2001 for the Company, had no impact on the consolidated financial statements.

F-7

NOTE 2

INCOME TAXES. The following reconciles federal income taxes computed at the statutory rate with income taxes as reported.

	2001	2000	1999
	(\$000 Omitted)		
Expected income taxes at 35%	28,203	401	16,298
State income taxes	1,976	223	1,235
Foreign taxes - net of credits	528	--	--
Tax effect of permanent differences:			
Tax-exempt interest	(1,966)	(1,909)	(1,951)
Meals and entertainment	1,079	742	615

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

Goodwill	933	457	519
Equity (earnings) losses	(471)	208	(375)
Minority interests	2,595	1,767	1,710
Non-taxable income	(1,434)	(1,044)	(469)
Other - net	451	(305)	561
	-----	-----	-----
Income taxes	31,894	540	18,143
	=====	=====	=====
Effective income tax rate (%)	39.6	47.1	39.0
	=====	=====	=====

Deferred income taxes at December 31, 2001 and 2000 were as follows:

	2001	2000
	-----	-----
	(\$'000 Omitted)	
Deferred tax assets:		
Book over tax title loss provisions	--	2,498
Accruals not currently deductible	874	939
Net operating loss carryforwards	483	833
Allowance for uncollectible amounts	891	1,001
Book over tax depreciation	3,526	2,034
Investments in partnerships	905	706
Foreign tax credit carryforward	1,609	--
Other	1,804	1,922
	-----	-----
	10,092	9,933
Less valuation allowance	(608)	(1,008)
	-----	-----
	9,484	8,925
Deferred tax liabilities:		
Tax over book title loss provisions	(2,411)	--
Unrealized gains on investments	(2,069)	(1,017)
Other	(716)	(556)
	-----	-----
	(5,196)	(1,573)
	-----	-----
Net deferred income taxes	4,288	7,352
	=====	=====

The Company's foreign tax credit carryforward expires in 2006. The valuation allowance relates to certain net operating loss carryforwards and other deferred tax assets. Management believes it is more likely than not that future earnings will be sufficient to permit the Company to realize net deferred income taxes.

Deferred tax expense was \$2,012,000, \$2,041,000 and \$3,524,000 in 2001, 2000 and 1999, respectively.

NOTE 3

RESTRICTIONS ON CASH AND INVESTMENTS. The statutory reserve funds included in the accompanying financial statements are maintained to comply with legal requirements for statutory premium reserves and state deposits. These funds are not available for any other purpose.

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

A substantial majority of investments and cash at each year end was held by the Company's title insurer subsidiaries. Generally, the types of investments a title insurer can make are subject to legal restrictions. Furthermore, the transfer of funds by a title insurer to its parent or subsidiary operations, as well as other related party transactions, are restricted by law and generally require the approval of state insurance authorities.

F-8

NOTE 4

STATUTORY INFORMATION. Surplus as regards policyholders for Guaranty was \$243,079,000 and \$195,101,000 at December 31, 2001 and 2000, respectively. Statutory net income for Guaranty was \$11,195,000, \$5,289,000 and \$16,369,000 in 2001, 2000 and 1999, respectively.

Substantially all of the consolidated retained earnings at each year end was represented by Guaranty, which owns directly or indirectly substantially all of the subsidiaries included in the consolidation.

Guaranty cannot pay a dividend in excess of certain limits without the approval of the Texas Insurance Commissioner. The maximum dividend which can be paid without such approval in 2002 is \$48,616,000. Guaranty paid dividends of \$1,390,000, \$90,000 and \$13,090,000 in 2001, 2000 and 1999, respectively.

Dividends from Guaranty were also voluntarily restricted primarily to maintain statutory surplus and liquidity at competitive levels. The ability of a title insurer to pay claims can significantly affect the decision of lenders and other customers when buying a policy from a particular insurer.

