

OLD REPUBLIC INTERNATIONAL CORP
Form 10-Q
October 31, 2014

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: September 30, 2014 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
September 30, 2014

Common Stock / \$1 par value

260,889,104

There are 48 pages in this report

OLD REPUBLIC INTERNATIONAL CORPORATION

Report on Form 10-Q / September 30, 2014

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

	(Unaudited) September 30, 2014	December 31, 2013
Assets		
Investments:		
Available for sale:		
Fixed maturity securities, at fair value (amortized cost: \$7,980.7 and \$8,477.3)	\$8,286.8	\$8,712.3
Equity securities, at fair value (cost: \$1,229.1 and \$632.0)	1,437.3	1,004.2
Short-term investments (at fair value which approximates cost)	1,011.0	1,124.8
Miscellaneous investments	24.3	21.6
Total available for sale	10,759.5	10,863.1
Trading equity portfolio at fair value (cost: \$29.4 and \$-)	28.2	—
Other investments	5.9	5.3
Total investments	10,793.7	10,868.5
Other Assets:		
Cash	219.9	153.3
Securities and indebtedness of related parties	22.2	18.0
Accrued investment income	90.8	87.2
Accounts and notes receivable	1,389.9	1,190.5
Federal income tax recoverable: Current	32.1	114.7
Deferred	50.7	48.4
Prepaid federal income taxes	38.7	—
Reinsurance balances and funds held	162.0	189.2
Reinsurance recoverable: Paid losses	64.9	64.9
Policy and claim reserves	3,421.2	3,150.8
Deferred policy acquisition costs	227.5	192.6
Sundry assets	472.6	455.7
Total Other Assets	6,193.1	5,665.9
Total Assets	\$16,986.8	\$16,534.4
Liabilities, Preferred Stock, and Common Shareholders' Equity		
Liabilities:		
Losses, claims, and settlement expenses	\$9,034.9	\$9,433.5
Unearned premiums	1,741.4	1,487.8
Other policyholders' benefits and funds	201.3	207.8
Total policy liabilities and accruals	10,977.7	11,129.2
Commissions, expenses, fees, and taxes	365.6	409.8
Reinsurance balances and funds	542.1	441.9
Debt	965.0	569.2
Sundry liabilities	213.2	209.0
Commitments and contingent liabilities		
Total Liabilities	13,063.8	12,759.4
Preferred Stock (1)	—	—
Common Shareholders' Equity:		
Common stock (1)	260.8	260.4
Additional paid-in capital	679.7	673.9
Retained earnings	2,690.5	2,485.3

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Accumulated other comprehensive income	310.7	378.2
Unallocated ESSOP shares (at cost)	(18.9) (23.0)
Total Common Shareholders' Equity	3,922.9	3,775.0
Total Liabilities, Preferred Stock and Common Shareholders' Equity	\$16,986.8	\$16,534.4

(1) At September 30, 2014 and December 31, 2013, 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 stock, \$1.00 par value, authorized, of which 260,889,104 and 260,462,217 were issued as of September 30, 2014 and December 31, 2013, respectively. At September 30, 2014 and December 31, 2013, 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		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Revenues:				
Net premiums earned	\$1,159.0	\$1,163.4	\$3,291.7	\$3,323.6
Title, escrow, and other fees	97.5	108.8	270.2	336.5
Total premiums and fees	1,256.6	1,272.2	3,561.9	3,660.1
Net investment income	86.1	78.9	254.3	237.2
Other income	26.7	23.3	76.4	67.0
Total operating revenues	1,369.4	1,374.6	3,892.7	3,964.4
Realized investment gains (losses):				
From sales and fair value adjustments	21.5	4.8	262.8	146.6
From impairments	—	—	—	—
Total realized investment gains (losses)	21.5	4.8	262.8	146.6
Total revenues	1,391.0	1,379.5	4,155.6	4,111.0
Benefits, Claims and Expenses:				
Benefits, claims and settlement expenses	643.0	564.8	1,850.9	1,665.4
Dividends to policyholders	3.4	3.3	10.8	11.7
Underwriting, acquisition, and other expenses	617.9	656.0	1,759.3	1,886.3
Interest and other charges	5.1	5.4	16.4	16.8
Total expenses	1,269.6	1,229.7	3,637.5	3,580.3
Income before income taxes (credits)	121.4	149.7	518.0	530.6
Income Taxes (Credits):				
Current	6.6	46.0	144.3	75.1
Deferred	28.8	.8	27.2	102.3
Total	35.5	46.8	171.6	177.5
Net Income	\$85.8	\$102.9	\$346.4	\$353.1
Net Income Per Share:				
Basic	\$.33	\$.40	\$1.34	\$1.37
Diluted	\$.30	\$.36	\$1.21	\$1.24
Average shares outstanding:				
Basic	258,607,162	257,098,894	258,423,448	256,906,821
Diluted	295,049,613	293,444,269	294,989,032	292,985,034
Dividends Per Common Share:				
Cash	\$.1825	\$.1800	\$.5475	\$.5400

See accompanying Notes to Consolidated Financial Statements.

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

	Quarters Ended		Nine Months Ended		
	September 30,		September 30,		
	2014	2013	2014	2013	
Net Income As Reported	\$85.8	\$102.9	\$346.4	\$353.1	
Other comprehensive income (loss):					
Unrealized gains (losses) on securities:					
Unrealized gains (losses) on securities before reclassifications	(81.5) 25.9	169.8	(95.4)
Amounts reclassified as realized investment gains in the statements of income	(21.5) (4.8) (262.8) (146.6)
Pretax unrealized gains (losses) on securities	(103.1) 21.0	(92.9) (242.0)
Deferred income taxes (credits)	(36.0) 7.3	(32.6) (84.4)
Net unrealized gains (losses) on securities, net of tax	(67.1) 13.6	(60.3) (157.6)
Defined benefit pension plans:					
Net pension adjustment before reclassifications	—	79.3	—	79.3	
Amounts reclassified as underwriting, acquisition, and other expenses in the statements of income	(.4	) 3.5	(1.4	) 9.4
Net adjustment related to defined benefit pension plans	(.4	) 82.9	(1.4	) 88.8
Deferred income taxes (credits)	(.1	) 29.0	(.5	) 31.0
Net adjustment related to defined benefit pension plans, net of tax	(.3	) 53.9	(.9	) 57.7
Foreign currency translation and other adjustments	(5.1) 2.4	(6.1) (5.2)
Net adjustments	(72.5) 70.0	(67.4) (105.1)
Comprehensive Income (Loss)	\$13.3	\$172.9	\$278.9	\$247.9	

See accompanying Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net income	\$346.4	\$353.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred policy acquisition costs	(35.0)	(24.0)
Premiums and other receivables	(199.7)	(94.9)
Unpaid claims and related items	(541.5)	64.0
Unearned premiums and other policyholders' liabilities	120.5	101.8
Income taxes	109.7	105.8
Prepaid federal income taxes	(38.7)	—
Reinsurance balances and funds	127.4	63.6
Realized investment (gains) losses	(262.8)	(146.6)
Accounts payable, accrued expenses and other	3.7	36.1
Total	(370.0)	459.0
Cash flows from investing activities:		
Fixed maturity securities:		
Maturities and early calls	624.4	958.2
Sales	806.1	159.7
Sales of:		
Equity securities	557.0	172.5
Other - net	11.5	26.3
Purchases of:		
Fixed maturity securities	(943.3)	(1,494.1)
Equity securities	(944.4)	(169.6)
Other - net	(36.4)	(28.1)
Purchase of a business	(2.8)	(5.1)
Net decrease (increase) in short-term investments	113.5	115.0
Other - net	(2.2)	(.4)
Total	183.3	(265.5)
Cash flows from financing activities:		
Issuance of debentures and notes	395.2	—
Issuance of common shares	5.0	6.1
Redemption of debentures and notes	(4.2)	(3.7)
Dividends on common shares	(141.2)	(138.4)
Other - net	(1.5)	(2.3)
Total	253.2	(138.4)
Increase (decrease) in cash	66.5	55.0
Cash, beginning of period	153.3	101.2
Cash, end of period	\$219.9	\$156.3

Supplemental cash flow information:

Cash paid (received) during the period for: Interest	\$21.0	\$21.1
Income taxes	\$61.9	\$72.8

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 2013 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.

