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OLD REPUBLIC INTERNATIONAL CORP
Form 10-Q
August 02, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

Quarterly report pursuant to section 13 or 15(d) of the Security Exchange Act of 1934
for the quarterly period ended: June 30, 2013 or

Transition report pursuant to section 13 or 15(d) of the Security Exchange Act of 1934
Commission File Number: 001-10607

OLD REPUBLIC INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

No. 36-2678171
(IRS Employer Identification No.)

307 North Michigan Avenue, Chicago,
Illinois
(Address of principal executive office)

60601
(Zip Code)

Registrant's telephone number, including area code: 312 346 8100

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes: No:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes: No:

Class

Shares Outstanding
June 30, 2013

Common Stock / \$1 par value

259,803,068

There are 51 pages in this report

OLD REPUBLIC INTERNATIONAL CORPORATION

Report on Form 10-Q / June 30, 2013

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Old Republic International Corporation and Subsidiaries
Consolidated Balance Sheets
(\$ in Millions, Except Share Data)

	(Unaudited) June 30, 2013	December 31, 2012
Assets		
Investments:		
Available for sale:		
Fixed maturity securities (at fair value) (amortized cost: \$8,327.0 and \$7,993.1)	\$8,635.2	\$8,566.2
Equity securities (at fair value) (adjusted cost: \$573.3 and \$452.1)	864.9	739.7
Short term investments (at fair value which approximates cost)	1,092.4	1,264.9
Miscellaneous investments	18.4	29.6
Total	10,611.1	10,600.5
Other investments	5.4	8.2
Total investments	10,616.6	10,608.8
Other Assets:		
Cash	112.7	101.2
Securities and indebtedness of related parties	16.3	12.7
Accrued investment income	89.3	90.4
Accounts and notes receivable	1,210.4	1,134.7
Federal income tax recoverable: Current	57.3	71.9
Deferred	133.1	148.1
Reinsurance balances and funds held	199.8	201.6
Reinsurance recoverable: Paid losses	113.5	103.7
Policy and claim reserves	3,127.8	3,133.3
Deferred policy acquisition costs	175.2	165.5
Sundry assets	446.8	454.2
Total Other Assets	5,682.6	5,618.0
Total Assets	\$16,299.3	\$16,226.8
Liabilities, Preferred Stock, and Common Shareholders' Equity		
Liabilities:		
Losses, claims, and settlement expenses	\$9,305.7	\$9,303.3
Unearned premiums	1,452.7	1,364.4
Other policyholders' benefits and funds	197.2	201.8
Total policy liabilities and accruals	10,955.7	10,869.6
Commissions, expenses, fees, and taxes	504.2	511.1
Reinsurance balances and funds	486.0	437.9
Debt	570.0	572.9
Sundry liabilities	198.5	238.8
Commitments and contingent liabilities		
Total Liabilities	12,714.7	12,630.6
Preferred Stock (1)	—	—
Common Shareholders' Equity:		
Common stock (1)	259.8	259.4

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Additional paid in capital	663.5	660.9
Retained earnings	2,380.2	2,222.3
Accumulated other comprehensive income (loss)	306.5	481.7
Unallocated ESSOP shares (at cost)	(25.6	) (28.2
Total Common Shareholders' Equity	3,584.5	3,596.2
Total Liabilities, Preferred Stock and Common Shareholders' Equity	\$16,299.3	\$16,226.8

At June 30, 2013 and December 31, 2012, there were 75,000,000 shares of \$0.01 par value preferred stock authorized, of which no shares were outstanding. As of the same dates, there were 500,000,000 shares of common (1) stock, \$1.00 par value, authorized, of which 259,803,068 and 259,490,089 were issued as of June 30, 2013 and December 31, 2012, respectively. At June 30, 2013 and December 31, 2012, there were 100,000,000 shares of Class B Common Stock, \$1.00 par value, authorized, of which no shares were issued.

See accompanying Notes to Consolidated Financial Statements.

Old Republic International Corporation and Subsidiaries
Consolidated Statements of Income (Unaudited)
(\$ in Millions, Except Share Data)

	Quarters Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Revenues:				
Net premiums earned	\$1,100.0	\$981.4	\$2,160.2	\$1,925.0
Title, escrow, and other fees	122.2	107.1	227.6	201.1
Total premiums and fees	1,222.2	1,088.5	2,387.9	2,126.1
Net investment income	78.8	85.0	158.2	170.9
Other income	23.2	28.3	43.6	59.9
Total operating revenues	1,324.3	1,201.9	2,589.8	2,357.0
Realized investment gains (losses):				
From sales	137.1	22.0	141.7	24.9
From impairments	—	—	—	—
Total realized investment gains (losses)	137.1	22.0	141.7	24.9
Total revenues	1,461.5	1,223.9	2,731.5	2,382.0
Benefits, Claims and Expenses:				
Benefits, claims and settlement expenses	521.7	713.2	1,100.5	1,326.7
Dividends to policyholders	3.5	3.1	8.4	6.1
Underwriting, acquisition, and other expenses	634.2	556.2	1,230.2	1,085.4
Interest and other charges	5.6	9.7	11.4	24.6
Total expenses	1,165.2	1,282.2	2,350.6	2,443.0
Income (loss) before income taxes (credits)	296.3	(58.3)	380.8	(60.9)
Income Taxes (Credits):				
Current	29.9	(3.1)	29.1	(2.5)
Deferred	72.3	(21.1)	101.4	(24.8)
Total	102.3	(24.2)	130.6	(27.3)
Net Income (Loss)	\$193.9	\$(34.0)	\$250.2	\$(33.5)
Net Income (Loss) Per Share:				
Basic	\$.76	\$(.13)	\$.97	\$(.13)
Diluted	\$.67	\$(.13)	\$.88	\$(.13)
Average shares outstanding:				
Basic	256,749,748	255,747,273	256,636,082	255,609,699
Diluted	292,842,386	255,747,273	292,548,180	255,609,699
Dividends Per Common Share:				
Cash	\$.1800	\$.1775	\$.3600	\$.3550

See accompanying Notes to Consolidated Financial Statements.

Old Republic International Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income (Unaudited)
(\$ in Millions)

	Quarters Ended		Six Months Ended		
	June 30, 2013	2012	June 30, 2013	2012	
Net Income (Loss) As Reported	\$193.9	\$(34.0)	) \$250.2	\$(33.5))
Other comprehensive income (loss):					
Unrealized gains (losses) on securities:					
Unrealized gains (losses) on securities before reclassifications	(230.4	) 50.6	(121.3	) 111.1	
Amounts reclassified as realized investment gains from sales in the statements of income	(137.1	) (22.0)	) (141.7	) (24.9))
Pretax unrealized gains (losses) on securities	(367.6	) 28.6	(263.0	) 86.1	
Deferred income taxes (credits)	(128.4	) 9.9	(91.8	) 30.0	
Net unrealized gains (losses) on securities, net of tax	(239.2	) 18.6	(171.2	) 56.1	
Defined benefit pension plans:					
Net pension adjustment before reclassifications	—	—	—	—	
Amounts reclassified as underwriting, acquisition, and other expenses in the statements of income	2.9	2.6	5.8	5.3	
Net adjustment related to defined benefit pension plans	2.9	2.6	5.8	5.3	
Deferred income taxes (credits)	1.0	.9	2.0	1.8	
Net adjustment related to defined benefit pension plans, net of tax	1.8	1.7	3.7	3.4	
Foreign currency translation and other adjustments	(4.4	) (3.6)	) (7.6	) (.2))
Net adjustments	(241.7	) 16.7	(175.1	) 59.4	
Comprehensive Income (Loss)	\$(47.8	) \$(17.2)	) \$75.0	\$25.8	

See accompanying Notes to Consolidated Financial Statements.

Old Republic International Corporation and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
(\$ in Millions)

	Six Months Ended		
	June 30,		
	2013	2012	
Cash flows from operating activities:			
Net income (loss)	\$250.2	\$(33.5))
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Deferred policy acquisition costs	(10.1)	) 18.0)
Premiums and other receivables	(75.7)	) (74.7))
Unpaid claims and related items	35.5	246.7)
Unearned premiums and other policyholders' liabilities	57.1	31.5)
Income taxes	116.6	(31.8))
Reinsurance balances and funds	40.3	20.2)
Realized investment (gains) losses	(141.7)	) (24.9))
Accounts payable, accrued expenses and other	6.0	(21.0))
Total	278.3	130.3)
Cash flows from investing activities:			
Fixed maturity securities:			
Maturities and early calls	562.6	459.0)
Sales	48.9	311.1)
Sales of:			
Equity securities	161.3	.5)
Other - net	23.3	18.5)
Purchases of:			
Fixed maturity securities	(973.4)	) (724.5))
Equity securities	(148.4)	) (.4))
Other - net	(19.6)	) (15.5))
Net decrease (increase) in short-term investments	172.0	267.6)
Other net	(.4)	) (.5))
Total	(173.5)	) 315.8)
Cash flows from financing activities:			
Issuance of common shares	3.8	.5)
Redemption of debentures and notes	(2.8)	) (338.9))
Dividends on common shares	(92.2)	) (90.6))
Other - net	(1.9)	) (.9))
Total	(93.2)	) (430.0))
Increase (decrease) in cash:	11.4	16.1)
Cash, beginning of period	101.2	93.0)
Cash, end of period	\$112.7	\$109.2)
Supplemental cash flow information:			
Cash paid (received) during the period for: Interest	\$10.6	\$24.2)
Income taxes	\$14.4	\$4.6)

See accompanying Notes to Consolidated Financial Statements.

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OLD REPUBLIC INTERNATIONAL CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
 (\$ in Millions, Except Share Data)

1. Accounting Policies and Basis of Presentation:

The accompanying consolidated financial statements have been prepared in conformity with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") of accounting principles generally accepted in the United States of America ("GAAP"). These interim financial statements should be read in conjunction with these notes and those included in the Company's 2012 Annual Report on Form 10-K incorporated herein by reference.

Pertinent accounting and disclosure pronouncements issued from time to time by the FASB are adopted by the Company as they become effective. Effective January 1, 2012, the Company adopted a prospective application of new GAAP authoritative guidance related to the deferral of costs for acquiring or renewing insurance contracts. The adoption of the guidance resulted in pretax charges of approximately \$11 and \$22 for the second quarter and first six months of 2012, respectively. In addition, the FASB issued guidance requiring additional disclosures regarding amounts reclassified out of accumulated other comprehensive income. These matters are addressed in the pertinent financial statements and notes herein.

The financial accounting and reporting process relies on estimates and on the exercise of judgment. In the opinion of management all adjustments consisting only of normal recurring accruals necessary for a fair presentation of the results have been recorded for the interim periods. Amounts shown in the consolidated financial statements and applicable notes are stated (except as otherwise indicated and as to share data) in millions, which amounts may not add to totals shown due to truncation. Necessary reclassifications are made in prior periods' financial statements whenever appropriate to conform to the most current presentation.

2. Common Share Data:

Earnings Per Share - Consolidated basic earnings per share excludes the dilutive effect of common stock equivalents and is computed by dividing income (loss) available to common stockholders by the weighted-average number of common shares actually outstanding for the quarters and year-to-date periods. Diluted earnings per share are similarly calculated with the inclusion of dilutive common stock equivalents. The following table provides a reconciliation of net income (loss) and the number of shares used in basic and diluted earnings per share calculations.

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Numerator:				
Net income (loss)	\$193.9	\$(34.0)	) \$250.2	\$(33.5)
Numerator for basic earnings per share - income (loss) available to common stockholders	193.9	(34.0)	) 250.2	(33.5)
Adjustment for interest expense incurred on assumed conversion of convertible notes	3.6	—	) 7.3	—
Numerator for diluted earnings per share - income (loss) available to common stockholders after assumed conversion of convertible notes	\$197.6	\$(34.0)	) \$257.5	\$(33.5)
Denominator:				
Denominator for basic earnings per share - weighted-average shares (a)	256,749,748	255,747,273	256,636,082	255,609,699

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Effect of dilutive securities - stock based compensation awards	642,388	—	468,254	—
Effect of dilutive securities - convertible senior notes	35,450,250	—	35,443,844	—
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversion of convertible notes (a)	292,842,386	255,747,273	292,548,180	255,609,699
Earnings per share: Basic	\$.76	\$(.13)	\$.97	\$(.13)
Diluted	\$.67	\$(.13)	\$.88	\$(.13)
Anti-dilutive common stock equivalents excluded from earning per share computations:				
Stock based compensation awards	8,360,609	15,074,960	10,043,722	15,101,326
Convertible senior notes	—	35,404,435	—	35,399,953
Total	8,360,609	50,479,395	10,043,722	50,501,279

(a) In calculating earnings per share, pertinent accounting rules require that common shares owned by the Company's Employee Savings and Stock Ownership Plan that are as yet unallocated to participants in the plan be excluded

from the calculation. Such shares are issued and outstanding and have the same voting and other rights applicable to all other common shares.

3. Investments:

The Company may classify its invested assets in terms of those assets relative to which it either (1) has the positive intent and ability to hold until maturity, (2) has available for sale or (3) has the intention of trading. As of June 30, 2013 and December 31, 2012, substantially all the Company's invested assets were classified as "available for sale."

Fixed maturity securities classified as "available for sale" and other preferred and common stocks (equity securities) are included at fair value with changes in such values, net of deferred income taxes, reflected directly in shareholders' equity. Fair values for fixed maturity securities and equity securities are based on quoted market prices or estimates using values obtained from independent pricing services as applicable.

The Company reviews the status and fair value changes of each of its investments on at least a quarterly basis during the year, and estimates of other-than-temporary impairments ("OTTI") in the portfolio's value are evaluated and established at each quarterly balance sheet date. In reviewing investments for OTTI, the Company, in addition to a security's market price history, considers the totality of such factors as the issuer's operating results, financial condition and liquidity, its ability to access capital markets, credit rating trends, most current audit opinion, industry and securities markets conditions, and analyst expectations to reach its conclusions. Sudden fair value declines caused by such adverse developments as newly emerged or imminent bankruptcy filings, issuer default on significant obligations, or reports of financial accounting developments that bring into question the validity of previously reported earnings or financial condition, are recognized as realized losses as soon as credible publicly available information emerges to confirm such developments. Absent issuer-specific circumstances that would result in a contrary conclusion, any equity security with an unrealized investment loss amounting to a 20% or greater decline for a six month period is considered OTTI. In the event the Company's estimate of OTTI is insufficient at any point in time, future periods' net income (loss) would be adversely affected by the recognition of additional realized or impairment losses, but its financial position would not necessarily be affected adversely inasmuch as such losses, or a portion of them, could have been recognized previously as unrealized losses in shareholders' equity. The Company recognized no OTTI adjustments for the quarters and six months ended June 30, 2013 and 2012.