NOTE 5

INVESTMENTS. The amortized costs and market values of debt and equity securities at December 31 follow:

	2001		2000	
	AMORTIZED COST	MARKET VALUE	Amortized cost	Market value

	(\$000 Omitted)			
Debt securities:				
Municipal	143,374	145,769	132,405	134,894
Mortgage-backed	24,458	25,002	15,657	16,047
U.S. Government	21,907	22,764	22,056	22,661
Corporate and utilities ...	119,562	121,122	80,096	78,683
Equity securities	9,917	10,473	5,273	6,107
	319,218	325,130	255,487	258,392
	=====	=====	=====	=====

Gross unrealized gains and losses at December 31 were:

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

	2001		2000	
	GAINS	LOSSES	Gains	Losses
	(\$000 Omitted)			
Debt securities:				
Municipal	3,067	672	2,753	264
Mortgage-backed	576	32	418	28
U.S. Government	859	2	607	2
Corporate and utilities ...	2,971	1,411	1,427	2,840
Equity securities	1,060	504	1,335	501
	8,533	2,621	6,540	3,635

Debt securities at December 31, 2001 mature, according to their contractual terms, as follows (actual maturities may differ because of call or prepayment rights):

	Amortized cost	Market value
	(\$000 Omitted)	
In one year or less	14,546	14,722
After one year through five years	108,118	111,334
After five years through ten years	89,010	90,527
After ten years	73,169	73,072
Mortgage-backed securities	24,458	25,002
	309,301	314,657

F-9

The Company believes its investment portfolio is diversified and expects no material loss to result from the failure to perform by issuers of the debt securities it holds. Investments made by the Company are not collateralized. The mortgage-backed securities are insured by agencies of the U.S. Government.

NOTE 6

INVESTMENT INCOME. Income from investments and realized gains and losses for the three years follow:

	2001	2000	1999
	-----	-----	-----

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

(\$000 Omitted)

Income:			
Debt securities	15,614	13,770	12,837
Short-term investments, cash equivalents and other	4,308	5,337	5,427
	-----	-----	-----
	19,922	19,107	18,264
	=====	=====	=====
Realized gains and losses:			
Gains	1,308	823	536
Losses	(952)	(800)	(270)
	-----	-----	-----
	356	23	266
	=====	=====	=====

The sales of securities resulted in proceeds of \$41,694,000 in 2001, \$51,066,000 in 2000 and \$32,380,000 in 1999.

Expenses assignable to investment income were insignificant. There were no significant investments at December 31, 2001 that did not produce income during the year.

NOTE 7

NOTES PAYABLE.

	2001	2000
	-----	-----
	(\$000 Omitted)	
Banks		
Primarily unsecured and at LIBOR (1) plus .75%, varying payments	7,620	30,146
Other than banks	6,174	2,397
	-----	-----
	13,794	32,543
	=====	=====

(1) 1.88% at December 31, 2001

The notes are due \$6,828,000 in 2002, \$2,834,000 in 2003, \$1,431,000 in 2004, \$2,019,000 in 2005, \$384,000 in 2006 and \$298,000 subsequent to 2006.

NOTE 8

ESTIMATED TITLE LOSSES. Provisions accrued, payments made and liability balances for the three years follow:

2001	2000	1999
-----	-----	-----
(\$000 Omitted)		

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

Balances at January 1	190,298	183,787	171,763
Provisions	51,454	38,999	44,187
Payments	(39,721)	(32,338)	(32,628)
Reserve balances acquired	763	--	550
Decreases in salvage	(250)	(150)	(85)
	-----	-----	-----
Balances at December 31	202,544	190,298	183,787
	=====	=====	=====

F-10

Provisions include amounts related to the current year of approximately \$51,085,000, \$38,815,000 and \$43,869,000 for 2001, 2000 and 1999, respectively. Payments related to the current year, including escrow and other loss payments, were approximately \$11,817,000, \$8,515,000 and \$8,501,000 in 2001, 2000 and 1999, respectively.

NOTE 9

COMMON STOCK AND CLASS B COMMON STOCK. Holders of Common and Class B Common Stock have the same rights, except no cash dividends may be paid on Class B Common Stock. The two classes of stock vote separately when electing directors and on any amendment to the Company's certificate of incorporation that affects the two classes unequally.

A provision of the by-laws requires an affirmative vote of at least two-thirds of the directors to elect officers or to approve any proposal that may come before the directors. This provision cannot be changed without a majority vote of each class of stock.

Holdings of Class B Common Stock may, with no cumulative voting rights, elect four directors if 1,050,000 or more shares of Class B Common Stock are outstanding; three directors if between 600,000 and 1,050,000 shares are outstanding; and none if less than 600,000 shares of Class B Common Stock are outstanding. Holders of Common Stock, with cumulative voting rights, elect the balance of the nine directors.