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 quarterly 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 and the number of shares used in basic and diluted earnings per share calculations.

	Quarters Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Numerator:				
Net income	\$85.8	\$102.9	\$346.4	\$353.1
Numerator for basic earnings per share - income available to common stockholders	85.8	102.9	346.4	353.1
Adjustment for interest expense incurred on assumed conversion of convertible notes	3.6	3.6	10.9	10.9
Numerator for diluted earnings per share - income available to common stockholders after assumed conversion of convertible notes	\$89.5	\$106.5	\$357.3	\$364.0
Denominator:				
Denominator for basic earnings per share - weighted-average shares (a)	258,607,162	257,098,894	258,423,448	256,906,821
Effect of dilutive securities - stock based compensation awards	919,271	882,475	1,059,216	628,018
Effect of dilutive securities - convertible senior notes	35,523,180	35,462,900	35,506,368	35,450,195
Denominator for diluted earnings per share - adjusted weighted-average shares				

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and assumed conversion of convertible notes (a)	295,049,613	293,444,269	294,989,032	292,985,034
Earnings per share: Basic	\$.33	\$.40	\$1.34	\$1.37
Diluted	\$.30	\$.36	\$1.21	\$1.24
Anti-dilutive common stock equivalents excluded from earning per share computations:				
Stock based compensation awards	6,714,184	7,577,543	6,714,184	8,301,521
Convertible senior notes	—	—	—	—
Total	6,714,184	7,577,543	6,714,184	8,301,521

(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 September 30, 2014 and December 31, 2013, substantially all the Company's invested assets were classified as "available for sale."

Fixed maturity securities and other preferred and common stocks (equity securities) classified as "available for sale" are reported at fair value with changes in such values, net of deferred income taxes, reflected directly in shareholders' equity. Equity securities classified as "trading" are also recorded at fair value, however, changes in the fair value of these securities are recognized in earnings as a component of realized investment gains (losses). 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 available for sale 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 nine months ended September 30, 2014 and 2013.

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:				
September 30, 2014:				
U.S. & Canadian Governments	\$1,056.8	\$30.0	\$3.7	\$1,083.1
Tax-exempt	60.2	1.9	.2	61.9
Corporate	6,863.7	299.7	21.6	7,141.7
	\$7,980.7	\$331.7	\$25.7	\$8,286.8
December 31, 2013:				
U.S. & Canadian Governments	\$1,133.0	\$36.7	\$8.7	\$1,161.1
Tax-exempt	168.1	3.7	.5	171.3
Corporate	7,176.0	268.1	64.3	7,379.8
	\$8,477.3	\$308.7	\$73.6	\$8,712.3

	Amortized Cost	Estimated Fair Value
Fixed Maturity Securities Stratified by Contractual Maturity at September 30, 2014:		
Due in one year or less	\$582.6	\$589.6
Due after one year through five years	3,559.7	3,755.9
Due after five years through ten years	3,638.7	3,729.7
Due after ten years	199.6	211.4
	\$7,980.7	\$8,286.8

A summary of the Company's available for sale equity securities follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity Securities:				
September 30, 2014	\$1,229.1	\$212.4	\$4.2	\$1,437.3
December 31, 2013	\$632.0	\$372.7	\$5	\$1,004.2

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
September 30, 2014:						
Available for Sale:						
Fixed Maturity Securities:						
U.S. & Canadian Governments	\$87.9	\$3	\$132.6	\$3.3	\$220.6	\$3.7
Tax-exempt	3.2	—	6.7	.1	9.9	.2
Corporate	630.6	8.2	577.2	13.4	1,207.8	21.6
Subtotal	721.8	8.7	716.6	16.9	1,438.5	25.7
Equity Securities	177.2	4.2	—	—	177.2	4.2
Total	\$899.1	\$12.9	\$716.6	\$16.9	\$1,615.7	\$29.9
December 31, 2013:						
Available for Sale:						
Fixed Maturity Securities:						
U.S. & Canadian Governments	\$301.7	\$8.7	\$—	\$—	\$301.7	\$8.7
Tax-exempt	10.0	.5	—	—	10.0	.5
Corporate	2,312.2	60.2	47.7	4.1	2,360.0	64.3
Subtotal	2,624.0	69.4	47.7	4.1	2,671.8	73.6
Equity Securities	31.0	.5	—	—	31.0	.5
Total	\$2,655.0	\$70.0	\$47.7	\$4.1	\$2,702.8	\$74.2

At September 30, 2014, the Company held 314 fixed maturity and 13 equity securities in an unrealized loss position, representing 18.5% as to fixed maturities and 13.7% as to equity securities of the total number of such issues it held. At December 31, 2013, the Company held 558 fixed maturity and 5 equity securities in an unrealized loss position, representing 30.8% as to fixed maturities and 7.2% as to equity securities of the total number of such issues it held. Of the securities in an unrealized loss position, 132 and 10 fixed maturity securities and no equity securities, had been in a continuous unrealized loss position for more than 12 months as of September 30, 2014 and December 31, 2013, respectively. The unrealized losses on these securities are primarily attributable to an increase in the interest rate environment. 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 equity securities. There were no significant changes in the fair value of assets measured with the use of significant unobservable inputs as of September 30, 2014 and December 31, 2013.

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 September 30, 2014:				
Available for sale:				
Fixed maturity securities:				
U.S. & Canadian Governments	\$448.1	\$634.9	\$—	\$1,083.1
Tax-exempt	—	61.9	—	61.9
Corporate	—	7,131.2	10.5	7,141.7
Equity securities	1,435.4	—	1.8	1,437.3
Short-term investments	1,007.1	—	3.8	1,011.0
Trading equity portfolio	\$28.2	\$—	\$—	\$28.2

As of December 31, 2013:				
Available for sale:				
Fixed maturity securities:				
U.S. & Canadian Governments	\$478.9	\$682.2	\$—	\$1,161.1
Tax-exempt	—	171.3	—	171.3
Corporate	—	7,369.3	10.5	7,379.8
Equity securities	1,003.4	—	.7	1,004.2
Short-term investments	\$1,120.5	\$—	\$4.2	\$1,124.8

There were no transfers between Levels 1, 2 or 3 during the quarter ended September 30, 2014.

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, write-downs of securities, or changes in the fair value of trading 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 on available for sale securities, net of any deferred income taxes, are recorded directly as a component of accumulated other comprehensive income in shareholders' equity. At September 30, 2014, 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		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Investment income from:				
Fixed maturity securities	\$73.1	\$74.1	\$222.8	\$224.7
Equity securities	12.8	5.3	31.4	13.6
Short-term investments	.1	.2	.6	.8
Other sources	.8	.6	2.2	2.0
Gross investment income	87.0	80.3	257.1	241.2
Investment expenses (a)	.8	1.3	2.7	4.0
Net investment income	\$86.1	\$78.9	\$254.3	\$237.2
Realized gains (losses) on:				
Fixed maturity securities:				
Gains	\$3.7	\$4.5	\$25.0	\$8.5
Losses	—	(8.1)	(.1)	(8.2)
Net	3.7	(3.5)	24.9	.2
Equity securities & other long-term investments:				
Equity securities:				
Available for sale	18.6	8.4	237.7	142.5
Trading securities:				
Sales	1.0	—	1.4	—
Changes in fair value	(.8)	—	(1.1)	—
Other long-term investments	(.9)	—	(.1)	3.7
Total realized gains (losses)	21.5	4.8	262.8	146.6
Income taxes (credits)	7.5	1.7	91.9	51.3
Net realized gains (losses)	\$14.0	\$3.1	\$170.8	\$95.2
Changes in unrealized investment gains (losses) on:				
Fixed maturity securities	\$(67.8)	\$(6.7)	\$70.2	\$(271.6)
Less: Deferred income taxes (credits)	(23.6)	(2.3)	24.5	(94.7)
	(44.1)	(4.4)	45.7	(176.8)
Equity securities & other long-term investments	(35.2)	27.8	(163.2)	29.6
Less: Deferred income taxes (credits)	(12.3)	9.7	(57.1)	10.3
	(22.9)	18.0	(106.1)	19.2
Net changes in unrealized investment gains (losses)	\$(67.1)	\$13.6	\$(60.3)	\$(157.6)

Investment expenses consist of personnel costs and investment management and custody service fees, as well as (a) interest incurred on funds held of \$.1 and \$.5 for the quarters ended September 30, 2014 and 2013, and \$.3 and \$1.6 for the nine months ended September 30, 2014 and 2013 respectively.