The amortized cost and estimated fair values by type and contractual maturity of fixed maturity securities are shown in the following tables. Expected maturities will differ from contractual maturities since borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed Maturity Securities by Type:				
June 30, 2013:				
U.S. & Canadian Governments	\$1,207.9	\$44.6	\$4.8	\$1,247.6
Tax-exempt	281.7	6.5	.2	288.0
Corporate	6,837.3	314.6	52.4	7,099.5
	\$8,327.0	\$365.8	\$57.6	\$8,635.2
December 31, 2012:				
U.S. & Canadian Governments	\$1,151.2	\$65.9	\$.3	\$1,216.8
Tax-exempt	380.8	11.4	.1	392.2
Corporate	6,461.0	502.1	6.0	6,957.1
	\$7,993.1	\$579.5	\$6.5	\$8,566.2

	Amortized Cost	Estimated Fair Value
Fixed Maturity Securities Stratified by Contractual Maturity at June 30, 2013:		
Due in one year or less	\$1,160.2	\$1,172.6
Due after one year through five years	3,750.5	3,934.9
Due after five years through ten years	3,233.4	3,339.7
Due after ten years	182.8	187.9
	\$8,327.0	\$8,635.2

A summary of the Company's equity securities reflecting reported adjusted cost, net of OTTI adjustments totaling \$- and \$131.3 at June 30, 2013 and December 31, 2012, respectively, follows:

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	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity Securities:				
June 30, 2013	\$573.3	\$293.0	\$1.5	\$864.9
December 31, 2012	\$452.1	\$290.5	\$2.9	\$739.7

The following table reflects the Company's gross unrealized losses and fair value, aggregated by category and length of time that individual securities have been in an unrealized loss position. Fair value and issuer's cost comparisons follow:

	12 Months or Less		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2013:						
Fixed Maturity Securities:						
U.S. & Canadian Governments	\$209.6	\$4.8	\$4.3	\$—	\$214.0	\$4.8
Tax-exempt	9.3	.2	—	—	9.3	.2
Corporate	1,752.7	51.1	20.8	1.3	1,773.5	52.4
Subtotal	1,971.7	56.2	25.1	1.4	1,996.9	57.6
Equity Securities	68.7	1.5	—	—	68.7	1.5
Total	\$2,040.5	\$57.7	\$25.1	\$1.4	\$2,065.7	\$59.1

December 31, 2012:

Fixed Maturity Securities:						
U.S. & Canadian Governments	\$60.3	\$.3	\$—	\$—	\$60.3	\$.3
Tax-exempt	3.7	.1	—	—	3.7	.1
Corporate	348.4	4.3	10.2	1.7	358.6	6.0
Subtotal	412.6	4.8	10.2	1.7	422.8	6.5
Equity Securities	78.9	2.9	—	—	78.9	2.9
Total	\$491.5	\$7.8	\$10.2	\$1.7	\$501.8	\$9.5

At June 30, 2013, the Company held 416 fixed maturity and 10 equity securities in an unrealized loss position, representing 23.7% as to fixed maturities and 14.7% as to equity securities of the total number of such issues it held. At December 31, 2012, the Company held 102 fixed maturity and 14 equity securities in an unrealized loss position, representing 5.7% as to fixed maturities and 21.9% as to equity securities of the total number of such issues it held. Of the securities in an unrealized loss position, 9 and 4 fixed maturity securities and 1 equity security, had been in a continuous unrealized loss position for more than 12 months as of June 30, 2013 and December 31, 2012, respectively. The unrealized losses on these securities are primarily attributable to a post-purchase rising interest rate environment and/or a decline in the credit quality of some issuers. As part of its assessment of other-than-temporary impairments, the Company considers its intent to continue to hold and the likelihood that it will not be required to sell investment securities in an unrealized loss position until cost recovery, principally on the basis of its asset and liability maturity matching procedures.

Fair Value Measurements - Fair value is defined as the estimated price that is likely to be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (an exit price) at the measurement date. A fair value hierarchy is established that prioritizes the sources ("inputs") used to measure fair value into three broad levels: inputs based on quoted market prices in active markets (Level 1); observable inputs based on corroboration with available market data (Level 2); and unobservable inputs based on uncorroborated market data or a reporting entity's own assumptions (Level 3). Following is a description of the valuation methodologies and general

classification used for financial instruments measured at fair value.

The Company uses quoted values and other data provided by a nationally recognized independent pricing source as inputs into its quarterly process for determining fair values of its fixed maturity and equity securities. To validate the techniques or models used by pricing sources, the Company's review process includes, but is not limited to: (i) initial and ongoing evaluation of methodologies used by outside parties to calculate fair value; and (ii) comparing other sources including the fair value estimates to its knowledge of the current market and to independent fair value estimates provided by the investment custodian. The independent pricing source obtains market quotations and actual transaction prices for securities that have quoted prices in active markets and uses its own proprietary method for determining the fair value of securities that are not actively traded. In general, these methods involve the use of "matrix pricing" in which the independent pricing source uses observable market inputs including, but not limited to, investment yields, credit risks and spreads, benchmarking of like securities, broker-dealer quotes, reported trades and sector groupings to determine a reasonable fair value.

Level 1 securities include U.S. and Canadian Treasury notes, publicly traded common stocks, the quoted net asset value ("NAV") mutual funds, and most short-term investments in highly liquid money market instruments. Level 2 securities generally include corporate bonds, municipal bonds, and certain U.S. and Canadian government agency securities. Securities classified within Level 3 include non-publicly traded bonds, short-term investments, and common stocks. There were no significant changes in the fair value of assets measured with the use of significant unobservable inputs as of June 30, 2013 and December 31, 2012.

The following tables show a summary of assets measured at fair value segregated among the various input levels described above:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
As of June 30, 2013:				
Available for sale:				
Fixed maturity securities:				
U.S. & Canadian Governments	\$628.1	\$619.5	\$—	\$1,247.6
Tax-exempt	—	288.0	—	288.0
Corporate	—	7,079.0	20.5	7,099.5
Equity securities	862.8	—	2.1	864.9
Short-term investments	\$1,087.7	\$—	\$4.6	\$1,092.4
As of December 31, 2012:				
Available for sale:				
Fixed maturity securities:				
U.S. & Canadian Governments	\$570.9	\$645.9	\$—	\$1,216.8
Tax-exempt	—	392.2	—	392.2
Corporate	—	6,926.3	30.7	6,957.1
Equity securities	736.9	—	2.7	739.7
Short-term investments	\$1,260.2	\$—	\$4.6	\$1,264.9

There were no transfers between Levels 1, 2 or 3 during the quarter ended June 30, 2013. Level 3 securities with a fair value of \$10.2 were sold during the quarter ended June 30, 2013.

Investment income is reported net of allocated expenses and includes appropriate adjustments for amortization of premium and accretion of discount on fixed maturity securities acquired at other than par value. Dividends on equity securities are credited to income on the ex-dividend date. Realized investment gains and losses, which result from sales or write-downs of securities, are reflected as revenues in the income statement and are determined on the basis of amortized value at date of sale for fixed maturity securities, and cost in regard to equity securities; such bases apply to the specific securities sold. Unrealized investment gains and losses, net of any deferred income taxes, are recorded directly as a component of accumulated other comprehensive income in shareholders' equity. At June 30, 2013, the Company and its subsidiaries had no non-income producing fixed maturity securities.

The following table reflects the composition of net investment income, net realized gains or losses, and the net change in unrealized investment gains or losses for each of the periods shown.

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	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Investment income from:				
Fixed maturity securities	\$74.7	\$81.9	\$150.5	\$164.8
Equity securities	4.6	2.6	8.3	5.1
Short-term investments	.2	.4	.6	1.0
Other sources	.5	1.3	1.4	2.4
Gross investment income	80.2	86.4	160.9	173.4
Investment expenses (a)	1.3	1.3	2.6	2.5
Net investment income	\$78.8	\$85.0	\$158.2	\$170.9
Realized gains (losses) on:				
Fixed maturity securities:				
Gains	\$2.9	\$16.9	\$3.9	\$18.6
Losses	—	—	(.1) —
Net	2.9	16.9	3.8	18.6
Equity securities & other long-term investments	134.1	5.0	137.8	6.3
Total	137.1	22.0	141.7	24.9
Income taxes (credits)(b)	48.0	7.7	49.5	8.7
Net realized gains (losses)	\$89.1	\$14.3	\$92.1	\$16.2
Changes in unrealized investment gains (losses) on:				
Fixed maturity securities	\$(238.3	) \$45.7	\$(264.8	) \$41.1
Less: Deferred income taxes (credits)	(83.1	) 15.9	(92.4	) 14.3
Net changes in unrealized investment gains (losses)	\$(155.1	) \$29.8	\$(172.4	) \$26.8
Equity securities & other long-term investments	\$(129.3	) \$(17.1	) \$1.8	\$44.9
Less: Deferred income taxes (credits)	(45.2	) (5.9	) .6	15.6
Net changes in unrealized investment gains (losses)	\$(84.0	) \$(11.1	) \$1.1	\$29.2

Investment expenses consist of personnel costs and investment management and custody service fees, as well as (a) interest incurred on funds held of \$.5 for both quarters ended June 30, 2013 and 2012, and \$1.0 for both six months ended June 30, 2013 and 2012.

(b) Reflects primarily the combination of fully taxable realized investment gains or losses and judgments about the recoverability of deferred tax assets.

4. Pension Plans:

Prior to December 31, 2012, the Company had four separate pension plans covering a portion of its work force. The four plans were the Old Republic International Salaried Employees Restated Retirement Plan (the Old Republic Plan), the Bituminous Casualty Corporation Retirement Income Plan (the Bituminous Plan), the Old Republic National Title Group Pension Plan (the Title Plan), and the PMA Capital Corporation Pension Plan (the PMA Plan). Effective December 31, 2012, the Bituminous Plan and the Title Plan were merged into the Old Republic Plan. The plans are defined benefit plans pursuant to which pension payments are based primarily on years of service and employee compensation near retirement. It is the Company's policy to fund the plans' costs as they accrue. With the exception of the PMA Plan, these plans have been closed to new participants since December 31, 2004; the PMA Plan was frozen

as of December 31, 2005. Under the terms of the freeze, the plan is closed to new participants and eligible employees retained all of their rights under the plan that they had vested as of December 31, 2005 but do not accrue any additional benefits thereafter. Plan assets are comprised principally of bonds, common stocks and short-term investments. Cash contributions of \$.4 were made to the pension plans in the first six months of 2013, and additional cash contributions of \$13.0 are expected to be made in the remaining portion of calendar year 2013.

5. Information About Segments of Business:

The Company is engaged in the single business of insurance underwriting. It conducts its operations through a number of regulated insurance company subsidiaries organized into three major segments, namely its General Insurance Group (property and liability insurance), Title Insurance Group, and the Republic Financial Indemnity Group ("RFIG") Run-off Business. The results of a small life & accident insurance business are included with those of the holding company parent and minor corporate services operations. Each of the Company's segments underwrites and services only those insurance coverages which may be written by it pursuant to state insurance regulations and corporate charter provisions.

In late March of 2012, Old Republic combined its General Insurance Group's Consumer Credit Indemnity (CCI) division with its Mortgage Guaranty (MI) business in a renamed RFIG Run-off Business segment. The two operations, which offer similar insurance coverages, have been in run-off operating mode since 2008 (CCI) and August 2011 (MI), and are inactive from new business production standpoints. The combination affects the manner in which segmented results are presented. The operating results of the combined coverages are therefore shown as a single run-off book of business within the Company's consolidated operations. Segment results exclude net realized investment gains or losses and other-than-temporary impairments as these are aggregated in the consolidated totals. The contributions of Old Republic's insurance industry segments to consolidated totals are shown in the following table.