Class B Common Stock may, at any time, be converted by its shareholders into Common Stock on a share-for-share basis, but all of the holders of Class B Common Stock have agreed among themselves not to convert their stock prior to January 2005. Such conversion is mandatory on any transfer to a person not a lineal descendant (or spouse, trustee, etc. of such descendant) of William H. Stewart.

At December 31, 2001 and 2000, there were 145,820 shares of Common Stock held by a subsidiary of the Company. These shares are considered retired but may be issued from time to time in lieu of new shares.

In May 1999 the Company effected a two-for-one stock split recorded in the form of a stock dividend. All share and per share data presented in the consolidated financial statements have been restated for the effects of the stock split.

F-11

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

NOTE 10

CHANGES IN STOCK, ADDITIONAL PAID-IN CAPITAL AND OTHER COMPREHENSIVE EARNINGS.

	COMMON AND CLASS B COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	OTHER COMPREHENSIVE EARNINGS
	-----	-----	-----
	(\$000 Omitted)		
Balances at December 31, 1998	7,065	56,695	6,320
Stock dividend (1)	7,173	--	--
Acquisitions	441	6,918	--
Stock bonuses and other	14	599	--
Exercise of stock options	3	62	--
Tax benefit of stock options exercised	--	30	--
Unrealized investment losses	--	--	(9,785)
Foreign currency translation	--	--	(65)
	-----	-----	-----
Balances at December 31, 1999	14,696	64,304	(3,530)
Acquisitions	430	4,507	--
Stock bonuses and other	41	545	--
Exercise of stock options	1	18	--
Tax benefit of stock options exercised	--	1	--
Unrealized investment gains	--	--	5,544
Foreign currency translation	--	--	(16)
	-----	-----	-----
Balances at December 31, 2000	15,168	69,375	1,998
Stock offering	2,500	42,009	--
Acquisitions	198	3,022	--
Stock bonuses and other	25	474	--
Exercise of stock options	27	310	--
Tax benefit of stock options exercised	--	49	--
Unrealized investment gains	--	--	1,955
Foreign currency translation	--	--	196
	-----	-----	-----
BALANCES AT DECEMBER 31, 2001	17,918	115,239	4,149
	=====	=====	=====

(1) Includes \$525,000 of Class B Common Stock.

In August 2001 the Company issued 2,500,000 shares of its Common Stock at a price of \$19 per share. The net proceeds of the offering are being used for acquisitions and to pay down bank debt.

NOTE 11

STOCK OPTIONS. A summary of the status of the Company's fixed stock option plans for the three years follows:

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

	Shares (1)	Exercise prices (1) (2)
	-----	-----
		(\$)
December 31, 1998	313,600	10.84
Granted	86,800	19.70
Exercised	(6,500)	10.08
Forfeited	(1,500)	10.00
	-----	-----
December 31, 1999	392,400	12.81
Granted	86,100	13.00
Exercised	(1,500)	13.00
Forfeited	(6,800)	13.57
	-----	-----
December 31, 2000	470,200	12.83
Granted	84,100	19.37
Exercised	(27,100)	12.43
Forfeited	(11,000)	18.81
	-----	-----
DECEMBER 31, 2001	516,200	13.79
	=====	=====

(1) Restated for a two-for-one stock split in May 1999.

(2) Weighted average

F-12

At December 31, 2001, 2000 and 1999 there were 516,200, 470,200 and 380,012 options, respectively, exercisable. The weighted average fair values of options granted during the years 2001, 2000 and 1999 were \$11.53, \$7.51 and \$8.50, respectively.

The following summarizes information about fixed stock options outstanding and exercisable at December 31, 2001:

	4.59	9.75 to 13.00	16.97 to 20.22	Total
	-----	-----	-----	-----
Shares	90,000	183,900	242,300	516,200
Remaining contractual life - years (1)	1.0	4.2	6.5	4.5
Exercise price (\$) (1) .	4.59	11.06	19.29	13.79

(1) Weighted average

The Company applies APB 25 and related Interpretations in accounting for its plans. Accordingly, no compensation cost is recognized for its fixed stock option plans. Under FAS 123, compensation cost would be recognized for the fair value of the employees' purchase rights, which is estimated using the Black-Scholes model. The Company assumed a dividend yield of 0%, an expected

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

life of five to ten years for each option, expected volatility of 41.6% and risk-free interest rates of between 4.0% and 6.0% for 2001.