4. Pension Plans:

Prior to December 31, 2013, the Company had two separate pension plans covering a portion of its work force. The plans were the Old Republic International Salaried Employees Retirement Plan (the Old Republic Plan) and the PMA Capital Corporation Pension Plan (the PMA Plan). Effective December 31, 2013, the PMA Plan was merged into the

Old Republic Plan. The PMA plan was frozen as of December 31, 2005. The benefit levels in the Old Republic Plan were similarly frozen as of December 31, 2013. Under the terms of the freeze, the plans remain closed to new participants and eligible employees retain all of the vested rights as of the effective date of the freeze, but additional benefits do not accrue thereafter. Plan assets are comprised principally of bonds, common stocks and short-term investments. Cash contributions of \$5.0 and \$9.2 were made to the pension plan in the third quarter and first nine months of 2014, respectively, and no additional cash contributions are expected to be made in the remaining portion of calendar year 2014.

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. 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		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
General Insurance:				
Including CCI run-off business:				
Net premiums earned	\$713.7	\$652.5	\$2,056.8	\$1,882.0
Net investment income and other income	96.8	84.2	281.0	249.8
Total revenues before realized gains or losses	\$810.6	\$736.7	\$2,337.8	\$2,131.8
Income (loss) before taxes (credits) and realized investment gains or losses (a)	\$48.5	\$66.6	\$101.5	\$198.5
Income tax expense (credits) on above	\$14.2	\$18.3	\$29.9	\$61.5
All CCI run-off business:				
Net premiums earned	\$7.2	\$7.5	\$21.9	\$22.5
Net investment income and other income	.1	.1	.4	.2
Total revenues before realized gains or losses	\$7.3	\$7.6	\$22.3	\$22.8
Income (loss) before taxes (credits) and realized investment gains or losses	\$(12.2)	\$(3.6)	\$(100.9)	\$(10.9)
Income tax expense (credits) on above	\$(4.2)	\$(1.2)	\$(35.3)	\$(3.8)
Total excluding all CCI run-off business:				
Net premiums earned	\$706.5	\$644.9	\$2,034.8	\$1,859.4
Net investment income and other income	96.7	84.1	280.5	249.5
Total revenues before realized gains or losses	\$803.2	\$729.0	\$2,315.4	\$2,108.9
Income (loss) before taxes (credits) and realized investment gains or losses (a)	\$60.8	\$70.2	\$202.4	\$209.4
Income tax expense (credits) on above	\$18.5	\$19.6	\$65.2	\$65.3
Title Insurance:				
Net premiums earned	\$372.9	\$428.3	\$1,015.1	\$1,176.6
Title, escrow and other fees	97.5	108.8	270.2	336.5
Sub-total	470.4	537.2	1,285.3	1,513.1
Net investment income and other income	8.2	7.3	24.4	21.7
Total revenues before realized gains or losses	\$478.7	\$544.5	\$1,309.8	\$1,534.9
Income (loss) before taxes (credits) and realized investment gains or losses (a)	\$28.2	\$36.6	\$59.0	\$98.6
Income tax expense (credits) on above	\$10.0	\$12.7	\$21.3	\$35.0
RFIG Run-off Business:				
Excluding CCI run-off business:				
Net premiums earned	\$57.6	\$68.9	\$173.4	\$220.5
Net investment income and other income	6.4	9.3	20.6	27.8
Total revenues before realized gains or losses	\$64.0	\$78.3	\$194.1	\$248.4
Income (loss) before taxes (credits) and realized investment gains or losses	\$22.6	\$40.7	\$96.6	\$83.2
Income tax expense (credits) on above	\$7.9	\$14.2	\$33.8	\$29.1
All CCI run-off business:				
Net premiums earned	\$7.2	\$7.5	\$21.9	\$22.5

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Net investment income and other income	.1	.1	.4	.2
Total revenues before realized gains or losses	\$7.3	\$7.6	\$22.3	\$22.8
Income (loss) before taxes (credits) and realized investment gains or losses	\$(12.2	) \$(3.6	) \$(100.9	) \$(10.9
Income tax expense (credits) on above	\$(4.2	) \$(1.2	) \$(35.3	) \$(3.8
Total RFIG run-off MI and CCI business:				
Net premiums earned	\$64.8	\$76.5	\$195.4	\$243.1
Net investment income and other income	6.5	9.4	21.1	28.1
Total revenues before realized gains or losses	\$71.4	\$86.0	\$216.5	\$271.3
Income (loss) before taxes (credits) and realized investment gains or losses	\$10.4	\$37.0	\$(4.2) \$72.2
Income tax expense (credits) on above	\$3.6	\$12.9	\$(1.4) \$25.3

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	Quarters Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Consolidated Revenues:				
Total revenues of above Company segments	\$1,353.4	\$1,359.6	\$3,841.7	\$3,915.1
Other sources (b)	31.1	29.5	96.7	92.8
Consolidated net realized investment gains (losses)	21.5	4.8	262.8	146.6
Consolidation elimination adjustments	(15.1	) (14.6	) (45.7	) (43.5
Consolidated revenues	\$1,391.0	\$1,379.5	\$4,155.6	\$4,111.0
Consolidated Income Before Taxes (Credits):				
Total income before income taxes (credits) and realized investment gains or losses of above Company segments	\$99.4	\$144.0	\$257.1	\$380.3
Other sources - net (b)	.3	.8	(1.9	) 3.6
Consolidated net realized investment gains (losses)	21.5	4.8	262.8	146.6
Consolidated income before income taxes (credits)	\$121.4	\$149.7	\$518.0	\$530.6
Consolidated Income Tax Expense (Credits):				
Total income tax expense (credits) for above Company segments	\$32.1	\$45.4	\$85.1	\$125.7
Other sources - net (b)	(4.1	) (.2	) (5.5	) .4
Income tax expense (credits) on consolidated net realized investment gains (losses)	7.5	1.7	91.9	51.3
Consolidated income tax expense (credits)	\$35.5	\$46.8	\$171.6	\$177.5
			September 30,	December 31,
			2014	2013
Consolidated Assets:				
General Insurance			\$14,100.5	\$13,276.6
Title Insurance			1,188.9	1,185.5
RFIG Run-off Business			1,174.9	1,822.3
Total assets for the above company segments			16,464.5	16,284.5
Other assets (b)			1,009.3	549.8
Consolidation elimination adjustments			(487.0	) (299.9
Consolidated assets			\$16,986.8	\$16,534.4

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 - \$7.6 and \$24.0 compared to (a) \$7.2 and \$21.5 for the quarter and nine months ended September 30, 2014 and 2013, respectively, and Title - \$1.9 for both quarters ended September 30, 2014 and 2013 and \$5.9 for both nine month periods ended September 30, 2014 and 2013.

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

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 its sister company, RMICNC, discontinued writing new business in all states and limited themselves to servicing the run-off of their existing business. They were placed under the North Carolina Department of Insurance's ("NCDOI") administrative supervision

the following year and ordered to defer the payment of 50% of all settled claims. The rate of deferred payment obligations ("DPOs") was subsequently reduced to 40% later that year by the NCDOI.