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	Quarters Ended		Six Months Ended	
	June 30,	2012	June 30,	2012
	2013		2013	
General Insurance:				
Including CCI run-off business:				
Net premiums earned	\$621.4	\$575.6	\$1,229.4	\$1,136.7
Net investment income and other income	83.8	93.7	165.5	190.6
Total revenues before realized gains or losses	\$705.2	\$669.4	\$1,395.0	\$1,327.3
Income (loss) before taxes (credits) and realized investment gains or losses (a)	\$63.0	\$9.7	\$131.9	\$80.8
Income tax expense (credits) on above	\$20.3	\$(.4)	) \$43.1	\$22.1
All CCI run-off business:				
Net premiums earned	\$7.1	\$11.5	\$15.0	\$23.6
Net investment income and other income	—	—	.1	—
Total revenues before realized gains or losses	\$7.2	\$11.5	\$15.1	\$23.6
Income (loss) before taxes (credits) and realized investment gains or losses (a)	\$—	\$(49.8)	) \$(7.2)	) \$(59.3)
Income tax expense (credits) on above	\$—	\$(17.4)	) \$(2.5)	) \$(20.7)
Total excluding all CCI run-off business:				
Net premiums earned	\$614.2	\$564.1	\$1,214.4	\$1,113.1
Net investment income and other income	83.7	93.7	165.4	190.6
Total revenues before realized gains or losses	\$697.9	\$657.8	\$1,379.8	\$1,303.7
Income (loss) before taxes (credits) and realized investment gains or losses (a)	\$63.1	\$59.6	\$139.2	\$140.1
Income tax expense (credits) on above	\$20.4	\$16.9	\$45.7	\$42.9
Title Insurance:				
Net premiums earned	\$393.1	\$296.3	\$748.3	\$557.3
Title, escrow and other fees	122.2	107.1	227.6	201.1
Sub-total	515.4	403.4	975.9	758.4
Net investment income and other income	7.2	7.6	14.4	14.9
Total revenues before realized gains or losses	\$522.6	\$411.1	\$990.3	\$773.4
Income (loss) before taxes (credits) and realized investment gains or losses (a)	\$40.4	\$22.5	\$61.9	\$31.9
Income tax expense (credits) on above	\$14.6	\$7.9	\$22.2	\$11.3
RFIG Run-off Business:				
Excluding CCI run-off business:				
Net premiums earned	\$71.6	\$96.3	\$151.6	\$199.6
Net investment income and other income	9.3	9.6	18.4	20.3
Total revenues before realized gains or losses	\$81.0	\$105.9	\$170.0	\$219.9
Income (loss) before taxes (credits) and realized investment gains or losses (a)	\$55.5	\$(110.3)	) \$42.4	) \$(192.1)
Income tax expense (credits) on above	\$19.4	\$(38.6)) \$14.8) \$(67.2)
All CCI run-off business:				
Net premiums earned	\$7.1	\$11.5	\$15.0	\$23.6

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Net investment income and other income	—	—	.1	—	
Total revenues before realized gains or losses	\$7.2	\$11.5	\$15.1	\$23.6	
Income (loss) before taxes (credits) and realized investment gains or losses (a)	\$—	\$(49.8)	) \$(7.2)	) \$(59.3))
Income tax expense (credits) on above	\$—	\$(17.4)	) \$(2.5)	) \$(20.7))
Total RFIG run-off MI and CCI business:					
Net premiums earned	\$78.8	\$107.8	\$166.6	\$223.2	
Net investment income and other income	9.4	9.6	18.6	20.3	
Total revenues before realized gains or losses	\$88.3	\$117.5	\$185.2	\$243.5	
Income (loss) before taxes (credits) and realized investment gains or losses (a)	\$55.4	\$(160.2)) \$35.1) \$(251.5))
Income tax expense (credits) on above	\$19.3	\$(56.0)) \$12.3) \$(87.9))

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	Quarters Ended		Six Months Ended	
	June 30,	2012	June 30,	2012
	2013		2013	
Consolidated Revenues:				
Total revenues of above Company segments	\$1,308.9	\$1,186.5	\$2,555.5	\$2,320.7
Other sources (b)	29.6	31.7	63.2	68.9
Consolidated net realized investment gains (losses)	137.1	22.0	141.7	24.9
Consolidation elimination adjustments	(14.2	) (16.3	) (28.9	) (32.5
Consolidated revenues	\$1,461.5	\$1,223.9	\$2,731.5	\$2,382.0
Consolidated Income (Loss) Before Taxes (Credits):				
Total income (loss) before income taxes (credits) and realized investment gains or losses of above Company segments	\$158.9	\$(78.0	) \$236.3	\$(79.4
Other sources - net (b)	.1	(2.2	) 2.8	(6.5
Consolidated net realized investment gains (losses)	137.1	22.0	141.7	24.9
Consolidated income (loss) before income taxes (credits)	\$296.3	\$(58.3	) \$380.8	\$(60.9
Consolidated Income Tax Expense (Credits):				
Total income tax expense (credits) for above Company segments	\$54.3	\$(31.1	) \$80.3	\$(33.6
Other sources - net (b)	—	(.8	) .7	(2.4
Income tax expense (credits) on consolidated net realized investment gains (losses)	48.0	7.7	49.5	8.7
Consolidated income tax expense (credits)	\$102.3	\$(24.2	) \$130.6	\$(27.3
			June 30,	December 31,
			2013	2012
Consolidated Assets:				
General Insurance			\$12,944.9	\$12,770.2
Title Insurance			1,109.8	1,076.5
RFIG Run-off Business			1,915.9	2,051.1
Total assets for the above company segments			15,970.7	15,897.9
Other assets (b)			651.6	626.2
Consolidation elimination adjustments			(323.0	) (297.3
Consolidated assets			\$16,299.3	\$16,226.8

(a) Income (loss) before taxes (credits) is reported net of interest charges on intercompany financing arrangements with Old Republic's holding company parent for the following segments: General - \$7.1 and \$14.2 compared to \$6.9 and \$13.8 for the quarter and six months ended June 30, 2013 and 2012, respectively; Title - \$1.9 and \$3.9 compared to \$2.0 and \$4.0 for the quarter and six months ended June 30, 2013 and 2012, respectively, and RFIG run-off - \$0 and \$0 compared to \$2.1 and \$4.2 for the quarter and six months ended June 30, 2013 and 2012, respectively.

(b) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, and a small life and accident insurance operation.

General Insurance results for the second quarter and first six months of 2012 reflect pretax charges of approximately \$11 and \$22, respectively, related to previously deferred acquisition costs ("DAC"). The DAC charge stemmed from new accounting guidance issued by the FASB which became effective as of January 1, 2012.

The material increases in mortgage guaranty insurance claims and loss payments that began in 2007 gradually depleted Republic Mortgage Insurance Company's ("RMIC") statutory capital base and forced it to discontinue writing new business. The insurance laws of 16 jurisdictions, including RMIC's and its affiliate company, Republic Mortgage Insurance Company of North Carolina's ("RMICNC") domiciliary state of North Carolina, require a mortgage insurer to maintain a minimum amount of statutory capital relative to risk in force (or a similar measure) in order to continue to write new business. The formulations currently allow for a maximum risk-to-capital ratio of 25 to 1, or alternatively stated, a "minimum policyholder position" ("MPP") of one-twenty-fifth of the total risk in force. The failure to maintain the prescribed minimum capital level in a particular state generally requires a mortgage insurer to immediately stop writing new business until it reestablishes the required level of capital or receives a waiver of the requirement from a state's insurance regulatory authority. RMIC breached the minimum capital requirement during the third quarter of 2010. RMIC had previously requested and, subsequently received waivers or forbearance of the minimum policyholder position

requirements from the regulatory authorities in substantially all affected states. Following several brief extensions, the waiver from its domiciliary state of North Carolina expired on August 31, 2011, and RMIC and RMICNC, discontinued writing new business in all states and limited themselves to servicing the run-off of their existing business.

During 2012 the North Carolina Department of Insurance ("NCDOI") issued several orders the ultimate effects of which were:

- To place RMIC and RMICNC under NCDOI supervision;
- To approve a Corrective Plan submitted by RMIC pursuant to which all settled claims are to be paid in cash for 60% of the settled amount, with the remaining 40% retained in claim reserves as a Deferred Payment Obligation ("DPO") until a future payment of all or a portion of this 40% is approved by the NCDOI; and
- To execute the DPO-based run-off plan under Old Republic's ownership and NCDOI supervision of RMIC and RMICNC to effect a most economically sound realization of ultimate benefits to policyholders during a sufficiently long future period.

As of June 30, 2013, the accumulated DPO claim reserve amounted to \$443.0.

6. Commitments and Contingent Liabilities:

Legal proceedings against the Company and its subsidiaries routinely arise in the normal course of business and usually pertain to claim matters related to insurance policies and contracts issued by its insurance subsidiaries. Other, non-routine legal proceedings which may prove to be material to the Company or a subsidiary are discussed below.

Purported class action lawsuits are pending against the Company's principal title insurance subsidiary, Old Republic National Title Insurance Company ("ORNTIC"), in federal courts in two states - Pennsylvania (Markocki et al. v. ORNTIC, U.S. District Court, Eastern District, Pennsylvania, filed June 8, 2006), and Texas (Ahmad et al. v. ORNTIC, U.S. District Court, Northern District, Texas, Dallas Division, filed February 8, 2008). The plaintiffs allege that ORNTIC failed to give consumers reissue and/or refinance credits on the premiums charged for title insurance covering mortgage refinancing transactions, as required by rate schedules filed by ORNTIC or by state rating bureaus with the state insurance regulatory authorities. The Pennsylvania suit also alleges violations of the federal Real Estate Settlement Procedures Act ("RESPA"). The Court in the Texas suit dismissed similar RESPA allegations. Classes have been certified in the Pennsylvania suit, but the 5th Circuit Court of Appeals has reversed the earlier class certification in the Texas case.

The putative class action filed in state court in Kansas City, Missouri on December 7, 2006 (Painter et al. v. Old Republic Title Company of Kansas City and Old Republic National Title Insurance Company) alleging that the companies overcharged title recording fees in a number of states has been settled. The settlement does not result in any material liability to the Company.

On December 19, 2008, Old Republic Insurance Company and Old Republic Insured Credit Services, Inc., ("Old Republic") filed suit against Countrywide Bank FSB, Countrywide Home Loans, Inc. ("Countrywide") and Bank of New York Mellon, BNY Mellon Trust of Delaware ("BNYM") in the Circuit Court, Cook County, Illinois (Old Republic Insurance Company, et al. v. Countrywide Bank FSB, et al.) seeking rescission of various credit indemnity policies issued to insure home equity loans and home equity lines of credit which Countrywide had securitized or held for its own account, a declaratory judgment and money damages based upon material misrepresentations either by Countrywide as to the credit characteristics of the loans or by the borrowers in their loan applications. Countrywide filed a counterclaim alleging a breach of contract, bad faith and seeking a declaratory judgment challenging the factual and procedural bases that Old Republic had relied upon to deny or rescind coverage for individual defaulted loans

under those policies, as well as unspecified compensatory and punitive damages. The Court ruled that Countrywide does not have standing to counterclaim with respect to the policies insuring the securitized loans because those policies were issued to BNYM. In response, Countrywide and BNYM have jointly filed a motion asking the Court to allow an amended counterclaim in which BNYM would raise substantially similar allegations as those raised by Countrywide and make substantially similar requests but with respect to the policies issued to BNYM. The Court has not yet ruled on their motion.

On November 3, 2010, Bank of America, N.A. ("B of A") filed suit against Old Republic Insurance Company ("ORIC") in the U.S. District Court for the Western District of North Carolina (Bank of America, N.A. v. Old Republic Insurance Company) alleging breach of contract, breach of the duty of good faith and fair dealing and bad faith with respect to ORIC's handling of certain claims under a policy of credit indemnity insurance issued to B of A. The policy is not related to those issued to Countrywide, which are the subject of the above-noted separate litigation. The B of A suit seeks a declaratory judgment with respect to the interpretation of certain policy terms, B of A's compliance with certain terms and conditions of the policy, and the propriety of certain positions and procedures taken by ORIC in response to claims filed by B of A. The suit also seeks money damages in excess of \$320, pre and post judgment interest and unspecified punitive damages. On January 23, 2012, ORIC filed a counterclaim seeking damages based on B of A's alleged interference with ORIC's subrogation rights.

On December 31, 2009, two of the Company's mortgage insurance subsidiaries, Republic Mortgage Insurance Company and Republic Mortgage Insurance Company of North Carolina (together "RMIC") filed a Complaint for Declaratory Judgment in the Supreme Court of the State of New York, County of New York, against Countrywide Financial Corporation, Countrywide Home Loans, Inc., The Bank of New York Mellon Trust Company, N.A., BAC Home Loans Servicing, LP, and Bank of America N.A. as successor in interest to Countrywide Bank, N.A. (together "Countrywide")(Republic Mortgage Insurance Company, et al v. Countrywide Financial Corporation, et al). The suit relates to five

mortgage insurance master policies (the "Policies") issued by RMIC to Countrywide or to the Bank of New York Mellon Trust Company as co-trustee for trusts containing securitized mortgage loans that were originated or purchased by Countrywide. RMIC has rescinded its mortgage insurance coverage on over 1,500 of the loans originally covered under the Policies based upon material misrepresentations of the borrowers in their loan applications or the negligence of Countrywide in its loan underwriting practices or procedures. Each of the coverage rescissions occurred after a borrower had defaulted and RMIC reviewed the claim and loan file submitted by Countrywide. The suit seeks the Court's review and interpretation of the Policies' incontestability provisions and its validation of RMIC's investigation procedures with respect to the claims and underlying loan files.

On January 29, 2010, in response to RMIC's suit, Countrywide served RMIC with a demand for arbitration under the arbitration clauses of the same Policies. The demand raises largely the same issues as those raised in RMIC's suit against Countrywide, but from Countrywide's perspective, as well as Countrywide's and RMIC's compliance with the terms, provisions and conditions of the Policies. The demand includes a prayer for punitive, compensatory and consequential damages. RMIC filed a motion to stay the arbitration, and Countrywide filed a motion to dismiss RMIC's lawsuit and to compel the arbitration. On July 26, 2010, the Court granted Countrywide's motion, ordering the matters be submitted to arbitration and dismissing the lawsuit. The arbitration is proceeding.

After its First Amended Complaint was dismissed on May 4, 2011, on July 19, 2011, J.P. Morgan Chase Bank, N.A. ("Chase") filed a Second Amended Complaint against RMIC in the U.S. District Court for the District of New Jersey arising out of RMIC's rescissions of coverage on approximately 377 mortgage loans. (J.P. Morgan Chase Bank, N.A. v. Republic Mortgage Insurance Company). The Second Amended Complaint alleged that RMIC's rescissions were improper either because the coverage had become incontestable; or the rescissions relied upon evidence that was either improperly obtained or insufficient, unreliable or immaterial; or the rescissions were not permitted by applicable law. Based on these allegations, Chase asserted claims for breach of contract, breach of good faith and fiduciary duties, negligence and violations of Colorado and Louisiana insurance laws and seeks declaratory relief and unspecified compensatory, treble and punitive damages. Chase subsequently reduced the number of loans in dispute from 377 to 190. On July 23, 2013, the parties agreed to a non-monetary settlement and dismissal of the suit.

On January 4, 2013, a purported class action suit alleging RESPA violations was filed in the Federal District Court, for the Eastern District of Pennsylvania targeting RMIC, and four other mortgage guaranty insurance companies and HSBC Bank USA, N.A., and its wholly-owned captive insurance subsidiary. (Ba, Chip, et al. v. HSBC Bank USA, N.A., et al). The lawsuit is one of twelve against various lenders, their captive reinsurers and the mortgage insurers, filed by the same law firms, all of which were substantially identical in alleging that the mortgage guaranty insurers had reinsurance arrangements with the defendant banks' captive insurance subsidiaries under which payments were made in violation of the anti-kickback and fee splitting prohibitions of Sections 8(a) and 8(b) of RESPA. Eleven of the twelve suits have been dismissed. The remaining suit seeks unspecified damages, costs, fees and the return of the allegedly improper payments. A class has not been certified in the suit and RMIC has filed a motion to dismiss the case.