Had compensation cost for the Company's plans been determined consistent with FAS 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

	2001 -----	2000 -----	1999 -----
	(\$000 Omitted)		
Net earnings:			
As reported	48,686	606	28,422
Pro forma	48,056	186	27,943
Earnings per share:			
Net earnings - basic	3.01	.04	1.96
Net earnings - diluted	2.98	.04	1.95
Pro forma - assuming dilution ..	2.94	.01	1.91

NOTE 12

EARNINGS PER SHARE. The Company's basic earnings per share was calculated by dividing net earnings by the weighted average number of shares of Common Stock and Class B Common Stock outstanding during the reporting period.

To calculate diluted earnings per share, the number of shares determined above was increased by assuming the issuance of all dilutive shares during the same reporting period. The treasury stock method was used in calculating the additional number of shares. The only potentially dilutive effect on earnings per share for the Company is related to its stock option plans.

In calculating the effect of the options and determining diluted earnings per share, the average number of shares used in calculating basic earnings per share was increased by 153,000 in 2001, 106,000 in 2000 and 125,000 in 1999.

NOTE 13

LEASES. The Company's expense for leased office space was \$37,181,000 in 2001, \$32,667,000 in 2000 and \$28,194,000 in 1999. These are noncancelable, operating leases expiring over the next fourteen years. The future minimum lease payments are summarized as follows (stated in thousands of dollars):

2002	32,677
2003	27,414
2004	19,822
2005	12,483
2006	10,085
2007 and after	64,784

	167,265
	=====

NOTE 14

CONTINGENT LIABILITIES AND LAWSUITS. The Company is contingently liable for disbursements of escrow funds held by agents in certain cases where specific insured closing guarantees have been issued.

The Company routinely holds funds in segregated escrow accounts pending the closing of real estate transactions. These accounts are not included in the consolidated balance sheets. This resulted in a contingent liability to the Company of approximately \$696,000,000 at December 31, 2001.

The Company is a qualified intermediary in tax-deferred property exchanges for customers pursuant to Section 1031 of the Internal Revenue Code. The Company holds the proceeds from transactions until a qualifying exchange can occur. This resulted in a contingent liability to the Company of approximately \$270,000,000 at December 31, 2001.

On December 31, 2001 the Company was contingently liable for guarantees of indebtedness owed primarily to banks and others by unconsolidated equity investees in the amount of \$4,979,000 and by other third parties in the amount of \$8,287,000. Management believes adequate provisions have been made for any losses that may result from these commitments.

In the normal conduct of its business, the Company is subject to lawsuits, regulatory investigations and other legal proceedings that may involve substantial amounts. Such matters are not predictable with complete assurance. The Company believes the probable resolution of such contingencies will not materially affect the financial condition of the Company.

NOTE 15

REINSURANCE. As is the industry practice, the Company cedes risks to other title insurance underwriters. However, the Company remains liable if the reinsurer should fail to meet its obligations. The Company also assumes risks from other underwriters. Payments and recoveries on reinsured losses were insignificant during the three years ended December 31, 2001. The total amount of premiums for assumed and ceded risks was less than one percent of title premiums, fees and other revenues in each of the last three years.

NOTE 16

EQUITY IN INVESTEES. Certain summarized aggregate financial information for investees follows:

	2001	2000	1999
	-----	-----	-----
	(\$000 Omitted)		
For the year:			
Revenues	51,318	37,757	29,164
Net earnings	3,617	602	3,278
As of December 31:			

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

Total assets	25,475	19,183
Notes payable	6,823	5,820
Stockholders' equity	15,457	10,026

Title premiums earned from policies issued by equity investees were \$7,705,000, \$4,969,000 and \$5,804,000 in 2001, 2000 and 1999, respectively.

The amount of earnings (losses) from equity investees was \$1,345,000, (\$596,000) and \$1,072,000 in 2001, 2000 and 1999, respectively. These amounts are included in title premiums, fees and other revenues in the consolidated financial statements.