On July 1, 2014, the NCDOI issued a Final Order approving an Amended and Restated Corrective Plan (the "Amended Plan") submitted jointly on April 16, 2014, by RMIC and RMICNC. Under the Amended Plan, RMIC and RMICNC was approved to pay 100% of their DPOs accrued as of June 30, 2014 and settle all subsequent valid claims entirely in cash, without establishing any DPOs. In anticipation of receiving this Final Order, ORI contributed \$125.0 in cash and securities to RMIC in June 2014. Both subsidiaries will remain under the supervision of the NCDOI as they continue to operate in run-off mode. The approval of the Amended Plan notwithstanding, the NCDOI retains its regulatory supervisory powers to review and amend the terms of the Amended Plan in the future as circumstances may warrant.

In mid-July 2014, in furtherance of the Final Order, RMIC and RMICNC processed payments of their accumulated DPO balances of approximately \$657 relating to fully settled claims charged to periods extending between January 19, 2012 and June 30, 2014.

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.

A purported class action lawsuit is pending against the Company's principal title insurance subsidiary, Old Republic National Title Insurance Company ("ORNTIC"), in a federal district court in Pennsylvania (Markocki et al. v. ORNTIC, U.S. District Court, Eastern District, Pennsylvania, filed June 8, 2006). 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 filed rate schedules. The suit also alleges violations of the federal Real Estate Settlement Procedures Act ("RESPA"). A class has been certified in the suit. ORNTIC is challenging the certification based on more recent case precedents.

On December 19, 2008, Old Republic Insurance Company and 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 systemic material misrepresentations and fraud 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 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 dismissed their motion, with leave to re-plead the counterclaim. BNYM's subsequent attempt to re-plead was granted by the Court.

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 unspecified money damages, pre and post judgment interest and 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. Effective July 1, 2014, the parties entered a confidential settlement agreement. Upon completion of conditions subsequent set out in that agreement, the parties filed a stipulation of voluntary dismissal with prejudice of their respective claims in the lawsuit on July 29, 2014.

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.

On December 30, 2011 and on January 4, 2013, purported class action suits alleging RESPA violations were filed in the Federal District Court, for the Eastern District of Pennsylvania targeting RMIC, other mortgage guaranty insurance companies, PNC Financial Services Group (as successor to National City Bank) and HSBC Bank USA, N.A., and their wholly-owned captive insurance subsidiaries. (White, Hightower, et al. v. PNC Financial Services Group (as successor to National City Bank) et al.), (Ba, Chip, et al. v. HSBC Bank USA, N.A., et al.). The lawsuits are two 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. Ten of the twelve suits have been dismissed. The remaining suits seek unspecified damages, costs, fees and the return of the allegedly improper payments. A class has not been certified in either suit and RMIC has filed motions to dismiss the cases.

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 unspecified money damages, punitive, compensatory and consequential damages, interest, attorneys' fees and costs. The arbitration is proceeding.

On August 26, 2014, Bank of America, N.A. ("B of A") filed suit against both Republic Mortgage Insurance Company and Republic Mortgage Insurance Company of North Carolina (together, "RMIC") in the General Court of Justice, Superior Court Division for Mecklenburg County, North Carolina. The complaint arises in connection with a RMIC bulk mortgage guaranty insurance policy issued to B of A and several RMIC traditional primary mortgage guaranty insurance policies issued to correspondent lenders from whom B of A acquired loans or servicing rights on loans for which certificates of insurance were issued under such policies. The complaint relates to RMIC's denials and curtailments of certain claims and rescissions and cancellations 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 asserted by B of A in the May 16, 2013 American Arbitration Association arbitration demand against RMIC, and relate to loans that were dismissed from that proceeding. 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, punitive, compensatory and

consequential damages, interest, attorneys' fees and costs.

On October 9, 2014, Intellectual Ventures I LLC and Intellectual Ventures II LLC (collectively, "IV") served a complaint naming as defendants Old Republic National Title Insurance Company, Old Republic Title Insurance Group, Inc., Old Republic Insurance Company and Old Republic General Insurance Group, Inc. (collectively, "Old Republic")(Intellectual Ventures I LLC et al. v. Old Republic General Insurance Group, Inc. et al.). The lawsuit is pending in the United States District Court for the Western District of Pennsylvania. IV alleges that Old Republic has infringed three patents and seeks damages, costs, expenses, and pre-judgment and post-judgment interest for the alleged infringement, in addition to injunctive relief. On October 14, 2014, Old Republic filed a motion to dismiss each count of the complaint on the grounds that the patents fail to meet the patentability test established by the United States Supreme Court in *Alice Corp. Pty. Ltd. v. CLS Bank*, 134 S.Ct. 2347 (2014).

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. The Company has made an estimate of its potential liability under certain of these lawsuits, the counterclaim, and the arbitration, all of which seek unquantified damages, attorneys' fees, and expenses. Because of the uncertainty of the ultimate outcomes of the aforementioned disputes, additional costs may arise in future periods beyond the Company's current reserves. It is also unclear what effect, if any, the run-off operations of RMIC and its limited capital will have in the actions against it.

7. Debt:

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

	September 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
3.75% Convertible Senior Notes due 2018	\$550.0	\$632.5	\$550.0	\$684.1
4.875% Senior Notes due 2024	400.0	412.3	—	—
ESSOP debt with an average yield of 3.66% and 3.69%, respectively	15.0	15.0	18.0	18.0
Other miscellaneous debt	—	—	1.2	1.2
Total debt	\$965.0	\$1,059.8	\$569.2	\$703.4

On September 23, 2014, the Company completed a public offering of \$400.0 aggregate principal amount of Senior Notes. The notes bear interest at a rate of 4.875% per year and mature on October 1, 2024.

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 and 4.875% 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 Final Order by the North Carolina Department of Insurance to RMIC has precluded such an event of default from occurring in the foreseeable future. Moreover, RMIC was statutorily solvent at September 30, 2014 and is expected to be increasingly less significant after payment of the DPO balance and as its run-off book extinguishes itself. While Old Republic believes that it will 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 stressful capital market conditions.

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:					
September 30, 2014	\$965.0	\$1,059.8	\$—	\$1,044.8	\$15.0
December 31, 2013	\$569.2	\$703.4	\$—	\$684.1	\$19.2

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. During 2013, the IRS completed an examination of the Company's consolidated Federal income tax returns for the years 2005 through 2010, which produced no material change to the Company's net income. The IRS is scheduled to begin an examination of the Company's consolidated Federal income tax returns for the years 2011 through 2013 during the fourth quarter 2014. 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

Nine Months Ended September 30, 2014 and 2013

(\$ 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 nine months ended September 30, 2014 and 1.3% 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.