A purported state class action suit was filed against Old Republic Title Company in the Superior Court of California for Orange County on January 7, 2011, on behalf of the Company's escrow officers and escrow assistants in the State of California. (Hinrichs v. Old Republic Title Company). The Company filed a demur to the complaint, and in response, plaintiff filed an Amended Complaint on January 5, 2012 adding another named plaintiff. The suit alleged that the Company failed to pay overtime, failed to calculate overtime properly, denied meal breaks and rest breaks and failed to itemize pay statements, in violation of the California Labor Code and seeks compensatory damages, statutory penalties, interest, costs and attorneys' fees for the period from January 7, 2007 to the present. The case has been settled for the estimated liability previously recorded.

On September 26, 2012 a purported national class action suit was filed against Old Republic Home Protection Company in the Superior Court of California for Riverside County. (Friedman v. Old Republic Home Protection Company, Inc.). The suit alleges that the Company operates in breach of its home warranty contracts, in breach of implied covenants of good faith and fair dealing, in violation of various provisions of the California Civil Code and Business and Professions Code and is guilty of false advertising. The stated class period is from November 24, 2004 through the present. The suit seeks declaratory relief, injunctive relief, restitution, damages, costs and attorneys' fees in unspecified amounts. The firm representing the plaintiff had previously filed similar suits against the Company, which were unsuccessful. The Company succeeded in having the case removed to the U.S. District Court for the Central District of California on October 24, 2012, and believes it has strong defenses to the allegations and to the certification of any class in this matter.

PNC Bank, N.A., in its own right and as successor-in-interest to National City Corporation, filed suit against RMIC on October 10, 2012 in the United States District Court for the Western District of Pennsylvania disputing RMIC's denials and rescissions of its mortgage guaranty insurance coverage on an unspecified number of mortgage loans. It filed an amended complaint on January 30, 2013 identifying 248 disputed coverage denials or rescissions (PNC Bank, N.A. v. Republic Mortgage Insurance Company). The suit seeks certain declaratory relief, actual money damages and unspecified compensatory, consequential and punitive damages.

On May 16, 2013, Bank of America, N.A. ("B of A") filed a demand for arbitration with the American Arbitration Association against both Republic Mortgage Insurance Company and Republic Mortgage Insurance Company of North Carolina (together, "RMIC") under the arbitration provisions of the RMIC Master Policy of mortgage guaranty insurance issued to B of A. The demand relates to RMIC's denials of certain claims and rescissions of coverage as to other claims. B of A alleges RMIC's actions were in breach of contract, in breach of RMIC's duty of good faith and fair dealing and in

bad faith. The allegations are substantially similar to those raised by B of A's affiliates, Countrywide Financial Corporation and Countrywide Home Loans, Inc. in their arbitration demand against RMIC. B of A is a plaintiff in that proceeding as well, in its capacity as successor in interest to Countrywide Bank, N.A. B of A's demand requests a declaratory judgment with respect to the interpretation of certain policy provisions, B of A's compliance with certain terms and conditions of the policy, and the propriety of certain coverage positions and claims administration procedures of RMIC. The demand also seeks money damages estimated by B of A to be at least \$63.8, unspecified punitive, compensatory and consequential damages, interest, attorney's fees and costs.

Under GAAP, an estimated loss is accrued only if the loss is probable and reasonably estimable. The Company and its subsidiaries have defended and intend to continue defending vigorously against each of the aforementioned actions. The Company does not believe it probable that any of these actions will have a material adverse effect on its consolidated financial position, results of operations, or cash flows, though there can be no assurance in those regards. Except as otherwise noted, the Company is unable to make a reasonable estimate or range of estimates of any potential liability under these lawsuits, the counterclaim, and the arbitration, all of which seek unquantified damages, attorneys' fees, and expenses. It is also unclear what effect, if any, the run-off operations of RMIC and the depletion of its capital will have in the actions against it.

7. Debt:

Consolidated debt of Old Republic and its subsidiaries is summarized below:

	June 30, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
3.75% Convertible Senior Notes due 2018	\$550.0	\$610.7	\$550.0	\$568.5
ESSOP debt with an average yield of 3.70% and 3.74%, respectively	18.0	18.0	20.8	20.8
Other miscellaneous debt	1.9	1.9	2.0	2.0
Total debt	\$570.0	\$630.8	\$572.9	\$591.5

The Company completed a public offering of \$550.0 aggregate principal amount of Convertible Senior Notes in early March, 2011. The notes bear interest at a rate of 3.75% per year, mature on March 15, 2018, and are convertible at any time prior to maturity by the holder into 64.3407 shares (subject to periodic adjustment under certain circumstances) of common stock per one thousand dollar note.

The Company's 3.75% Convertible Senior Notes ("the Notes") contain provisions defining certain events of default, among them a court ordered proceeding due to the insolvency of a Significant Subsidiary. The Notes define Significant Subsidiary in accordance with the paragraph (w) of Rule 1-02 of the SEC's Regulation S-X. The Company's flagship mortgage guaranty insurance carrier, RMIC qualifies as a Significant Subsidiary for purposes of the Notes. If RMIC were to become statutorily impaired, its insolvency could trigger a receivership proceeding which, in turn could ultimately result in an event of default. If this were to occur, the outstanding principal of the Notes could become immediately due and payable. Management believes the Orders issued by the North Carolina Department of Insurance to RMIC has precluded such an event from occurring for the foreseeable future. Moreover, RMIC is expected to be increasingly less significant as its run-off book extinguishes itself. While Old Republic believes that it would have access to the capital markets or otherwise mitigate an event of default under the Notes, there is no assurance that it would be able to do so under future stressful capital market conditions.

At June 30, 2013, the Company had sufficient liquid resources available to redeem a substantial portion of the 3.75% Notes. Management continues to explore the Company's options to address possibly greater liquidity needs in the circumstance that an event of default was to occur at a future date. These potential plans include an amendment to the

3.75% Notes removing RMIC from the definition of a Significant Subsidiary, an additional capital raise through issuance of new straight or convertible debt, or the utilization of intra system dividend and financing capacity. While Management is confident that an event of default can be stemmed, there is no assurance that its impact could be addressed through execution of these plans.

Fair Value Measurements - The Company utilizes indicative market prices, which incorporate recent actual market transactions and current bid/ask quotations to estimate the fair value of outstanding debt securities that are classified within Level 2 of the fair value hierarchy as presented below. The Company uses an internally generated interest yield market matrix table, which incorporates maturity, coupon rate, credit quality, structure and current market conditions to estimate the fair value of its outstanding debt securities that are classified within Level 3.

The following table shows a summary of the carrying value and fair value of financial liabilities segregated among the various input levels described in Note 3 above:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial Liabilities:					
Debt:					
June 30, 2013	\$570.0	\$630.8	\$—	\$610.7	\$20.0
December 31, 2012	\$572.9	\$591.5	\$—	\$568.5	\$22.9

8. Income Taxes:

Tax positions taken or expected to be taken in a tax return by the Company are recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. To the best of management's knowledge, there are no tax uncertainties that are expected to result in significant increases or decreases to unrecognized tax benefits within the next twelve month period. The Company views its income tax exposures as primarily consisting of timing differences whereby the ultimate deductibility of a taxable amount is highly certain but the timing of its deductibility is uncertain. Such differences relate principally to the timing of deductions for loss and premium reserves. As in prior examinations, the Internal Revenue Service ("IRS") could assert that claim reserve deductions were overstated thereby reducing the Company's statutory taxable income in any particular year. The Company believes that it establishes its reserves fairly and consistently at each balance sheet date, and that it would succeed in defending its tax position in these regards. Because of the impact of deferred tax accounting, the possible accelerated payment of tax to the IRS would not necessarily affect the annual effective tax rate. The IRS is currently examining the Company's 2005 through 2010 consolidated Federal income tax returns, including amendments, relative to claims for recovery of taxes previously paid. The Company's consolidated 2006 Federal income tax return has been examined and no significant adjustments have been identified. The Company classifies interest and penalties as income tax expense in the consolidated statement of income.

OLD REPUBLIC INTERNATIONAL CORPORATION
MANAGEMENT ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS
Six Months Ended June 30, 2013 and 2012
(\$ in Millions, Except Share Data)
OVERVIEW

This management analysis of financial position and results of operations pertains to the consolidated accounts of Old Republic International Corporation ("Old Republic", "ORI", or "the Company"). The Company conducts its operations through three major regulatory segments, namely, its General (property and liability), Title, and the RFIG (mortgage guaranty and consumer credit indemnity) Run-off Business. A small life and accident insurance business, accounting for 1.3% of consolidated operating revenues for the six months ended June 30, 2013 and 1.4% of consolidated assets as of that date, is included within the corporate and other caption of this report.

The consolidated accounts are presented in conformity with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") of accounting principles generally accepted in the United States of America ("GAAP"). As a publicly held company, Old Republic utilizes GAAP largely to comply with the financial reporting requirements of the Securities and Exchange Commission ("SEC"). From time to time the FASB and the SEC issue various releases most of which require additional financial statement disclosures and provide related application guidance. Of particular relevance to the Company's financial statements is recent guidance issued by the FASB relative to the calculation of deferred acquisition costs incurred by insurance entities and amounts reclassified out of other comprehensive income. These matters are addressed in the pertinent financial statements and notes herein.

As a state regulated financial institution vested with the public interest, however, business of the Company's insurance subsidiaries is managed pursuant to the laws, regulations, and accounting practices of the various states in the U.S. and those of a small number of other jurisdictions outside the U.S. in which they operate. In comparison with GAAP, the statutory accounting practices reflect greater conservatism and comparability among insurers, and are intended to address the primary financial security interests of policyholders and their beneficiaries. Additionally, these practices also affect a significant number of important factors such as product pricing, risk bearing capacity and capital adequacy, the determination of Federal income taxes payable currently among ORI's tax-consolidated entities, and the upstreaming of dividends by insurance subsidiaries to the parent holding company. The major differences between these statutory financial accounting practices and GAAP are summarized in Note 1(a) to the consolidated financial statements included in Old Republic's 2012 Annual Report on Form 10-K.

The insurance business is distinguished from most others in that the prices (premiums) charged for various insurance products are set without certainty of the ultimate benefit and claim costs that will emerge or be incurred, often many years after issuance and expiration of a policy. This basic fact casts Old Republic as a risk-taking enterprise managed for the long run. Management therefore conducts the business with a primary focus on achieving favorable underwriting results over cycles, and on the maintenance of financial soundness in support of the insurance subsidiaries' long-term obligations to insurance beneficiaries. To achieve these objectives, adherence to insurance risk management principles is stressed, and asset diversification and quality are emphasized.

In addition to income arising from Old Republic's basic underwriting and related services functions, significant investment income is earned from invested funds generated by those functions and from shareholders' capital. Investment management aims for stability of income from interest and dividends, protection of capital, and sufficient liquidity to meet insurance underwriting and other obligations as they become payable in the future. Securities trading and the realization of capital gains are not objectives. The investment philosophy is therefore best characterized as emphasizing value, credit quality, and relatively long-term holding periods. The Company's ability to hold both fixed maturity and equity securities for long periods of time is in turn enabled by the scheduling of maturities in contemplation of an appropriate matching of assets and liabilities.

In light of the above factors, the Company's affairs are necessarily managed for the long run and without significant regard to the arbitrary strictures of quarterly or even annual reporting periods that American industry must observe. In Old Republic's view, such short reporting time frames do not comport well with the long-term nature of much of its business. Management believes that the Company's operating results and financial condition can best be evaluated by observing underwriting and overall operating performance trends over succeeding five to ten year intervals. Such extended periods can encompass one or two economic and/or underwriting cycles, and thereby provide appropriate time frames for such cycles to run their course and for reserved claim costs to be quantified with greater finality and effect.

This management analysis should be read in conjunction with the consolidated financial statements and the footnotes appended to them.

EXECUTIVE SUMMARY

In late March 2012, the Company announced that its General Insurance Group's Consumer Credit Indemnity (CCI) division would be combined with its Mortgage Guaranty (MI) business in a renamed Republic Financial Indemnity Group, Inc. ("RFIG") run-off segment. The two operations, which offer similar insurance coverages, have been in run-off operating mode since 2008 (CCI) and August 2011 (MI), and are inactive from new business production standpoints. The combination affects the manner in which segmented information is presented. The operating results of the combined coverages are therefore shown as a single run-off book of business within ORI's consolidated operations.

	Financial Highlights			Six Months Ended June 30,				
	Quarters Ended June 30, 2013	2012	Change	2013	2012	Change		
Operating Revenues:								
Excluding run-off business	\$ 1,236.0	\$ 1,084.4	14.0	%	\$ 2,404.5	\$ 2,113.4	13.8	%
RFIG run-off business	88.3	117.5	(24.8	)	185.2	243.5	(23.9)
Total	\$ 1,324.3	\$ 1,201.9	10.2	%	\$ 2,589.8	\$ 2,357.0	9.9	%
Net Operating Income (Loss):								
Excluding run-off business	\$ 68.7	\$ 55.7	23.3	%	\$ 135.2	\$ 113.7	18.9	%
RFIG run-off business	36.0	(104.1	)	134.6	22.8	(163.5	)	114.0
Total	104.8	(48.3	)	316.6	158.0	(49.7	)	417.5
Realized Investment								
Gains (Losses), net of tax	89.1	14.3	N/M		92.1	16.2	N/M	
Net Income (Loss)	\$ 193.9	\$ (34.0	)	N/M	\$ 250.2	\$ (33.5	)	N/M
Components of Net Income (Loss):								
Excluding run-off business	\$ 157.6	\$ 61.4	156.5	%	\$ 226.8	\$ 121.3	87.0	%
RFIG run-off business	36.2	(95.5	)	138.0	23.3	(154.8	)	115.1
Total	\$ 193.9	\$ (34.0	)	N/M	\$ 250.2	\$ (33.5	)	N/M
Diluted Earnings Per Share:								
Net Operating Income (Loss)								
Excluding run-off business	\$ 0.25	\$ 0.22	13.6	%	\$ 0.49	\$ 0.44	11.4	%
RFIG run-off business	0.12	(0.41	)	129.3	0.08	(0.63	)	112.7
Total	0.37	(0.19	)	294.7	0.57	(0.19	)	400.0
Realized Investment								
Gains (Losses), net of tax	0.30	0.06	N/M		0.31	0.06	N/M	
Net Income (Loss)	\$ 0.67	\$ (0.13	)	N/M	\$ 0.88	\$ (0.13	)	N/M
Components of Net Income (Loss):								
Excluding run-off business	\$ 0.55	\$ 0.24	129.2	%	\$ 0.80	\$ 0.47	70.2	%
RFIG run-off business	0.12	(0.37	)	132.4	0.08	(0.60	)	113.3
Total	\$ 0.67	\$ (0.13	)	N/M	\$ 0.88	\$ (0.13	)	N/M
Cash Dividends Per Share	\$ 0.1800	\$ 0.1775	1.4	%	\$ 0.3600	\$ 0.3550	1.4	%
Ending Book Value Per Share					\$ 13.95	\$ 14.50	(3.8)%

N/M = not meaningful

Consolidated operating results for this year's second quarter and first half were marked by highly positive underwriting performance in most of Old Republic's active and run-off operations. Year-over-year favorable comparisons were most pronounced in the combined MI and CCI run-off segment which evidenced a further drop in claim costs and a quarterly profit for the first time since Fall 2007. Title insurance earnings rose sharply in reflection of strong revenue growth combined with relatively lower claim and operating expenses. Old Republic's largest business of general insurance posted moderately better performance in this year's second quarter as underwriting results were not burdened by 2012's additional charges attributable to new Financial Accounting Standards Board guidance to account for deferred acquisition costs.