Equity investee goodwill was amortized for the three years ended December 31, 2001 on a basis similar to other goodwill. Effective January 1, 2002, under FAS 142, such goodwill will not be amortized. Equity investments will continue to be reviewed for impairment. See Note 1B.

F-14

NOTE 17

SEGMENT INFORMATION. The Company's two reportable segments are title and real estate information (REI). The segments significantly influence business to each other because of the nature of their operations and their common customers. Both segments serve the real estate and mortgage industries.

The title segment provides services needed in transferring the title in a real estate transaction. These services include searching, examining and closing the title to real property. This segment of the Company also insures the condition of the title.

The REI segment primarily provides services related to real estate transactions through electronic delivery. These services include title reports, flood determinations, property appraisals, mortgage documents, credit reports and tax services. This segment also provides post-closing services to lenders, including document retrievals, assignments, lien releases, recordations, collateral reviews and loan pool certifications.

In addition, the REI segment provides services related to Section 1031 tax-deferred exchanges, mapping, and construction and maintenance of title plants for county clerks, tax assessors and title agencies.

Under the Company's internal reporting system, most general corporate expenses are incurred by and charged to the title segment. Technology operating costs are also charged to the title segment, except for direct expenditures related to the REI segment. All investment income is included in the title segment as it is generated primarily from the investments of the title underwriting operations.

Title	REI	Total
-----	-----	-----
	(\$000 Omitted)	

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

2001:			
Revenues	1,205,733	65,852	1,271,585
Intersegment revenues	2,672	4,315	6,987
Depreciation and amortization ..	18,025	4,623	22,648
Pretax earnings	75,184	5,396	80,580
Identifiable assets	637,328	40,535	677,863
2000:			
Revenues	883,022	52,463	935,485
Intersegment revenues	581	3,661	4,242
Depreciation and amortization ..	16,283	4,668	20,951
Pretax earnings (losses)	5,591	(4,445)	1,146
Identifiable assets	525,045	38,403	563,448
1999:			
Revenues	1,012,215	59,039	1,071,254
Intersegment revenues	93	2,738	2,831
Depreciation and amortization ..	13,911	4,157	18,068
Pretax earnings	43,615	2,950 (1)	46,565

(1) Includes a pretax charge of \$1,319,000 resulting from the settlement of a lawsuit.

F-15

NOTE 18

QUARTERLY FINANCIAL INFORMATION (UNAUDITED).

	Mar 31	June 30	Sept 30	Dec 31
	-----	-----	-----	-----
	(\$000 Omitted, except per share)			
Revenues:				
2001	244,301	314,247	338,741	374,296
2000	208,203	224,670	239,004	263,608
Net earnings (losses):				
2001	3,073	15,438	13,003	17,172
2000	(3,354)	1,874	1,758	328
Earnings per share - diluted:				
200120	1.00	.78	.96
2000	(.23)	.13	.12	.02

Computations of per share amounts for quarters are made independently. Therefore, the sum of per share amounts above may not agree with per share amounts for the year as a whole.

F-16

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

STEWART TITLE GUARANTY COMPANY
 STEWART TITLE INSURANCE COMPANY
 Principal Underwriters of Stewart Information Services Corporation

UNCONSOLIDATED STATUTORY BALANCE SHEETS (UNAUDITED)
 From statutory Annual Statements as filed

December 31, 2001 -----	Stewart Title Guaranty Company -----	Stewart Title Insurance Company -----
	(\$000 Omitted)	
Admitted assets		
Bonds	258,647	28,241
Stocks - investments in affiliates ...	173,539	2,293
Stocks - other	10,362	--
Cash and short-term investments	34,177	2,388
Title plants	3,963	133
Title insurance premiums and fees receivable	15,263	483
Other	16,493	1,409
	----- 512,444	----- 34,947
	=====	=====
Liabilities, surplus and other funds		
Reserve for title losses	31,809	7,867
Statutory premium reserve	211,876	10,734
Other	25,679	1,654
	----- 269,364	----- 20,255
Surplus as regards policyholders (Note)	243,080	14,692
	----- 512,444	----- 34,947
	=====	=====

Consolidated stockholder's equity (unaudited), based on accounting principles generally accepted in the United States of America (GAAP), for Stewart Title Guaranty Company at December 31, 2001 (000 omitted)..... \$300,853
 =====

Note: The amount shown above for stockholder's equity exceeds policyholders surplus primarily because under GAAP the statutory premium reserve and reserve for reported title losses are eliminated and estimated title loss reserves are substituted, net of applicable income taxes.