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 2013 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

Pretax operating income reflected moderately lower general insurance earnings and a continuation of renewed profitability in the run-off mortgage guaranty ("MI") line. Losses in the consumer credit indemnity ("CCI") portion of the run-off business, however, offset MI profitability. Year-over-year title insurance operating income was lower as transitory weaknesses in housing-related markets eroded the fast-paced earnings progress of the past three years. Consolidated net income for the 2014 third quarter and year-to-date period was once again enhanced by the realization of substantial gains from sales of investment securities. The major components of consolidated results and related data are summarized in the following table:

Financial Highlights

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Operating revenues:				
General insurance	\$ 803.2	\$ 729.0	\$ 2,315.4	\$ 2,108.9
Title insurance	478.7	544.5	1,309.8	1,534.9
Corporate and other	16.0	14.9	51.0	49.2
Subtotal	1,298.0	1,288.5	3,676.2	3,693.1
RFIG run-off business	71.4	86.0	216.5	271.3
Total	\$ 1,369.4	\$ 1,374.6	\$ 3,892.7	\$ 3,964.4
Pretax operating income (loss):				
General insurance	\$ 60.8	\$ 70.2	\$ 202.4	\$ 209.4
Title insurance	28.2	36.6	59.0	98.6
Corporate and other	0.3	0.8	(1.9)	3.6
Subtotal	89.4	107.8	259.5	311.7
RFIG run-off business	10.4	37.0	(4.2)	72.2
Total	99.8	144.9	255.2	384.0
Realized investment gains (losses):				
From sales and fair value adjustments	21.5	4.8	262.8	146.6
From impairments	—	—	—	—
Net realized investment gains (losses)	21.5	4.8	262.8	146.6
Consolidated pretax income (loss)	121.4	149.7	518.0	530.6
Income taxes (credits)	35.5	46.8	171.6	177.5
Net income (loss)	\$ 85.8	\$ 102.9	\$ 346.4	\$ 353.1
Components of diluted earnings per share:				
Net operating income (loss):				
General insurance	\$ 0.14	\$ 0.17	\$ 0.46	\$ 0.49
Title insurance	0.06	0.08	0.13	0.22
Corporate and other	0.03	0.02	0.05	0.05
Subtotal	0.23	0.27	0.64	0.76
RFIG run-off business	0.02	0.08	(0.01)	0.16
Total	0.25	0.35	0.63	0.92
Net realized investment gains (losses)	0.05	0.01	0.58	0.32
Net income (loss)	\$ 0.30	\$ 0.36	\$ 1.21	\$ 1.24
Cash dividends paid per share	\$ 0.1825	\$ 0.1800	\$ 0.5475	\$ 0.5400
Ending book value per share			\$ 15.16	\$ 14.44

The preceding table shows both operating and net income to highlight the effects of realized investment gain or loss recognition on period-to-period earnings comparisons. 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 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. Since late 2013, asset management operations have, in part, been oriented toward an enhancement of income from interest and dividends. To a large extent, this strategy has led to sales of non-income producing or low-yielding securities. Proceeds from these sales have largely been reinvested in higher yielding common shares of American companies with distinguished long-term records of earnings and dividend growth.

General Insurance Results - The table below shows the major components of general insurance profitability.

	General Insurance Group			Nine Months Ended September 30,			
	Quarters Ended September 30, 2014	2013	Change	2014	2013	Change	
A. Prior to reclassification/Including CCI run-off business:							
Net premiums earned	\$ 713.7	\$ 652.5	9.4	% \$ 2,056.8	\$ 1,882.0	9.3	%
Net investment income	70.8	61.7	14.8	206.9	185.6	11.5	
Benefits and claim costs	571.7	490.6	16.5	1,670.4	1,400.0	19.3	
Pretax operating income (loss)	\$ 48.5	\$ 66.6	(27.1)	)% \$ 101.5	\$ 198.5	(48.9))%
Claim ratio	80.1	% 75.2	%	81.2	% 74.4	%	
Expense ratio	21.8	22.9		22.7	23.7		
Composite ratio	101.9	% 98.1	%	103.9	% 98.1	%	
B. All CCI run-off business reclassification(*):							
Net premiums earned	\$ 7.2	\$ 7.5	(4.2)	)% \$ 21.9	\$ 22.5	(2.8))%
Net investment income	0.1	0.1	10.2	0.4	0.2	41.9	%
Benefits and claim costs	19.1	10.7	78.5	121.5	32.5	N/M	
Pretax operating income (loss)	\$ (12.2)	\$ (3.6)	(233.7 )	)% \$ (100.9)	\$ (10.9)	N/M	
Claim ratio	N/M	141.9	%	N/M	144.0	%	
Expense ratio	6.7	% 8.4		8.3	% 5.7		
Composite ratio	N/M	150.3	%	N/M	149.7	%	
C. After reclassification/Total Excluding all CCI run-off business:							
Net premiums earned	\$ 706.5	\$ 644.9	9.5	% \$ 2,034.8	\$ 1,859.4	9.4	%
Net investment income	70.7	61.6	14.8	206.5	185.3	11.4	
Benefits and claim costs	552.5	479.9	15.1	1,548.9	1,367.5	13.3	
Pretax operating income (loss)	\$ 60.8	\$ 70.2	(13.5)	)% \$ 202.4	\$ 209.4	(3.4))%
Claim ratio	78.2	% 74.4	%	76.1	% 73.5	%	
Expense ratio	22.0	23.0		22.8	23.9		
Composite ratio	100.2	% 97.4	%	98.9	% 97.4	%	

(*) In connection with the run-off mortgage guaranty ("MI") and consumer credit indemnity ("CCI") combination, \$11.7 and \$99.0 of pretax operating losses for the third quarter and first nine months of 2014, and \$3.0 and \$9.4 of pretax operating losses for the same respective periods of 2013, 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.

Consolidated general insurance operations, exclusive of the CCI run-off line, produced moderately lower pretax income from combined underwriting/service operations and net investment income. Growth in net premiums earned was slightly higher than the 8.1% gain registered for all of 2013. The continuing benefits of rate improvements and new business production accounted for the greater premium revenues in 2014.

Income from insurance underwriting and related services was lower for this year's third quarter and year-to-date periods. Claim costs remained under upward pressure for both workers' compensation and general liability coverages while the overall expense ratio trended down slightly. Net investment income benefitted from a larger invested asset base and the higher yields obtained from a greater commitment to dividend-paying equity securities holdings.

Title Insurance Results - Earnings remained positive in Old Republic's title insurance business despite a fairly significant downturn in real estate and mortgage transactions during the past several quarters. The following table reflects key operating trends evidencing these changed market conditions.

	Title Insurance Group			Nine Months Ended September 30,		
	Quarters Ended September 30, 2014	2013	Change	2014	2013	Change
Net premiums and fees earned	\$ 470.4	\$ 537.2	(12.4)%	\$ 1,285.3	\$ 1,513.1	(15.1)%
Net investment income	7.5	6.5	15.1)	22.1	19.4	13.6)
Claim costs	28.6	37.7	(24.2)	77.9	104.5	(25.5)
Pretax operating income (loss)	\$ 28.2	\$ 36.6	(23.1)%	\$ 59.0	\$ 98.6	(40.2)%
Claim ratio	6.1 %	7.0 %		6.1 %	6.9 %	
Expense ratio	89.2	87.0		90.6	87.5	
Composite ratio	95.3 %	94.0 %		96.7 %	94.4 %	

This year's decline in title insurance premiums and fees resulted mainly from a significant drop in refinance transactions since mid-year 2013. The impact of lower refinance activity was magnified by adverse winter weather conditions earlier in the year which likely deterred consumer spending and purchases, and by a rise in mortgage interest rates beginning mid-year 2013 which hindered mortgage extensions and refinancings. Underwriting-wise, the ratio of claim costs to premiums and fees was lower as claim frequency and severity continued to abate. The expense ratio rose as operating costs were down by a relatively lower percentage than the reduction in revenues

RFIG Run-off Business Results - The table below reflects RFIG's comparative results before and after the combination of run-off MI and CCI coverages within the single run-off business segment instituted in 2012.