In addition to the strong turn-around in operating earnings, Old Republic's overall performance was much enhanced by the realization of substantial investment gains. These resulted mostly from sales of equity securities including common stock investments whose value was originally impaired in 2008.

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Consolidated Results - The major components of Old Republic's consolidated results and other data for the periods reported upon are shown below:

	Quarters Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Operating revenues:				
General insurance	\$ 697.9	\$ 657.8	\$ 1,379.8	\$ 1,303.7
Title insurance	522.6	411.1	990.3	773.4
Corporate and other	15.4	15.4	34.2	36.3
Subtotal	1,236.0	1,084.4	2,404.5	2,113.4
RFIG run-off business	88.3	117.5	185.2	243.5
Total	\$ 1,324.3	\$ 1,201.9	\$ 2,589.8	\$ 2,357.0
Pretax operating income (loss):				
General insurance	\$ 63.1	\$ 59.6	\$ 139.2	\$ 140.1
Title insurance	40.4	22.5	61.9	31.9
Corporate and other	0.1	(2.2)	2.8	(6.5)
Subtotal	103.7	79.8	203.9	165.5
RFIG run-off business	55.4	(160.2)	35.1	(251.5)
Total	159.1	(80.3)	239.1	(85.9)
Realized investment gains (losses):				
From sales	137.1	22.0	141.7	24.9
From impairments	—	—	—	—
Net realized investment gains (losses)	137.1	22.0	141.7	24.9
Consolidated pretax income (loss)	296.3	(58.3)	380.8	(60.9)
Income taxes (credits)	102.3	(24.2)	130.6	(27.3)
Net income (loss)	\$ 193.9	\$ (34.0)	\$ 250.2	\$ (33.5)
Consolidated underwriting ratio:				
Including RFIG run-off business:				
Benefits and claim ratio	43.0	% 65.8	% 46.4	% 62.7
Expense ratio	49.6	48.1	49.4	47.8
Composite ratio	92.6	% 113.9	% 95.8	% 110.5
Excluding RFIG run-off business:				
Benefits and claim ratio	43.6	% 45.9	% 43.7	% 45.6
Expense ratio	52.5	52.5	52.5	52.2
Composite ratio	96.1	% 98.4	% 96.2	% 97.8
Diluted earnings per share:				
Net operating income (loss)	\$ 0.37	\$ (0.19)	\$ 0.57	\$ (0.19)
Net realized investment gains (losses)	0.30	0.06	0.31	0.06
Net income (loss)	\$ 0.67	\$ (0.13)	\$ 0.88	\$ (0.13)
Cash dividends paid per share	\$ 0.1800	\$ 0.1775	\$ 0.3600	\$ 0.3550
Components of diluted earnings per share:				
Net operating income (loss):				
General insurance	\$ 0.15	\$ 0.17	\$ 0.32	\$ 0.38
Title insurance	0.09	0.06	0.14	0.08
Corporate and other	0.01	(0.01)	0.03	(0.02)
Subtotal	0.25	0.22	0.49	0.44
RFIG run-off business	0.12	(0.41)	0.08	(0.63)
Total	0.37	(0.19)	0.57	(0.19)

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Net realized investment gains (losses)	0.30	0.06	0.31	0.06
Net income (loss)	\$ 0.67	\$ (0.13) \$ 0.88	\$ (0.13

The preceding tables show operating and net income or loss to highlight the effects of realized investment gain or loss recognition on period-to-period comparisons. The recognition of realized investment gains or losses can be highly discretionary and arbitrary due to such factors as the timing of individual securities sales, recording of estimated losses from write-downs of impaired securities, tax-planning considerations, and changes in investment management judgments relative to the direction of securities markets or the future prospects of individual investees or industry sectors. Accordingly,

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management uses net operating income, a non-GAAP financial measure, to evaluate and better explain operating performance, believing that this measure enhances an understanding of Old Republic's core business results. Operating income, however, does not replace net income determined in accordance with GAAP as a measure of total profitability. The composition of realized gains or losses is shown below:

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Actual net gain from sales	\$ 5.7	\$ —	\$ 10.3	\$ —
Accounting adjustment of gain for impairment charges taken in prior periods	131.3	—	131.3	—
Net gain from actual sales	137.1	22.0	141.7	24.9
Net realized losses from impairments	—	—	—	—
Net pretax realized investment gains (losses) reported herein	\$ 137.1	\$ 22.0	\$ 141.7	\$ 24.9

General Insurance Results - As the following table shows, operating earnings excluding the CCI coverage were moderately higher in this year's second quarter and basically flat in the first half.

	General Insurance Group			Six Months Ended June 30,				
	Quarters Ended June 30,		Change	2013	2012	Change		
	2013	2012						
A. Prior to reclassification/ Including CCI run-off business:								
Net premiums earned	\$ 621.4	\$ 575.6	7.9	%	\$ 1,229.4	\$ 1,136.7	8.2	%
Net investment income	61.6	66.7	(7.6)	)	123.9	133.3	(7.1))
Benefits and claim costs	462.7	471.5	(1.9)	)	909.3	871.7	4.3	
Pretax operating income (loss)	\$ 63.0	\$ 9.7	N/M		\$ 131.9	\$ 80.8	63.3	%
Claim ratio	74.5	% 81.9	%		74.0	% 76.7	%	
Expense ratio	24.1	26.5			24.1	26.3		
Composite ratio	98.6	% 108.4	%		98.1	% 103.0	%	
B. All CCI run-off business reclassification(*):								
Net premiums earned	\$ 7.1	\$ 11.5	(37.7)	)%	\$ 15.0	\$ 23.6	(36.4))%
Net investment income	—	—	—		0.1	—	—	
Benefits and claim costs	6.6	60.4	(89.0)	)	21.7	80.7	(73.0))
Pretax operating income (loss)	\$ —	\$ (49.8)	) 99.8	%	\$ (7.2)	) \$ (59.3)	) 87.8	%
Claim ratio	93.0	% 524.6	%		145.0	% 341.9	%	
Expense ratio	9.4	8.3			4.4	9.5		
Composite ratio	102.4	% 532.9	%		149.4	% 351.4	%	
C. After reclassification/ Total Excluding all CCI run-off business:								
Net premiums earned	\$ 614.2	\$ 564.1	8.9	%	\$ 1,214.4	\$ 1,113.1	9.1	%
Net investment income	61.5	66.6	(7.7)	)	123.7	133.3	(7.2))
Benefits and claim costs	456.1	411.0	11.0		887.5	791.0	12.2	
Pretax operating income (loss)	\$ 63.1	\$ 59.6	5.8	%	\$ 139.2	\$ 140.1	(0.7))%
Claim ratio	74.3	% 72.9	%		73.1	% 71.1	%	
Expense ratio	24.2	26.9			24.3	26.7		
Composite ratio	98.5	% 99.8	%		97.4	% 97.8	%	

(*) In connection with the previously noted MI / CCI combination, \$.6 and \$(6.4) of pretax operating income (losses) for the second quarter and first half of 2013, and \$(48.7) and \$(58.1) of pretax operating losses for the second quarter and first half of 2012, are retained by certain general insurance companies pursuant to various quota share and stop loss reinsurance agreements. All of these amounts, however, have been reclassified and are included for segment reporting purposes such that section (B) in the above table incorporates 100% of the CCI run-off business results.

Favorable premium trends in workers' compensation, liability, and certain other general insurance coverages were most responsible for this year's revenue growth. Old Republic's specialized insurance services in such fields as aviation, construction, energy, home warranty, trucking, and large account risk management provided the main impetus to revenue growth. The combination of moderate rate improvements garnered over the past two years or so, and the slowly strengthening pace of U.S. economic activity were major underlying factors in this regard.

As in all other segments, net investment income fell by high single digits. While operating cash flow was positive and additive to the invested asset base, market yields on newly invested equity and fixed income securities remained in a depressed state.

As Section (C) in the preceding table shows, this year's general insurance composite ratio was relatively flat in comparison with 2012. The claim ratio component was slightly higher for 2013 as loss costs in the workers' compensation and general liability lines in particular remained at high levels. This increase was more than offset by a comparatively lower expense ratio. A large portion of the decline in this year's expense ratio relates to additional expense charges of 2.0 percentage points in each of last year's second quarter and first half pursuant to new Financial Accounting Standards Board guidance which took effect on January 1, 2012.

Title Insurance Results - Recently positive operating momentum in Old Republic's title insurance business accelerated in the first half of 2013. The following performance highlights portray this year's earnings progress:

	Title Insurance Group							
	Quarters Ended June 30,			Six Months Ended June 30,				
	2013	2012	Change	2013	2012	Change		
Net premiums and fees earned	\$ 515.4	\$ 403.4	27.7	% \$ 975.9	\$ 758.4	28.7	%	
Net investment income	6.3	6.8	(6.9	)	12.9	13.6	(5.4)
Claim costs	35.2	29.4	19.5		66.7	55.1	21.1	
Pretax operating income (loss)	\$ 40.4	\$ 22.5	79.5	%	\$ 61.9	\$ 31.9	93.9	%
Claim ratio	6.8	% 7.3	%		6.8	% 7.3	%	
Expense ratio	86.2	88.3			87.7	89.8		
Composite ratio	93.0	% 95.6	%		94.5	% 97.1	%	

Growth in title insurance premiums and fees benefited from the same positive factors that have taken hold in recent times. Most importantly these include market share gains, steadily improving housing sales and related financing transactions, and a relatively low mortgage interest rate environment. From an underwriting perspective, 2013 claim ratios were lower in relation to 2012 as claim frequency and severity continued to abate. Year-over-year expense ratio comparisons reflected further improvements due to the combination of firm expense management and operating leverage arising from a growing book of business.

RFIG Run-off Business Results - The table below reflects RFIG's comparative results before and after the above noted combination of Old Republic's mortgage guaranty and consumer credit indemnity coverages in a single run-off business segment.

	RFIG Run-off Business Quarters Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
A. Prior to reclassification/ Excluding CCI run-off business:						
Net premiums earned	\$ 71.6	\$ 96.3	(25.6)%	\$ 151.6	\$ 199.6	(24.1)%
Net investment income	9.3	9.6	(2.3)	18.4	19.9	(7.3)
Claim costs	19.7	205.8	(90.4)	115.5	385.2	(70.0)
Pretax operating income (loss)	\$ 55.5	\$ (110.3)	150.3 %	\$ 42.4	\$ (192.1)	122.1 %
Claim ratio	27.5	% 213.7	%	76.2	% 193.0	%
Expense ratio	8.1	8.5		8.0	11.2	
Composite ratio	35.6	% 222.2	%	84.2	% 204.2	%
B. CCI run-off business reclassification(*):						
Net premiums earned	\$ 7.1	\$ 11.5	(37.7)%	\$ 15.0	\$ 23.6	(36.4)%
Net investment income	—	—	—	0.1	—	—
Claim costs	6.6	60.4	(89.0)	21.7	80.7	(73.0)
Pretax operating income (loss)	\$ —	\$ (49.8)	99.8 %	\$ (7.2)	\$ (59.3)	87.8 %
Claim ratio	93.0	% 524.6	%	145.0	% 341.9	%
Expense ratio	9.4	8.3		4.4	9.5	
Composite ratio	102.4	% 532.9	%	149.4	% 351.4	%
C. After reclassification/ Total RFIG run-off MI and CCI business:						
Net premiums earned	\$ 78.8	\$ 107.8	(26.9)%	\$ 166.6	\$ 223.2	(25.4)%
Net investment income	9.4	9.6	(1.7)	18.6	19.9	(6.6)
Claim costs	26.4	266.3	(90.1)	137.2	465.9	(70.5)
Pretax operating income (loss)	\$ 55.4	\$ (160.2)	134.6 %	\$ 35.1	\$ (251.5)	114.0 %
Claim ratio	33.5	% 246.9	%	82.4	% 208.7	%
Expense ratio	8.3	8.5		7.7	11.0	
Composite ratio	41.8	% 255.4	%	90.1	% 219.7	%

(*) In connection with the previously noted MI / CCI combination, \$.6 and \$(6.4) of pretax operating income (losses) for the second quarter and first half of 2013, and \$(48.7) and \$(58.1) of pretax operating losses for the second quarter and first half of 2012, are retained by certain general insurance companies pursuant to various quota share and stop loss reinsurance agreements. All of these amounts, however, have been reclassified and are included for segment reporting purposes such that section (B) in the above table incorporates 100% of the CCI run-off business results.

Both MI and CCI premiums registered continued declines in the first half of 2013 - a natural outcome of a run-off book of business devoid of new premium production since at least 2011. Net investment income also fell in light of a pervasively low yield environment affecting this segment's declining invested asset base.