SCHEDULE I

STEWART INFORMATION SERVICES CORPORATION
(PARENT COMPANY)

INCOME AND RETAINED EARNINGS INFORMATION

	Year Ended December 31	
	2001	2000
	(In thousands)	
Revenues		
Investment income	\$ 471	\$ 374
Other income	80	11
	-----	-----
	551	385
Expenses		
Employee costs	220	189
Other operating	2,913	2,084
Depreciation and amortization	39	33
	-----	-----
	3,172	2,306
Loss before taxes and equity in earnings of investees	(2,621)	(1,921)
Income taxes (benefit)	(678)	(419)
Equity in earnings of investees	50,629	2,108
	-----	-----
Net Earnings	48,686	606
Retained earnings at beginning of year	210,060	209,454
Cash dividends on Common Stock (\$.16 per share in 1999)	--	--
Stock dividend	--	--
	-----	-----
Retained earnings at end of year	\$ 258,746	\$ 210,060
	=====	=====

See accompanying note to financial statements.

(Schedule continued on following page.)

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

SCHEDULE I
(CONTINUED)

STEWART INFORMATION SERVICES CORPORATION
(PARENT COMPANY)

BALANCE SHEET INFORMATION

	Decem
	----- 2001 ----- (In t
Assets	
Cash and cash equivalents	\$ 167
Short-term investments	3,003
Investments in debt securities, at market	14,975
Receivables:	
Notes, including \$32,859 and \$4,300 from affiliates	33,032
Other, including \$556 and \$2,304 from affiliates	848
Less allowance for uncollectible amounts	(20)
	----- 33,860
Furniture and equipment at cost	257
Less accumulated depreciation	(149)
	----- 108
Title plants, at cost	48
Investments in investees	340,029
Other assets	4,883
	----- \$ 397,073 =====
Liabilities	
Notes payable	\$ 329
Accounts payable and accrued liabilities	2,204
Contingent liabilities and commitments	
Stockholders' equity	
Common - \$1 par, authorized 30,000,000, issued and outstanding 16,751,240 and 14,001,645	16,868
Class B Common - \$1 par, authorized 1,500,000 and outstanding 1,050,012	1,050
Additional paid-in capital	115,239
Retained earnings (1)	258,746
Accumulated other comprehensive earnings:	
Unrealized investment gains	3,843
Foreign currency translation adjustments	306
Treasury stock - 116,900 Common shares, at cost	(1,512)
	----- 394,540 -----
Total stockholders' equity (\$22.16 and \$19.61 per share)	394,540

(1) Includes undistributed earnings of subsidiaries of \$264,434 in 2001 and \$213,805 in 2000.

See accompanying note to financial statements.

(Schedule continued on following page.)

S-2

SCHEDULE I
(CONTINUED)

STEWART INFORMATION SERVICES CORPORATION
(PARENT COMPANY)

CASH FLOWS INFORMATION

	Year Ended December	
	2001	2000
	-----	-----
	(In thousands)	
Cash used by operating activities (Note)	\$ (279)	\$ (5,701)
Cash flow from investing activities:		
Proceeds from investments matured and sold	3,484	2,354
Purchases of investments, excluding mortgage loans	(16,902)	--
Dividends received from unconsolidated subsidiaries	1,390	8,090
Increases in mortgages and other notes receivable	(29,603)	(75)
Collections on mortgages and other notes receivable	1,440	56
Purchases of property and equipment - net	(70)	--
Cash paid for the acquisition of subsidiaries	(4,067)	(2,175)
	-----	-----
Cash (used) provided by investing activities	(44,328)	8,250
	-----	-----
Cash flow from financing activities:		
Dividends paid	--	--
Payments on notes payable	(448)	(680)
Proceeds from exercise of stock options	337	19
Proceeds from stock offering - net	44,509	--
Purchases of treasury stock	--	(1,512)
	-----	-----
Cash provided (used) by financing activities	44,398	(2,173)
	-----	-----
(Decrease) increase in cash and cash equivalents	\$ (209)	\$ 376