	RFIG Run-off Business			Nine Months Ended September 30,		
	Quarters Ended September 30, 2014	2013	Change	2014	2013	Change
A. Prior to reclassification/Excluding CCI run-off business:						
Net premiums earned	\$ 57.6	\$ 68.9	(16.5)%	\$ 173.4	\$ 220.5	(21.4)%
Net investment income	6.4	9.3	(31.5)	20.6	27.8	(25.7)
Claim costs	36.7	31.7	15.8)	80.0	147.2	(45.6)
Pretax operating income (loss)	\$ 22.6	\$ 40.7	(44.4)%	\$ 96.6	\$ 83.2	16.2 %
Claim ratio	63.9 %	46.1 %		46.2 %	66.8 %	
Expense ratio	7.9	8.4		10.0	8.1	
Composite ratio	71.8 %	54.5 %		56.2 %	74.9 %	
B. CCI run-off business reclassification(*):						
Net premiums earned	\$ 7.2	\$ 7.5	(4.2)%	\$ 21.9	\$ 22.5	(2.8)%
Net investment income	0.1	0.1	10.2)	0.4	0.2	41.9 %
Benefits and claim costs	19.1	10.7	78.5)	121.5	32.5	N/M
Pretax operating income (loss)	\$ (12.2)	\$ (3.6)	(233.7)%	\$ (100.9)	\$ (10.9)	N/M
Claim ratio	N/M	141.9 %		N/M	144.0 %	
Expense ratio	6.7 %	8.4 %		8.3 %	5.7 %	
Composite ratio	N/M	150.3 %		N/M	149.7 %	
C. After reclassification/Total RFIG run-off MI and CCI business:						
Net premiums earned	\$ 64.8	\$ 76.5	(15.3)%	\$ 195.4	\$ 243.1	(19.6)%
Net investment income	6.5	9.4	(30.9)	21.1	28.1	(25.0)
Benefits and claim costs	55.9	42.5	31.6)	201.6	179.8	12.1)
Pretax operating income (loss)	\$ 10.4	\$ 37.0	(71.9)%	\$ (4.2)	\$ 72.2	(105.9)%
Claim ratio	86.3 %	55.5 %		103.2 %	73.9 %	
Expense ratio	7.8	8.4		9.8	7.9	

Composite ratio 94.1 % 63.9 % 113.0 % 81.8 %

(* In connection with the run-off mortgage guaranty ("MI") and consumer credit indemnity ("CCI") combination, \$11.7 and \$99.0 of pretax operating losses for the third quarter and first nine months of 2014, and \$3.0 and \$9.4 of pretax

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operating losses for the same respective periods of 2013, 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.

Consistent with a run-off operating mode, the MI and CCI lines posted further declines in 2014 third quarter and year-to-date earned premiums. Investment income also dropped due to a pervasively low yield environment and a declining invested asset base. Downtrends in MI investment income were further accentuated as a greater proportion of investable assets had been allocated to short-term fixed income securities. This higher liquidity was established to fund the July 2014 payment of approximately \$657 for previously deferred claim settlements held in reserves. The latter were liquidated following regulatory approval. These payments, which had no income statement effect, reduced claim reserves and thus lessened balance sheet reserve leverage and the financial significance of the MI subsidiaries.

The resumed profitability of mortgage guaranty operations since last year's second quarter is largely due to much reduced claim provisions and resulting costs. Key factors driving lower MI claim costs relate mostly to the higher rates at which previously reported defaults are cured or otherwise resolved without payment, as well as gradually improving trends in home prices, foreclosures, and real estate activity in general. Since year-end 2012, these factors have led to favorable developments of prior year-end claim reserves. For the third quarters of 2014 and 2013, favorable loss developments resulted in a lowering of claim ratios by 13.7 and 123.9 percentage points, respectively. For the first nine months of each year, the related loss ratio reductions amounted to 75.2 and 105.9 percentage points, respectively. Changes in posted expense ratios for both 2014 periods reflect a continuing drop in earned premiums and charges taken relative to the MI subsidiaries' attempted recapitalization efforts which were terminated in this year's first quarter.

CCI results deteriorated significantly in 2014 as ongoing claim litigation costs burdened this portion of the RFIG run-off business. These costs rose materially in this year's second quarter as greater net reserve provisions were made to cover the final settlement of a litigated case and, for all periods, the ongoing claim litigation with a major lending institution.

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 the combination of these relatively minor elements of Old Republic's business stem from volatility inherent to the small scale of life and accident insurance operations, and net interest costs pertaining to external and intra-system financing arrangements. The interplay of these various operating elements is summarized in the following table:

	Corporate and Other Operations					
	Quarters Ended September 30,			Nine Months Ended September 30,		
	2014	2013	Change	2014	2013	Change
Life & accident premiums earned	\$ 14.7	\$ 13.5	8.7 %	\$ 46.3	\$ 44.4	4.3 %
Net investment income	1.2	1.3	(3.0)	4.5	4.2	8.2
Other income	—	—	(96.8)	—	0.6	(85.7)
Benefits and claim costs	9.3	8.3	11.9	33.2	25.6	29.5
Insurance expenses	6.3	6.6	(4.4)	20.4	21.3	(4.1)
Corporate, interest, and other expenses-net	—	(0.8)	96.5	(0.7)	(1.4)	47.0
Pretax operating income (loss)	\$ 0.3	\$ 0.8	(54.9)%	\$ (1.9)	\$ 3.6	(153.3)%

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

		Cash, Invested Assets, and Shareholders' Equity						
		Sept. 30,	Dec. 31,	Sept. 30,	% Change	Sept. '14/	Sept. '14/	
		2014	2013	2013	Sept. '14/ Dec. '13	Sept. '13		
Cash, invested assets, and accrued investment income:								
	Fair value basis	\$ 11,104.5	\$ 11,109.1	\$ 10,964.5	—	% 1.3	%	
	Original cost basis	\$ 10,593.2	\$ 10,503.7	\$ 10,345.9	0.9	% 2.4	%	
Shareholders' equity: Total		\$ 3,922.9	\$ 3,775.0	\$ 3,716.0	3.9	% 5.6	%	
	Per common share	\$ 15.16	\$ 14.64	\$ 14.44	3.6	% 5.0	%	
Composition of shareholders' equity per share:								
	Equity before items below	\$ 13.96	\$ 13.17	\$ 12.98	6.0	% 7.6	%	
	Unrealized investment gains (losses) and other accumulated comprehensive income (loss)	1.20	1.47	1.46				
	Total	\$ 15.16	\$ 14.64	\$ 14.44	3.6	% 5.0	%	
Segmented composition of shareholders' equity per share:								
	Excluding run-off segment	\$ 14.43	\$ 14.69	\$ 14.58	(1.8	)% (1.0)%	
	RFIG run-off segment	0.73	(0.05	) (0.14)			
	Total	\$ 15.16	\$ 14.64	\$ 14.44	3.6	% 5.0	%	

Cash flow from consolidated operating activities resulted in a deficit of \$370.0 for this year's first nine months compared with positive cash flow of \$459.0 for the same period in 2013. Excluding the negative cash flow produced by the RFIG run-off business, the remainder of Old Republic's operations posted positive cash flows of \$459.6 and \$520.2 in the first nine months of 2014 and 2013, respectively.

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 insurance subsidiaries' long-term obligations to policyholders and other beneficiaries, and the necessary long-term stability of their capital accounts. As a result, 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.

As of September 30, 2014 the consolidated investment portfolio reflected a current allocation of approximately 86 percent to fixed-maturity securities and short-term investments, and 14 percent to equities. Exposure to high quality dividend paying equity securities has been emphasized during the last twelve months or so. Asset quality of the fixed maturity portfolio has remained at high levels.

Changes in shareholders' equity per share are reflected in the following table. As indicated, the changes resulted mostly from each year's net income or loss, dividend payments to shareholders, and changes in the value of invested assets carried at fair value.