The substantial year-over-year improvement in mortgage guaranty operating results was due to significantly lower claim provisions. These emanated from the combined effects of a downtrend in newly reported defaults and the rate at which previously reported defaults have cured or have otherwise been resolved without payment. All of this led to highly favorable developments of year-end 2012 claim reserves. These (favorable) reserve developments accounted

for (reductions) of (66.1), (133.2), and (97.8) percentage points in the reported claim ratio for this year's first and second quarters and first half, respectively. By contrast, (favorable) and unfavorable 2012 developments of year-end 2011 reserves (reduced) or raised last year's reported claim ratios by (4.3), 34.3, and 14.4 percentage points in the first and second quarter and first half, respectively. The contrasting effects on 2013 and 2012 reported claim ratios of such disparate development patterns in previously established claim reserves are reflective of improving but still unsettled trends in home prices, foreclosure activity, and real estate markets generally.

Section (B) in the above table shows 100% of CCI results fully reclassified for segment reporting purposes. 2013 performance was favorably affected by claim provisions which were much lower than comparable charges in 2012. This

year's lower costs were mostly attributable to much greater than anticipated claim salvage recoveries and to claim provisions for estimated litigation costs which were lower than those charged in last year's second quarter.

Corporate and Other Operations - The combination of a small life and accident insurance business and the net costs associated with the parent holding company and its internal services subsidiaries usually produce highly variable results. Earnings variations posted by these relatively minor elements of Old Republic's business stem from volatility inherent to the small scale of life and accident insurance operations, fluctuations in the costs of external debt, and net interest expenses on intra-system financing arrangements. Corporate expenses since last year's second quarter benefited from lower interest charges following the repayment of high cost convertible debt of \$316 million in May of 2012. The interplay of these various operating elements is reflected in the following table:

	Corporate and Other Operations					
	Quarters Ended June 30,			Six Months Ended June 30,		
	2013	2012	Change	2013	2012	Change
Life & accident premiums earned	\$ 13.7	\$ 13.0	5.1 %	\$ 30.8	\$ 31.3	(1.5)%
Net investment income	1.4	1.8	(19.0)	2.9	3.9	(26.2)
Other income	0.2	0.4	(56.1)	0.5	1.0	(50.6)
Benefits and claim costs	7.6	9.7	(21.5)	17.3	21.0	(17.5)
Insurance expenses	7.0	6.2	13.3	14.7	14.3	2.7
Corporate, interest, and other expenses-net	0.5	1.7	(67.8)	(0.5)	7.5	(107.8)
Pretax operating income (loss)	\$ 0.1	\$ (2.2)	108.2 %	\$ 2.8	\$ (6.5)	142.9 %

Cash, Invested Assets, and Shareholders' Equity - The table below reflects Old Republic's consolidated cash and invested assets as well as shareholders' equity account at the dates shown:

		Cash, Invested Assets, and Shareholders' Equity					
				% Change			
		June 30,	Dec. 31,	June 30,	June '13/	June '13/	
		2013	2012	2012	Dec. '12	June '12/	
Cash and invested assets:	Fair value basis	\$10,818.6	\$10,800.6	\$10,464.2	0.2 %	3.4 %	
	Original cost basis	\$10,221.1	\$10,071.4	\$9,774.6	1.5 %	4.6 %	
Shareholders' equity:	Total	\$3,584.5	\$3,596.2	\$3,712.3	(0.3)%	(3.4)%	
	Per common share	\$13.95	\$14.03	\$14.50	(0.6)%	(3.8)%	
Composition of shareholders' equity per share:							
Equity before items below		\$12.76	\$12.15	\$12.64	5.0 %	0.9 %	
Unrealized investment gains (losses) and other accumulated comprehensive income (loss)		1.19	1.88	1.86			
Total		\$13.95	\$14.03	\$14.50	(0.6)%	(3.8)%	
Segmented composition of shareholders' equity per share:							
Excluding run-off segment		\$14.19	\$14.25	\$14.12	(0.4)%	0.5 %	
RFIG run-off segment		(0.24)	(0.22)	0.38			
Total		\$13.95	\$14.03	\$14.50	(0.6)%	(3.8)%	

Cash flow from consolidated operating activities was \$278.3 for this year's first six months compared to \$130.3 for the year-earlier period. Substantially all of these funds arose in the Company's general and title insurance segments.

The consolidated investment portfolio reflects a current allocation of approximately 92 percent to fixed-maturity securities and short-term investments, and 8 percent to equities. As has been the case for many years, Old Republic's invested assets are managed in consideration of enterprise-wide risk management objectives. Most importantly, these are intended to assure solid funding of its insurance subsidiaries' long-term obligations to policyholders and other beneficiaries, and the necessary long-term stability of capital accounts.

The investment portfolio contains no significant insurance risk-correlated asset exposures to real estate, mortgage-backed securities, collateralized debt obligations ("CDO's"), derivatives, junk bonds, hybrid securities, or illiquid private equity investments. In a similar vein, the Company does not engage in hedging or securities lending transactions, nor does it invest in securities whose values are predicated on non-regulated financial instruments exhibiting amorphous or unfunded counter-party risk attributes.

The following table shows the changes in the shareholders' equity account consisting of the Company's net income or loss, dividend payments to shareholders, and changes in the value of invested assets carried at fair value. The reduction in shareholders' equity per share in this year's second quarter and first half was largely attributable to the decline in the fair value of the Company's invested asset portfolio resulting most significantly from a rising interest rate market environment.

	Shareholders' Equity Per Share		
	Quarter Ended June 30, 2013	Six Months Ended June 30, 2013	2012
Beginning balance	\$ 14.31	\$ 14.03	\$ 14.76
Changes in shareholders' equity:			
Net operating income (loss)	0.41	0.61	(0.19)
Net realized investment gains (losses):			
From sales	0.35	0.36	0.06
From impairments	—	—	—
Subtotal	0.35	0.36	0.06
Net unrealized investment gains (losses)	(0.93)	(0.67)	0.22
Total realized and unrealized investment gains (losses)	(0.58)	(0.31)	0.28
Cash dividends	(0.18)	(0.36)	(0.36)
Stock issuance, foreign exchange, and other transactions	(0.01)	(0.02)	0.01
Net change	(0.36)	(0.08)	(0.26)
Ending balance	\$ 13.95	\$ 13.95	\$ 14.50

DETAILED MANAGEMENT ANALYSIS

This section of the Management Analysis of Financial Position and Results of Operations is additive to and should be read in conjunction with the Executive Summary which precedes it.

FINANCIAL ACCOUNTING AND REPORTING POLICIES

The Company's annual and interim financial statements incorporate a large number and types of estimates relative to matters which are highly uncertain at the time the estimates are made. The estimation process required of an insurance enterprise is by its very nature highly dynamic inasmuch as it necessitates a continuous evaluation, analysis, and quantification of factual data as it becomes known to the Company. As a result, actual experienced outcomes can differ from the estimates made at any point in time and thus affect future periods' reported revenues, expenses, net income or loss, and financial condition.

Old Republic believes that its most critical accounting estimates relate to: a) the determination of other-than-temporary impairments ("OTTI") in the value of fixed maturity and equity investments; b) the valuation of deferred income tax assets; c) the establishment of deferred acquisition costs which vary directly with the production of insurance premiums; d) the recoverability of reinsured paid and/or outstanding losses; and e) the establishment of reserves for losses and loss adjustment expenses. The major assumptions and methods used in setting these estimates are discussed in the Company's 2012 Annual Report on Form 10-K.

FINANCIAL POSITION

The Company's financial position at June 30, 2013 reflected increases in assets and liabilities of .4% and .7%, respectively, and a decrease in common shareholders' equity of .3% when compared to the immediately preceding year-end. Cash and invested assets represented 66.4% and 66.6% of consolidated assets as of June 30, 2013 and December 31, 2012, respectively. As of June 30, 2013, the cash and invested asset base increased by .2% to \$10,818.6.

Investments - During the first six months of 2013 and 2012, the Company committed the majority of investable funds to short to intermediate-term fixed maturity securities. At both June 30, 2013 and 2012, approximately 99% of the Company's investments consisted of marketable securities. Old Republic continues to adhere to its long-term policy of investing primarily in investment grade, marketable securities. The portfolio contains no significant direct insurance risk-correlated asset exposures to real estate, mortgage-backed securities, collateralized debt obligations ("CDO's"), derivatives, junk bonds, hybrid securities, or illiquid private equity investments. In a similar vein, the Company does not engage in hedging transactions or securities lending operations, nor does it invest in securities whose values are predicated on non-regulated financial instruments exhibiting amorphous or unfunded counter-party risk attributes. The Company does not have any exposure to European sovereign debt instruments. At June 30, 2013, the Company had no fixed maturity investments in default as to principal and/or interest.

Relatively high short-term maturity investment positions continued to be maintained as of June 30, 2013. Such positions reflect a large variety of seasonal and intermediate-term factors including current operating needs, expected operating cash flows, quarter-end cash flow seasonality, debt maturities, and investment strategy considerations. Accordingly, the future level of short-term investments will vary and respond to the interplay of these factors and may, as a result, increase or decrease from current levels.

The Company does not own or utilize derivative financial instruments for the purpose of hedging, enhancing the overall return of its investment portfolio, or reducing the cost of its debt obligations. With regard to its equity portfolio, the Company does not own any options nor does it engage in any type of option writing. Traditional

investment management tools and techniques are employed to address the yield and valuation exposures of the invested assets base. The long-term fixed maturity investment portfolio is managed so as to limit various risks inherent in the bond market. Credit risk is addressed through asset diversification and the purchase of investment grade securities. Reinvestment rate risk is reduced by concentrating on non-callable issues, and by taking asset-liability matching considerations into account. Purchases of mortgage and asset backed securities, which have variable principal prepayment options, are generally avoided. Market value risk is limited through the purchase of bonds of intermediate maturity. The combination of these investment management practices is expected to produce a more stable long-term fixed maturity investment portfolio that is not subject to extreme interest rate sensitivity and principal deterioration.

The fair value of the Company's long-term fixed maturity investment portfolio is sensitive, however, to fluctuations in the level of interest rates, but not materially affected by changes in anticipated cash flows caused by any prepayments. The impact of interest rate movements on the long-term fixed maturity investment portfolio generally affects net unrealized gains or losses. As a general rule, rising interest rates enhance currently available yields but typically lead to a reduction in the fair value of existing fixed maturity investments. By contrast, a decline in such rates reduces currently available yields but usually serves to increase the fair value of the existing fixed maturity investment portfolio. All such changes in fair value are reflected, net of deferred income taxes, directly in the shareholders' equity account, and as a separate component of the statement of comprehensive income. Given the Company's inability to forecast or control the movement of interest rates, Old Republic sets the maturity spectrum of its fixed maturity securities portfolio within parameters of estimated liability payouts, and focuses the overall portfolio on high quality investments. By so doing, Old Republic believes it is reasonably assured of its ability to hold securities to maturity as it may deem necessary in changing environments, and of ultimately recovering their aggregate cost.

Possible future declines in fair values for Old Republic's bond and stock portfolios would negatively affect the common shareholders' equity account at any point in time, but would not necessarily result in the recognition of realized investment losses. The Company reviews the status and fair value changes of each of its investments on at least a quarterly basis during the year, and estimates of other-than-temporary impairments in the portfolio's value are evaluated and established at each quarterly balance sheet date. In reviewing investments for other-than-temporary impairment, the Company, in addition to a security's market price history, considers the totality of such factors as the issuer's operating results, financial condition and liquidity, its ability to access capital markets, credit rating trends, most current audit opinion, industry and securities markets conditions, and analyst expectations to reach its conclusions. Sudden fair value declines caused by such adverse developments as newly emerged or imminent bankruptcy filings, issuer default on significant obligations, or reports of financial accounting developments that bring into question the validity of previously reported earnings or financial condition, are recognized as realized losses as soon as credible publicly available information emerges to confirm such developments. Absent issuer-specific circumstances that would result in a contrary conclusion, any equity security with an unrealized investment loss amounting to a 20% or greater decline for a six month period is considered other-than-temporarily-impaired. In the event the Company's estimate of other-than-temporary impairments is insufficient at any point in time, future periods' net income (loss) would be affected adversely by the recognition of additional realized or impairment losses, but its financial condition would not necessarily be affected adversely inasmuch as such losses, or a portion of them, could have been recognized previously as unrealized losses.

The following tables show certain information relating to the Company's fixed maturity and equity portfolios as of the dates shown:

Credit Quality Ratings of Fixed Maturity Securities (a)

	June 30, 2013	December 31, 2012	
Aaa	14.8	% 15.2	%
Aa	10.8	11.5	
A	35.8	34.2	
Baa	37.1	38.4	
Total investment grade	98.5	99.3	
All other (b)	1.5	.7	
Total	100.0	% 100.0	%

Credit quality ratings used are those assigned primarily by Moody's for U.S. Governments, Agencies and Corporate (a) issuers and by Standard & Poor's ("S&P") for U.S. and Canadian Municipal issuers, which are converted to equivalent Moody's ratings classifications.

(b) "All other" includes non-investment grade or non-rated issuers.

Gross Unrealized Losses Stratified by Industry Concentration for Non-Investment Grade Fixed Maturity Securities

June 30, 2013	Amortized Cost	Gross Unrealized Losses
Fixed Maturity Securities by Industry Concentration:		
Natural Gas	\$10.1	\$.6
Basic Industry	5.1	.1
Consumer Non Durable	8.9	.1
Health Care	12.2	.1

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Other (includes 2 industry groups)	5.6	.1
Total	\$42.1	(c) \$1.3

(c) Represents .5% of the total fixed maturity securities portfolio.

Gross Unrealized Losses Stratified by Industry Concentration for Investment Grade Fixed Maturity Securities

June 30, 2013	Amortized Cost	Gross Unrealized Losses
Fixed Maturity Securities by Industry Concentration:		
Utilities	\$248.8	\$9.1
Basic Industry	182.6	7.9
Energy	189.2	5.7
Industrial	191.5	4.7
Other (includes 17 industry groups)	1,200.1	28.6
Total	\$2,012.3	(d) \$56.2

(d) Represents 24.2% of the total fixed maturity securities portfolio.