Edgar Filing: STEWART INFORMATION SERVICES CORP - Form 10-K405

	=====	=====
Note: Reconciliation of net income to the above amounts		
Net earnings	\$ 48,686	\$ 606
Add (deduct):		
Depreciation and amortization	39	33
Decrease (increase) in accounts receivable - net	1,606	(1,714)
Increase (decrease) in accounts payable and accrued liabilities - net	36	(1,863)
Equity in net earnings of investees	(50,629)	(2,108)
Other - net	(17)	(655)
	-----	-----
Cash used by operating activities	\$ (279)	\$ (5,701)
	=====	=====
Supplemental information:		
Income taxes paid	--	--
Interest paid	--	--
Noncash transactions:		
Forgiveness of debt from affiliate	--	4,913

See accompanying note to financial statements.

(Schedule continued on following page.)

S-3

SCHEDULE I
(CONTINUED)

STEWART INFORMATION SERVICES CORPORATION
(PARENT COMPANY)

NOTE TO FINANCIAL STATEMENT INFORMATION

We operate as a holding company transacting substantially all business through our subsidiaries. Our consolidated financial statements are included in Part II, Item 8 of Form 10-K. The Parent Company financial statements should be read in conjunction with the aforementioned consolidated financial statements and notes thereto and financial statement schedules.

Certain amounts in the 2000 and 1999 Parent Company financial statements have been reclassified for comparative purposes. Net earnings, as previously reported, were not affected.

Total dividends received from subsidiaries for 2001, 2000 and 1999 were \$1,390,000, \$90,000 and \$13,090,000, respectively.

S-4

SCHEDULE II

STEWART INFORMATION SERVICES CORPORATION AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

DECEMBER 31, 2001

Col. A	Col. B	Col. C	
-----	-----	-----	
Description	Balance at beginning of period	Charged to cost and expenses	Charged to other accounts (described)
-----	-----	-----	-----
		Additions	
Stewart Information Services Corporation and subsidiaries:			
Year ended December 31, 1999:			
Estimated title losses	\$ 171,763,006	\$ 44,186,778	\$ 550,000 (C)
Allowance for uncollectible amounts ..	4,802,705	792,000	--
Year ended December 31, 2000:			
Estimated title losses	183,787,003	38,999,295	--
Allowance for uncollectible amounts ..	4,379,473	2,130,000	--
Year ended December 31, 2001:			
Estimated title losses	190,298,141	51,453,895	\$ 763,000 (C)
Allowance for uncollectible amounts ..	5,126,818	1,600,000	--
Stewart Information Services Corporation - Parent:			
Year ended December 31, 1999:			
Allowance for uncollectible amounts ..	\$ 20,000	--	--
Year ended December 31, 2000:			
Allowance for uncollectible amounts ..	20,000	--	--
Year ended December 31, 2001:			
Allowance for uncollectible amounts ..	20,000	--	--

(A) Represents primarily payments of policy losses and loss adjustment expenses during the year.

(B) Represents uncollectible accounts written off.

(C) Represents estimated title loss reserve acquired.

INDEX TO EXHIBITS

Exhibit

- 3.1 - Certificate of Incorporation of the Registrant, as amended March 19, 2001 (incorporated by reference in this report from Exhibit 3.1 of Annual Report on Form 10-K for the fiscal year ended December 31, 2000)
- 3.2 - By-Laws of the Registrant, as amended March 13, 2000 (incorporated by reference in this report from Exhibit 3.2 of Annual Report on Form 10-K for the fiscal year ended December 31, 2000)
- 4. - Rights of Common and Class B Common Stockholders (incorporated by reference to Exhibits 3.1 and 3.2 hereto)
- 10.1 - Summary of agreements as to payment of bonuses to certain executive officers
- 10.2 - Deferred Compensation Agreements dated March 10, 1986, amended July 24, 1990 and October 30, 1992, between the Registrant and certain executive officers (incorporated by reference in this report from Exhibit 10.2 of Annual Report on Form 10-K for the fiscal year ended December 31, 1997)
- 10.3 - Stewart Information Services Corporation 1999 Stock Option Plan (incorporated by reference in this report from Exhibit 10.3 of Annual Report on Form 10-K for the fiscal year ended December 31, 1999)
- 21. - Subsidiaries of the Registrant
- 23. - Consent of Independent Certified Public Accountant, including consent to incorporation by reference of their reports into previously filed Securities Act registration statements