	Shareholders' Equity Per Share		
	Quarter Ended September 30, 2014	Nine Months Ended September 30, 2014	
			2013
Beginning balance	\$ 15.29	\$ 14.64	\$ 14.03
Changes in shareholders' equity:			
Net operating income (loss)	0.28	0.68	1.00
Net realized investment gains (losses):			
From sales and fair value adjustments	0.05	0.66	0.37
From impairments	—	—	—
Subtotal	0.05	0.66	0.37
Net unrealized investment gains (losses)	(0.26)	(0.23)	(0.61)
Total realized and unrealized investment gains (losses)	(0.21)	0.43	(0.24)
Cash dividends	(0.18)	(0.55)	(0.54)
Stock issuance, foreign exchange, and other transactions	(0.02)	(0.04)	0.19
Net change	(0.13)	0.52	0.41
Ending balance	\$ 15.16	\$ 15.16	\$ 14.44

Capitalization - Old Republic's capitalization rose significantly during this year's third quarter as a 10-year debt issue was distributed in the public capital markets. The following table shows the resulting composition of Old Republic's capital structure as of the dates shown:

	Capitalization		
	September 30, 2014	December 31, 2013	September 30, 2013
Debt:			
3.75% Convertible Senior Notes due 2018	\$ 550.0	\$ 550.0	\$ 550.0
4.875% Senior Notes due 2024	400.0	—	—
ESSOP debt with an average yield of approximately 3.7%	15.0	18.0	18.0
Other miscellaneous debt	—	1.2	1.1
Total debt	965.0	569.2	569.2
Common shareholders' equity	3,922.9	3,775.0	3,716.0
Total capitalization	\$ 4,888.0	\$ 4,344.3	\$ 4,285.2
Capitalization ratios:			
Debt	19.7	% 13.1	% 13.3
Common shareholders' equity	80.3	% 86.9	% 86.7
Total	100.0	% 100.0	% 100.0

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 2013 Annual Report on Form 10-K.

FINANCIAL POSITION

The Company's financial position at September 30, 2014 reflected increases in assets, liabilities, and common shareholders' equity of 2.7%, 2.4%, and 3.9%, respectively, when compared to the immediately preceding year-end. Cash and invested assets represented 65.4% and 67.2% of consolidated assets as of September 30, 2014 and December 31, 2013, respectively. As of September 30, 2014, the cash, accrued investment income, and invested asset base decreased slightly to \$11,104.5.

Investments - During the first nine months of 2014 and 2013, the Company committed the majority of investable funds to short to intermediate-term fixed maturity securities and higher yielding common shares. At both September 30, 2014 and 2013, 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. At September 30, 2014, 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 September 30, 2014. 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 available for sale 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 available for sale 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 available for sale fixed maturity and equity portfolios as of the dates shown:

Credit Quality Ratings of Fixed Maturity Securities (a)

	September 30, 2014	December 31, 2013	
Aaa	13.1	13.9	%
Aa	9.5	9.4	
A	35.6	35.9	
Baa	37.2	39.7	
Total investment grade	95.4	98.9	
All other (b)	4.6	1.1	
Total	100.0	100.0	%

Credit quality ratings referred to herein are a blend of those assigned by the major credit rating agencies for U.S. (a) and Canadian Governments, Agencies, Corporates and Municipal issuers, which are converted to the above 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

September 30, 2014	Amortized Cost	Gross Unrealized Losses
Fixed Maturity Securities by Industry Concentration:		
Basic Industry	\$43.6	\$3.3
Energy	60.3	1.4

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Industrial	56.9	1.0
Consumer Non Durable	18.6	.5
Other (includes 4 industry groups)	25.8	.9
Total	\$205.2	(c) \$7.3

(c) Represents 2.6% of the total fixed maturity securities portfolio.

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

September 30, 2014	Amortized Cost	Gross Unrealized Losses
Fixed Maturity Securities by Industry Concentration:		
Utilities	\$214.3	\$4.2
U.S. Government & Agencies	207.5	3.7
Energy	114.1	1.7
Health Care	113.7	1.3
Other (includes 16 industry groups)	609.1	7.2
Total	\$1,258.9	(d) \$18.3

(d) Represents 15.8% of the total fixed maturity securities portfolio.

Gross Unrealized Losses Stratified by Industry Concentration for Equity Securities

September 30, 2014	Cost	Gross Unrealized Losses
Available for Sale:		
Equity Securities by Industry Concentration:		
Consumer Non Durable	\$42.0	\$1.6
Energy	29.6	.7
Natural Gas	20.7	.7
Industrial	21.9	.5
Other (includes 3 industry groups)	67.2	.6
Total	\$181.5	(e) \$4.2 (f)

(e) Represents 14.8% of the total available for sale equity securities portfolio.

(f) Represents .3% of the cost of the total available for sale equity securities portfolio, while gross unrealized gains represent 17.3% of the portfolio.

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

September 30, 2014	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	\$8.6	\$—	\$—	\$—
Due after one year through five years	473.3	19.6	3.8	.4
Due after five years through ten years	965.7	183.3	21.1	6.7
Due after ten years	16.4	2.2	.6	.2
Total	\$1,464.2	\$205.2	\$25.7	\$7.3

Gross Unrealized Losses Stratified by Duration and Amount of Unrealized Losses

	Amount of Gross Unrealized Losses			Total Gross Unrealized Loss
	Less than 20% of Cost	20% to 50% of Cost	More than 50% of Cost	
September 30, 2014				
Number of Months in Loss Position:				
Available for Sale:				
Fixed Maturity Securities:				
One to six months	\$7.9	\$.4	\$—	\$8.4
Seven to twelve months	.3	—	—	.3
More than twelve months	15.4	1.5	—	16.9
Total	\$23.7	\$1.9	\$—	\$25.7
Equity Securities:				
One to six months	\$4.2	\$—	\$—	\$4.2
Seven to twelve months	—	—	—	—
More than twelve months	—	—	—	—
Total	\$4.2	\$—	\$—	\$4.2
Number of Issues in Loss Position:				
Available for Sale:				
Fixed Maturity Securities:				
One to six months	166	1	—	167
Seven to twelve months	15	—	—	15
More than twelve months	130	2	—	132
Total	311	3	—	314 (g)
Equity Securities:				
One to six months	13	—	—	13
Seven to twelve months	—	—	—	—
More than twelve months	—	—	—	—
Total	13	—	—	13 (g)

(g) At September 30, 2014 the number of issues in an unrealized loss position represent 18.5% as to fixed maturities, and 13.7% 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 cost reflects the decline as of a specific point in time (September 30, 2014 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

	September 30, 2014	December 31, 2013
Maturity Ranges:		
Due in one year or less	7.3	% 9.3 %
Due after one year through five years	44.6	46.7
Due after five years through ten years	45.6	41.8
Due after ten years through fifteen years	1.8	1.2

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Due after fifteen years	.7	1.0	
Total	100.0	% 100.0	%
Average Maturity in Years	5.0	4.8	
Duration (h)	4.3	4.2	

(h) Duration is used as a measure of bond price sensitivity to interest rate changes. A duration of 4.3 as of September 30, 2014 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 4.3%.

Composition of Unrealized Gains (Losses)

	September 30, 2014	December 31, 2013
Available for Sale:		
Fixed Maturity Securities:		
Amortized cost	\$7,980.7	\$8,477.3
Estimated fair value	8,286.8	8,712.3
Gross unrealized gains	331.7	308.7
Gross unrealized losses	(25.7	) (73.6
Net unrealized gains (losses)	\$306.0	\$235.0
Equity Securities:		
Original cost	\$1,229.1	\$632.0
Estimated fair value	1,437.3	1,004.2
Gross unrealized gains	212.4	372.7
Gross unrealized losses	(4.2	) (.5
Net unrealized gains (losses)	\$208.2	\$372.1

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 contracts 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 \$427.2 in dividends from its subsidiaries in 2014 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 September 30, 2014, the Company's consolidated debt to equity ratio was 24.6%.

The Company's 3.75% Convertible Senior Notes and 4.875% 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 settled amounts, and with a deferred payment obligation ("DPO") for the remaining 40% which will be retained in claim reserves until a future payment of all or a portion of this 40% is approved by the NCDOI; 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.