Gross Unrealized Losses Stratified by Industry Concentration for Equity Securities

June 30, 2013	Adjusted Cost	Gross Unrealized Losses
Equity Securities by Industry Concentration:		
Health Care	\$30.5	\$.4
Energy	13.0	.3
Utilities	8.7	.3
Natural Gas	5.0	.2
Other (includes 3 industry groups)	13.0	.1
Total	\$70.3	(e) \$1.5 (f)

(e) Represents 12.3% of the total equity securities portfolio.

(f) Represents .3% of the cost of the total equity securities portfolio, while gross unrealized gains represent 51.1% of the portfolio.

Gross Unrealized Losses Stratified by Maturity Ranges for All Fixed Maturity Securities

June 30, 2013	Amortized Cost of Fixed Maturity Securities		Gross Unrealized Losses	
	All	Non-Investment Grade Only	All	Non-Investment Grade Only
Maturity Ranges:				
Due in one year or less	\$23.4	\$7.7	\$—	\$—
Due after one year through five years	789.9	19.3	10.8	.2
Due after five years through ten years	1,199.4	10.1	44.5	.6
Due after ten years	41.6	5.0	2.2	.4
Total	\$2,054.5	\$42.1	\$57.6	\$1.3

Gross Unrealized Losses Stratified by Duration and Amount of Unrealized Losses

June 30, 2013	Amount of Gross Unrealized Losses			Total Gross Unrealized Loss	
	Less than 20% of Cost	20% to 50% of Cost	More than 50% of Cost		
Number of Months in Loss Position:					
Fixed Maturity Securities:					
One to six months	\$53.5	\$—	\$—	\$53.5	
Seven to twelve months	2.6	—	—	2.6	
More than twelve months	1.0	.3	—	1.4	
Total	\$57.2	\$.3	\$—	\$57.6	
Equity Securities:					
One to six months	\$1.5	\$—	\$—	\$1.5	
Seven to twelve months	—	—	—	—	
More than twelve months	—	—	—	—	
Total	\$1.5	\$—	\$—	\$1.5	
Number of Issues in Loss Position:					
Fixed Maturity Securities:					
One to six months	399	—	—	399	
Seven to twelve months	8	—	—	8	
More than twelve months	8	1	—	9	
Total	415	1	—	416	(g)
Equity Securities:					
One to six months	9	—	—	9	
Seven to twelve months	—	—	—	—	
More than twelve months	—	—	1	1	
Total	9	—	1	10	(g)

(g) At June 30, 2013 the number of issues in an unrealized loss position represent 23.7% as to fixed maturities, and 14.7% as to equity securities of the total number of such issues held by the Company.

The aging of issues with unrealized losses employs balance sheet date fair value comparisons with an issue's original cost net of other-than-temporary impairment adjustments. The percentage reduction from such adjusted cost reflects the decline as of a specific point in time (June 30, 2013 in the above table) and, accordingly, is not indicative of a security's value having been consistently below its cost at the percentages shown nor throughout the periods shown.

Age Distribution of Fixed Maturity Securities

Maturity Ranges:	June 30,	December 31,		
	2013	2012		
Due in one year or less	13.9	% 15.7	%	
Due after one year through five years	45.0	41.6		
Due after five years through ten years	38.8	40.1		
Due after ten years through fifteen years	1.0	1.0		
Due after fifteen years	1.3	1.6		
Total	100.0	% 100.0	%	

Average Maturity in Years	4.7	4.7
Duration (h)	4.0	4.1

Duration is used as a measure of bond price sensitivity to interest rate changes. A duration of 4.0 as of June 30, (h)2013 implies that a 100 basis point parallel increase in interest rates from current levels would result in a possible decline in the fair value of the long-term fixed maturity investment portfolio of approximately 4.0%.

Composition of Unrealized Gains (Losses)

	June 30, 2013	December 31, 2012
Fixed Maturity Securities:		
Amortized cost	\$8,327.0	\$7,993.1
Estimated fair value	8,635.2	8,566.2
Gross unrealized gains	365.8	579.5
Gross unrealized losses	(57.6	) (6.5
Net unrealized gains (losses)	\$308.2	\$573.0
Equity Securities:		
Original cost	\$573.3	\$583.5
Adjusted cost(*)	573.3	452.1
Estimated fair value	864.9	739.7
Gross unrealized gains	293.0	290.5
Gross unrealized losses	(1.5	) (2.9
Net unrealized gains (losses)	\$291.5	\$287.5

(*) net of OTTI adjustments

Other Assets - Among other major assets, substantially all of the Company's receivables are not past due. Reinsurance recoverable balances on paid or estimated unpaid losses are deemed recoverable from solvent reinsurers or have otherwise been reduced by allowances for estimated amounts unrecoverable. Deferred policy acquisition costs are estimated by taking into account the direct costs relating to the successful acquisition of new or renewal insurance contacts and evaluating their recoverability on the basis of recent trends in claims costs. Deferred policy acquisition costs do not represent significant percentages of assets or shareholders' equity.

Liquidity - The parent holding company meets its liquidity and capital needs principally through dividends and interest on intercompany financing arrangements paid by its subsidiaries. The insurance subsidiaries' ability to pay cash dividends to the parent company is generally restricted by law or subject to approval of the insurance regulatory authorities of the states in which they are domiciled. The Company can receive up to \$350.6 in dividends from its subsidiaries in 2013 without the prior approval of regulatory authorities. The liquidity achievable through such permitted dividend payments is considered adequate to cover the parent holding company's currently expected cash outflows represented mostly by interest and scheduled repayments on outstanding debt, quarterly cash dividend payments to shareholders, modest operating expenses, and the near-term capital needs of its operating company subsidiaries. At June 30, 2013, the Company's consolidated debt to equity ratio was 15.9%, a level it currently does not expect to exceed in the foreseeable future.

The Company's 3.75% Convertible Senior Notes ("the Notes") contain provisions defining certain events of default, among them, a court ordered proceeding due to the insolvency of a Significant Subsidiary. The Notes define Significant Subsidiary in accordance with the paragraph (w) of Rule 1-02 of the SEC's Regulation S-X. The Company's flagship mortgage guaranty insurance carrier, Republic Mortgage Insurance Company, ("RMIC") qualifies as a Significant Subsidiary for purposes of the Notes. If RMIC were to become statutorily impaired, its insolvency could trigger a receivership proceeding which, in turn could ultimately result in an event of default. If this were to occur, the outstanding principal of the Notes could become immediately due and payable.

On January 19, 2012, the North Carolina Department of Insurance ("NCDOI") issued a Summary Order ("Summary Order") placing RMIC under supervision. Supervision is an administrative proceeding under North Carolina law. It gives the NCDOI more oversight and control with the objective of allowing the insurer to develop a corrective plan subject to the Department's approval. It is unlike receivership which involves rehabilitation or liquidation of a company pursuant to a formal, court-ordered proceeding. Receivership results in a company's assets and management passing to a receiver who is overseen by a court. Moreover, supervision, unlike receivership, does not constitute an event of default by RMIC or its parent holding company with regard to the Notes.

On November 28, 2012, the NCDOI issued a Final Order approving the Corrective Plan ("the Plan") submitted by RMIC on September 14, 2012 as required by the Summary Order. The Plan was filed to effect a run-off of the insurance in force business with the following major objectives: provide for the payment of all valid claims settled on January 19, 2012 and thereafter in cash with respect to 60% of the total claim amounts, and with a Deferred Payment Obligation ("DPO") for the remaining 40% which will be retained in claim reserves until a future payout date; and authorize RMIC to continue with its management of the run-off plan during an estimated ten year period ending on December 31, 2021. During this period, RMIC would remain within ORI's ownership and control, as well as under NCDOI regulatory supervision as has been the case since January 2012. Management believes the Final Order by the NCDOI to RMIC has precluded an event of default from occurring in the foreseeable future. Moreover, RMIC is expected to be increasingly less significant as its run-off book of business extinguishes itself. The approval of the Plan notwithstanding, the NCDOI retains its regulatory supervisory powers to review and amend the terms of the Plan in the future as circumstances may warrant.

At June 30, 2013, the Company had sufficient liquid resources available to redeem a substantial portion of the 3.75% Notes. Management is exploring a number of options to address its liquidity needs in the circumstance that an event of default was to occur at a future date. These potential plans include an amendment to the 3.75% Notes removing RMIC from the definition of a Significant Subsidiary, an additional capital raise through issuance of new straight or convertible debt, or the utilization of intra system dividend and financing capacity. While Management is confident that an event of default can be stemmed, there is no assurance that its impact could be addressed through execution of these plans.

Capitalization - Old Republic's total capitalization of \$4,154.6 at June 30, 2013 consisted of debt of \$570.0 and common shareholders' equity of \$3,584.5. Changes in the common shareholders' equity account reflect primarily operating results for the period then ended, changes in the fair value of invested assets, and dividend payments.

Old Republic has paid cash dividends to its shareholders without interruption since 1942, and has increased the annual rate in each of the past 32 calendar years. The dividend rate is reviewed and approved by the Board of Directors on a quarterly basis each year. In establishing each year's cash dividend rate the Company does not follow a strict formulaic approach. Rather, it favors a gradual rise in the annual dividend rate that is largely reflective of long-term consolidated operating earnings trends. Accordingly, each year's dividend rate is set judgmentally in consideration of such key factors as the dividend paying capacity of the Company's insurance subsidiaries, the trends in average annual statutory and GAAP earnings for the five most recent calendar years, and management's long-term expectations for the Company's consolidated business and its individual operating subsidiaries.

Under state insurance regulations, the Company's three mortgage guaranty insurance subsidiaries are required to operate at a maximum risk to capital ratio of 25:1 or otherwise hold minimum amounts of capital based on specified formulas. As noted in prior periods' reports, the Company's flagship mortgage guaranty insurance carrier had been operating pursuant to a waiver of minimum state regulatory capital requirements since late 2009. This waiver expired on August 31, 2011. As a result, the Company's mortgage insurance subsidiaries discontinued writing new business in all states and limited themselves to servicing the run-off of their existing business. As noted elsewhere herein, RMIC and Republic Mortgage Insurance Company of North Carolina ("RMICNC") have been operating pursuant to a Summary Order since January 19, 2012 and December 3, 2012, respectively.

RESULTS OF OPERATIONS

Revenues: Premiums & Fees

Pursuant to GAAP applicable to the insurance industry, revenues are recognized as follows:

Substantially all general insurance premiums pertain to annual policies and are reflected in income on a pro-rata basis in association with the related benefits, claims and expenses. Earned but unbilled premiums are generally taken into income on the billing date, while adjustments for retrospective premiums, commissions and similar charges or credits are accrued on the basis of periodic evaluations of current underwriting experience and contractual obligations.

Title premium and fee revenues stemming from the Company's direct operations (which include branch offices of its title insurers and wholly owned agency subsidiaries) represent approximately 30% of 2013 consolidated title business revenues. Such premiums are generally recognized as income at the escrow closing date which approximates the policy effective date. Fee income related to escrow and other closing services is recognized when the related services have been performed and completed. The remaining 70% of consolidated title premium and fee revenues is produced by independent title agents and underwritten title companies. Rather than making estimates that could be subject to significant variance from actual premium and fee production, the Company recognizes revenues from those sources upon receipt. Such receipts can reflect a three to four month lag relative to the effective date of the underlying title

policy, and are offset concurrently by production expenses and claim reserve provisions.

The Company's mortgage guaranty premiums primarily stem from monthly installments paid on long-duration, guaranteed renewable insurance policies. Substantially all such premiums are written and earned in the month coverage is effective. With respect to relatively few annual or single premium policies, earned premiums are largely recognized on a pro-rata basis over the terms of the policies. As described more fully in the RFIG Run-off Business' Risk Factors for premium income and long-term claim exposures in the Company's 2012 Annual Report of Form 10-K under Item 1A - Risk Factors, revenue recognition for insured loans is not appropriately matched to the risk exposure and the consequent recognition of both normal and catastrophic loss occurrences.

The major sources of Old Republic's consolidated earned premiums and fees for the periods shown were as follows:

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	Earned Premiums and Fees					% Change from prior period	
	General	Title	RFIG Run-off	Other	Total		
Years Ended December 31:							
2010	\$1,694.2	\$1,211.0	\$586.8	\$81.4	\$3,573.5	5.4	%
2011	2,109.4	1,362.4	503.2	74.9	4,050.1	13.3	
2012	2,324.4	1,677.4	410.5	58.6	4,471.0	10.4	
Six Months Ended June 30:							
2012	1,113.1	758.4	223.2	31.3	2,126.1	7.3	
2013	1,214.4	975.9	166.6	30.8	2,387.9	12.3	
Quarters Ended June 30:							
2012	564.1	403.4	107.8	13.0	1,088.5	11.3	
2013	\$614.2	\$515.4	\$78.8	\$13.7	\$1,222.2	12.3	%

The percentage allocation of net premiums earned for major insurance coverages in the General Insurance Group was as follows:

	General Insurance Earned Premiums by Type of Coverage							
	Workers' Compensation	Commercial Automobile (mostly trucking)	Financial Indemnity	Inland Marine and Property	General Liability	Other		
Years Ended December 31:								
2010	26.5	% 40.0	% 6.6	% 9.4	% 6.7	% 10.8	%	
2011	38.3	33.6	4.9	7.8	5.9	9.5		
2012	39.7	33.0	4.2	7.6	6.2	9.3		
Six Months Ended June 30:								
2012	39.1	33.4	4.3	7.7	6.2	9.3		
2013	39.6	33.1	3.8	7.9	6.0	9.6		
Quarters Ended June 30:								
2012	38.3	33.3	4.2	7.7	6.2	10.3		
2013	38.8	% 33.4	% 3.7	% 7.8	% 5.7	% 10.6	%	

The following table shows the percentage distribution of Title Group premium and fee revenues by production sources:

Title Premium and Fee Production by Source

	Direct Operations	Independent Title Agents & Other	
Years Ended December 31:			
2010	35.6	% 64.4	%
2011	32.6	67.4	
2012	32.3	67.7	
Six Months Ended June 30:			
2012	33.4	66.6	
2013	29.9	70.1	

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Quarters Ended June 30:

2012	33.5	66.5	
2013	30.5	% 69.5	%

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The following tables provide information on production and related risk exposure trends for Old Republic's mortgage guaranty insurance operation:

Premium and Persistency Trends by Type:	Earned Premiums		Persistency		
	Direct	Net	Traditional Primary	Bulk	
Years Ended December 31:					
2010	\$529.5	\$498.8	82.1	% 88.0	%
2011	468.1	444.9	83.2	85.3	
2012	387.3	368.0	80.7	85.3	
Six Months Ended June 30:					
2012	209.2	199.6	82.0	86.1	
2013	157.2	151.6	79.5	% 82.8	%
Quarters Ended June 30:					
2012	101.0	96.3			
2013	\$74.2	\$71.6			

As previously discussed, the Company's flagship mortgage guaranty insurance carrier ceased the underwriting of new policies effective August 31, 2011 and the existing book of business was placed in run-off operating mode.

While there is no consensus in the marketplace as to the precise definition of "sub-prime", Old Republic generally views loans with credit (FICO) scores less than 620, loans that were underwritten with reduced levels of documentation and loans with loan to value ratios in excess of 95% as having a higher risk of default. Risk in force concentrations by these attributes are disclosed in the following tables for both traditional primary and bulk production. Premium rates for loans exhibiting greater risk attributes are typically higher in anticipation of potentially greater defaults and claim costs. Additionally, bulk insurance policies, which represent 6.7% of total net risk in force as of June 30, 2013, are frequently subject to deductibles and aggregate stop losses which serve to limit the overall risk on a pool of insured loans. As the decline in the housing markets accelerated and mortgage lending standards tightened, rising defaults and the attendant increases in reserves and paid claims on higher risk loans became more significant drivers of increased claim costs through 2012.

Net Risk in Force

Net Risk in Force By Type:	Traditional Primary	Bulk	Other	Total
As of December 31:				
2010	\$16,557.4	\$1,187.0	\$256.1	\$18,000.6
2011	14,476.9	1,017.7	176.3	15,671.0
2012	11,911.1	850.7	89.8	12,851.6
As of June 30:				
2012	13,184.3	938.7	158.1	14,281.3
2013	\$10,703.0	\$773.7	\$63.3	\$11,540.1

Analysis of Risk in Force

Risk in Force Distribution By FICO Scores:	FICO less than 620	FICO 620 to 680	FICO Greater than 680	Unscored/ Unavailable	
Traditional Primary:					
As of December 31:					
2010	6.4	% 27.5	% 64.7	% 1.4	%
2011	6.2	26.8	65.7	1.3	
2012	6.4	27.5	65.0	1.1	
As of June 30:					
2012	6.3	27.0	65.5	1.2	
2013	6.5	% 27.9	% 64.4	% 1.2	%
Bulk(a):					
As of December 31:					
2010	23.2	% 32.1	% 44.6	% .1	%
2011	24.0	32.2	43.7	.1	
2012	24.0	32.5	43.3	.2	
As of June 30:					
2012	24.2	32.3	43.4	.1	
2013	23.9	% 32.9	% 43.1	% .1	%
Risk in Force Distribution By Loan to Value ("LTV") Ratio:					
	LTV 85.0 and below	LTV 85.01 to 90.0	LTV 90.01 to 95.0	LTV Greater than 95.0	
Traditional Primary(b):					
As of December 31:					
2010	5.3	% 37.0	% 31.9	% 25.8	%
2011	5.1	36.2	32.9	25.8	
2012	4.6	35.2	32.9	27.3	
As of June 30:					
2012	4.9	35.7	32.9	26.5	
2013	4.4	% 34.6	% 32.6	% 28.4	%
Bulk(a):					
As of December 31:					
2010	57.7	% 22.8	% 9.6	% 9.9	%
2011	57.1	22.9	9.8	10.2	
2012	56.7	23.3	10.0	10.0	
As of June 30:					
2012	57.1	23.0	9.9	10.0	
2013	56.5	% 23.5	% 10.1	% 9.9	%

(a) Bulk pool risk in-force, which represented 31.8% of total bulk risk in-force at June 30, 2013, has been allocated pro-rata based on insurance in-force.

- (b) The LTV distribution reflects base LTV ratios which are determined prior to the impact of single premiums financed and paid at the time of loan origination. Prior to the second quarter of 2011, LTV distributions were presented on the basis of total LTV which included the financed single premium portion of the loan amount. Prior period data has been reclassified to conform to the current presentation.

Risk in Force Distribution By Top Ten States:

Traditional Primary												
	TX	FL	GA	IL	CA	NC	PA	NJ	OH	VA		
As of December 31:												
2010	8.7	% 7.5	% 5.2	% 5.0	% 5.1	% 4.7	% 4.2	% 3.1	% 3.3	% 2.9	%	
2011	8.8	7.5	5.2	5.0	5.0	4.8	4.3	3.3	3.3	3.0		
2012	8.6	7.7	5.3	5.1	5.0	4.8	4.3	3.5	3.3	3.1		
As of June 30:												
2012	8.7	7.5	5.2	5.0	5.0	4.8	4.3	3.4	3.3	3.1		
2013	8.5	% 7.7	% 5.4	% 5.1	% 4.9	% 4.8	% 4.3	% 3.7	% 3.3	% 3.2	%	
Bulk (a)												
	TX	FL	GA	IL	CA	CO	PA	NJ	OH	NY		
As of December 31:												
2010	5.3	% 9.9	% 4.3	% 4.0	% 15.8	% 3.0	% 3.1	% 3.3	% 3.9	% 6.0	%	
2011	5.4	9.9	4.3	4.0	14.9	3.0	3.1	3.5	3.9	6.5		
2012	5.3	9.9	4.3	4.0	13.9	3.0	3.3	3.7	4.0	7.1		
As of June 30:												
2012	5.4	9.8	4.3	4.0	14.4	3.0	3.2	3.5	4.0	6.8		
2013	5.3	% 9.7	% 4.3	% 4.0	% 14.0	% 2.9	% 3.3	% 3.9	% 3.9	% 7.5	%	

Risk in Force Distribution By Level of Documentation:

		Full Documentation	Reduced Documentation	
Traditional Primary:				
As of December 31:				
2010		92.4	% 7.6	%
2011		92.8	7.2	
2012		92.8	7.2	
As of June 30:				
2012		92.8	7.2	
2013		92.7	% 7.3	%
Bulk (a):				
As of December 31:				
2010		57.7	% 42.3	%
2011		58.4	41.6	
2012		58.2	41.8	
As of June 30:				
2012		58.6	41.4	
2013		58.3	% 41.7	%

(a) Bulk pool risk in-force, which represented 31.8% of total bulk risk in-force at June 30, 2013, has been allocated pro-rata based on insurance in-force.

Risk in Force Distribution By Loan Type:	Fixed Rate & ARMs with Resets >=5 Years	ARMs with Resets <5 years		
Traditional Primary:				
As of December 31:				
2010	96.8	% 3.2		%
2011	97.0	3.0		
2012	97.1	2.9		
As of June 30:				
2012	97.0	3.0		
2013	97.1	% 2.9		%
Bulk (a):				
As of December 31:				
2010	69.6	% 30.4		%
2011	71.0	29.0		
2012	72.6	27.4		
As of June 30:				
2012	72.1	27.9		
2013	73.5	% 26.5		%

(a) Bulk pool risk in-force, which represented 31.8% of total bulk risk in-force at June 30, 2013, has been allocated pro-rata based on insurance in-force.

The Company's consumer credit indemnity ("CCI") earned premiums and related risk in force included in the table below have reflected a generally declining trend since 2008. The decline is largely due to a temporary discontinuation of active sales efforts. The following table shows CCI net premiums earned during the indicated periods and the maximum calculated risk in force at the end of the respective periods. Net earned premiums include additional premium adjustments arising from the variable claim experience of individual policies subject to retrospective rating plans. Risk in force reflects estimates of the maximum risk exposures at the inception of individual policies adjusted for cumulative claim costs and the lower outstanding loan balances attributed to such policies through the end of the periods shown below.

	Net CCI Earned Premiums	Risk in Force
Years Ended December 31:		
2010	\$87.9	\$1,518.6
2011	58.3	1,263.1
2012	42.4	1,141.6
Six Months Ended June 30:		
2012	23.6	1,192.6
2013	15.0	\$1,039.4
Quarters Ended June 30:		
2012	11.5	
2013	\$7.1	

Revenues: Net Investment Income

Net investment income is affected by trends in interest and dividend yields for the types of securities in which the Company's funds are invested during each reporting period. The following tables reflect the segmented and consolidated invested asset bases as of the indicated dates, and the investment income earned and resulting yields on such assets. Since the Company can exercise little control over fair values, yields are evaluated on the basis of investment income earned in relation to the cost of the underlying invested assets, though yields based on the fair values of such assets are also shown in the statistics below.

	Invested Assets at Adjusted Cost					Fair Value Adjust-ment	Invested Assets at Fair Value
	General	Title	RFIG Run-off	Corporate and Other	Total		
As of December 31:							
2011	\$6,610.7	\$683.7	\$1,654.0	\$796.6	\$9,745.2	\$750.3	\$10,495.5
2012	6,742.7	785.7	1,766.3	450.1	9,744.9	863.8	10,608.8
As of June 30:							
2012	6,537.7	712.7	1,634.0	539.2	9,423.6	836.6	10,260.3
2013	\$6,918.4	\$828.7	\$1,753.4	\$515.8	\$10,016.4	\$600.2	\$10,616.6
	Net Investment Income					Yield at Original Cost	Fair Value
	General	Title	RFIG Run-off	Corporate and Other	Total		
Years Ended							
December 31:							
2010	\$260.1	\$26.5	\$85.0	\$7.3	\$379.0	3.94	% 3.80
2011	270.5	27.3	59.3	7.4	364.6	3.71	3.51
2012	264.9	27.3	36.3	7.9	336.5	3.40	3.19
Six Months Ended							
June 30:							
2012	133.3	13.6	19.9	3.9	170.9	3.51	3.29
2013	123.7	12.9	18.6	2.9	158.2	3.18	2.98
Quarters Ended							
June 30:							
2012	66.6	6.8	9.6	1.8	85.0	3.50	3.27
2013	\$61.5	\$6.3	\$9.4	\$1.4	\$78.8	3.16	% 2.95

Revenues: Net Realized Gains (Losses)

The Company's investment policies are not designed to maximize or emphasize the realization of investment gains. Rather, these policies aim for a stable source of income from interest and dividends, protection of capital, and the providing of sufficient liquidity to meet insurance underwriting and other obligations as they become payable in the future. Dispositions of fixed maturity securities generally arise from scheduled maturities and early calls; for the first six months of 2013 and 2012, 92.0% and 59.6%, respectively, of all such dispositions resulted from these occurrences. Dispositions of securities at a realized gain or loss reflect such factors as ongoing assessments of issuers' business prospects, rotation among industry sectors, changes in credit quality, and tax planning considerations. The amount of net realized gains and losses registered in any one accounting period are affected by the aforementioned assessments of securities' values for other-than-temporary impairment. As a result of the interaction of all these factors and considerations, net realized investment gains or losses can vary significantly from period-to-period, and, in the Company's view, are not indicative of any particular trend or result in the basics of its insurance business.

The following table reflects the composition of net realized gains or losses for the periods shown.

	Realized Gains (Losses) on Disposition of Securities			Impairment Losses on Securities			Net realized gains (losses)
	Fixed maturity securities	Equity securities and miscel- laneous investments	Total	Fixed maturity securities	Equity securities and miscel- laneous investments	Total	
Years Ended							
December 31:							
2010	\$79.1	\$31.2	\$110.3	\$—	\$(1.2)	\$(1.2)	\$109.1
2011	142.6	23.1	165.8	—	(50.2)	(50.2)	115.5
2012	32.7	15.3	48.1	—	(.2)	(.2)	47.8
Six Months Ended							
June 30:							
2012	18.6	6.3	24.9	—	—	—	24.9
2013	3.8	137.8	141.7	—	—	—	141.7
Quarters Ended							
June 30:							
2012	16.9	5.0	22.0	—	—	—	22.0
2013	\$2.9	\$134.1	\$137.1	\$—	\$—	\$—	\$137.1

Expenses: Benefits and Claims

The Company records the benefits, claims and related settlement costs that have been incurred during each accounting period. Total claim costs are affected by the amount of paid claims and the adequacy of reserve estimates established for current and prior years' claim occurrences at each balance sheet date.

The following table shows a breakdown of gross and net of reinsurance claim reserve estimates for major types of insurance coverages as of June 30, 2013 and December 31, 2012:

	Claim and Loss Adjustment Expense Reserves			
	June 30, 2013		December 31, 2012	
	Gross	Net	Gross	Net
Workers' compensation	\$3,642.9	\$2,023.6	\$3,589.6	\$1,959.8
General liability	1,392.2	645.8	1,384.3	643.0
Commercial automobile (mostly trucking)	1,187.3	989.9	1,159.8	968.3
Other coverages	526.7	357.4	527.3	335.2
Unallocated loss adjustment expense reserves	175.9	139.1	175.6	142.4
Total general insurance reserves	6,925.3	4,156.0	6,836.8	4,048.9
Title	433.5	433.5	396.4	396.4
RFIG Run-off	1,928.2	1,886.2	2,051.0	1,994.8
Life and accident	18.5	15.5	18.9	15.9
Total claim and loss adjustment expense reserves	\$9,305.7	\$6,491.3	\$9,303.3	\$6,456.2
Asbestosis and environmental claim reserves included in the above general insurance reserves:				
Amount	\$144.4	\$119.8	\$147.1	\$119.4
% of total general insurance reserves	2.1	% 2.9	% 2.2	% 2.9

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Changes in aggregate claim and loss adjustment expense reserve estimates are shown in the following table:

	Six Months Ended June 30,	
	2013	2012
Net reserve increase(decrease):		
General Insurance	\$ 107.0	\$ 53.1
Title Insurance	37.0	25.0
RFIG Run-off	(108.6	) 170.1
Other	(.3	) (1.6
Total	\$ 35.1	\$ 246.6

Net reserves for claims that have been incurred but not yet reported ("IBNR") carried in each segment were as follows:

	June 30, 2013	December 31, 2012
General Insurance	\$2,034.7	\$1,947.0
Title Insurance	376.9	