On July 1, 2014, the NCDOI issued a Final Order approving an Amended and Restated Corrective Plan (the "Amended Plan") submitted jointly on April 16, 2014, by RMIC and Republic Mortgage Insurance Company of North Carolina ("RMICNC"). Under the Amended Plan, RMIC and RMICNC was approved to pay 100% of their DPOs accrued as of June 30, 2014 and settle all subsequent valid claims entirely in cash, without establishing any DPOs. In mid-July 2014, in furtherance of the Final Order, RMIC and RMICNC processed payments of their accumulated DPO balances of approximately \$657 relating to fully settled claims charged to periods extending between January 19, 2012 and June 30, 2014. Management believes the Final Order by the NCDOI to RMIC has precluded the aforementioned potential for

an event of default from occurring in the foreseeable future. Moreover, RMIC was statutorily solvent at September 30, 2014 and is expected to be increasingly less significant after payment of the DPO balance and as its run-off book of business extinguishes itself. The approval of the Plan notwithstanding, the NCDOJ retains its regulatory supervisory powers to review and amend the terms of the Plan in the future as circumstances may warrant.

Capitalization - Old Republic's total capitalization of \$4,888.0 at September 30, 2014 consisted of debt of \$965.0 and common shareholders' equity of \$3,922.9. 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 33 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 to ten 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 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 27% of 2014 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 73% 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 2013 Annual Report on 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:							
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	
2013	2,513.7	1,996.1	316.5	59.3	4,885.6	9.3	
Nine Months Ended September 30:							
2013	1,859.4	1,513.1	243.1	44.4	3,660.1	10.9	
2014	2,034.8	1,285.3	195.4	46.3	3,561.9	(2.7))
Quarters Ended September 30:							
2013	644.9	537.2	76.5	13.5	1,272.2	8.2	
2014	\$706.5	\$470.4	\$64.8	\$14.7	\$1,256.6	(1.2))%

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:								
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		
2013	39.6	32.8	3.8	7.7	6.3	9.8		
Nine Months Ended September 30:								
2013	39.3	32.8	3.8	7.7	6.3	10.1		
2014	40.5	31.8	3.9	7.4	6.3	10.1		
Quarters Ended September 30:								
2013	38.9	32.3	3.8	7.4	6.8	10.8		
2014	40.5	% 31.4	% 3.9	% 7.3	% 6.4	% 10.5	%	

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:			
2011	32.6	% 67.4	%
2012	32.3	67.7	
2013	27.9	72.1	
Nine Months Ended September 30:			

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2013	28.7	71.3		
2014	27.2	72.8		
Quarters Ended September 30:				
2013	26.6	73.4		
2014	27.0	% 73.0		%

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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:						
2011	\$468.1	\$444.9	83.2	85.3		
2012	387.3	368.0	80.7	85.3		
2013	296.6	286.7	79.1	81.9		
Nine Months Ended September 30:						
2013	228.1	220.5	78.8	80.3		
2014	178.8	173.4	82.0	75.9	%	%
Quarters Ended September 30:						
2013	70.8	68.9				
2014	\$59.3	\$57.6				

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 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 September 30, 2014, 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.

Net Risk in Force

Net Risk in Force By Type:	Traditional Primary	Bulk	Other	Total
As of December 31:				
2011	\$14,476.9	\$1,017.7	\$176.3	\$15,671.0
2012	11,911.1	850.7	89.8	12,851.6
2013	9,579.6	704.8	48.5	10,333.0
As of September 30:				
2013	10,078.1	736.4	54.9	10,869.5
2014	\$8,382.1	\$608.0	\$34.4	\$9,024.7

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
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Traditional Primary:

As of December 31:					
2011	6.2	% 26.8	% 65.7	% 1.3	%
2012	6.4	27.5	65.0	1.1	
2013	6.6	28.1	64.3	1.0	

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As of September 30:

2013	6.5		28.1		64.3		1.1	
2014	6.6	%	28.4	%	64.1	%	.9	%

Bulk(a):

As of December 31:

2011	24.0	%	32.2	%	43.7	%	.1	%
2012	24.0		32.5		43.3		.2	
2013	23.5		33.0		43.3		.2	

As of September 30:

2013	23.8		32.8		43.2		.2	
2014	24.4	%	33.6	%	41.9	%	.1	%

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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:					
2011	5.1	% 36.2	% 32.9	% 25.8	%
2012	4.6	35.2	32.9	27.3	
2013	4.2	34.5	32.2	29.1	
As of September 30:					
2013	4.3	34.5	32.4	28.8	
2014	3.9	% 34.3	% 31.6	% 30.2	%
Bulk(a):					
As of December 31:					
2011	57.1	% 22.9	% 9.8	% 10.2	%
2012	56.7	23.3	10.0	10.0	
2013	56.9	23.4	10.2	9.5	
As of September 30:					
2013	56.7	23.5	10.1	9.7	
2014	55.4	% 24.2	% 10.5	% 9.9	%

(a) Bulk pool risk in-force, which represented 30.3% of total bulk risk in-force at September 30, 2014, 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.

Risk in Force Distribution By Top Ten States:

	Traditional Primary										
	TX	FL	GA	IL	CA	NC	PA	NJ	OH	VA	
As of December 31:											
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	
2013	8.3	7.5	5.5	5.2	4.9	4.8	4.4	3.8	3.3	3.2	
As of September 30:											
2013	8.4	7.6	5.5	5.2	4.9	4.8	4.4	3.8	3.3	3.2	
2014	7.9	% 7.3	% 5.7	% 5.2	% 4.9	% 4.8	% 4.3	% 4.0	% 3.2	% 3.3	%
	Bulk (a)										
	TX	FL	GA	IL	CA	CO	PA	NJ	OH	NY	
As of December 31:											
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	
2013	5.4	9.3	4.4	3.9	14.1	2.8	3.4	4.0	3.8	7.9	
As of September 30:											
2013	5.3	9.5	4.3	3.9	14.0	2.9	3.3	4.0	3.9	7.8	
2014	5.2	% 9.3	% 4.5	% 4.0	% 13.9	% 2.9	% 3.3	% 4.4	% 3.8	% 7.7	%

Risk in Force Distribution By Level of Documentation:	Full Documentation	Reduced Documentation		
Traditional Primary:				
As of December 31:				
2011	92.8	% 7.2		%
2012	92.8	7.2		
2013	92.7	7.3		
As of September 30:				
2013	92.7	7.3		
2014	92.7	% 7.3		%
Bulk (a):				
As of December 31:				
2011	58.4	% 41.6		%
2012	58.2	41.8		
2013	57.6	42.4		
As of September 30:				
2013	57.9	42.1		
2014	58.9	% 41.1		%

(a) Bulk pool risk in-force, which represented 30.3% of total bulk risk in-force at September 30, 2014, 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:				
2011	97.0	% 3.0		%
2012	97.1	2.9		
2013	97.2	2.8		
As of September 30:				
2013	97.2	2.8		
2014	97.2	% 2.8		%
Bulk (a):				
As of December 31:				
2011	71.0	% 29.0		%
2012	72.6	27.4		
2013	74.3	25.7		
As of September 30:				
2013	73.8	26.2		
2014	73.8	% 26.2		%

(a) Bulk pool risk in-force, which represented 30.3% of total bulk risk in-force at September 30, 2014, 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. The decline is largely due to a discontinuation of active sales efforts since 2008. 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:		
2011	\$58.3	\$1,263.1
2012	42.4	1,141.6
2013	29.8	989.4
Nine Months Ended September 30:		
2013	22.5	1,013.8
2014	21.9	\$878.6
Quarters Ended September 30:		
2013	7.5	
2014	\$7.2	

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				Total	Fair Value Adjust- ment	Invested Assets at Fair Value
	General	Title	RFIG Run-off	Corporate and Other			
As of December 31:							
2012	\$6,742.7	\$785.7	\$1,766.3	\$450.1	\$9,744.9	\$863.8	\$10,608.8
2013	7,280.1	876.5	1,681.3	422.5	10,260.6	607.8	10,868.5
As of September 30:							
2013	6,993.6	865.1	1,700.0	535.4	10,094.3	621.2	10,715.5
2014	\$7,608.7	\$858.4	\$978.5	\$834.1	\$10,279.8	\$513.8	\$10,793.7
Years Ended	Net Investment Income				Total	Yield at Original Cost	Fair Value
	General	Title	RFIG Run-off	Corporate and Other			