OLD REPUBLIC INTERNATIONAL CORP
Form 10-K
February 28, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(FEE REQUIRED)
For the fiscal year ended: December 31, 2018 OR
_ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(NO FEE REQUIRED)
For the transition period from ______________________________ to ______________________________
Commission File Number: 001-10607
OLD REPUBLIC INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	No. 36-2678171
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

307 North Michigan Avenue, Chicago, Illinois	60601
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code: 312 346 8100
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of Each Exchange on Which Registered
Common Stock/$1 par value	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes: X/ No:
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes: / No:X
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: X/ No:
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes: X/No:
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
Emerging growth company o	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

The aggregate fair value of the registrant's voting Common Stock held by non-affiliates of the registrant (assuming, for purposes of this calculation only, that the registrant's directors and executive officers, the registrant's various employee benefit plans and American Business & Mercantile Insurance Mutual, Inc. and its subsidiaries are all affiliates of the registrant), based on the closing sale price of the registrant's common stock on June 30, 2018, the last day of the registrant's most recently completed second fiscal quarter, was $5,558,075,381.

The registrant had 302,775,042 shares of Common Stock outstanding as of January 31, 2019.

Documents incorporated by reference:

The following documents are incorporated by reference into that part of this Form 10-K designated to the right of the document title.

Title	Part
Proxy statement for the 2019 Annual Meeting of Shareholders	III, Items 10, 11, 12, 13 and 14
Exhibits as specified in exhibit index (page 112)	IV, Item 15

There are 113 pages in this report

PART I

Item 1 - Business

(a) General Description of Business. Old Republic International Corporation is a Chicago based holding company engaged in the single business of insurance underwriting and related services. It conducts its operations principally through a number of regulated insurance company subsidiaries organized into three major segments, namely, it's General Insurance Group (property and liability insurance), Title Insurance Group, and the Republic Financial Indemnity Group ("RFIG") (mortgage guaranty ("MI") and consumer credit indemnity ("CCI")) Run-off Business. References herein to such groups apply to the Company's subsidiaries engaged in these respective segments of business. The results of a small life and accident insurance business are included within the corporate and other caption of this report. "Old Republic" or "the Company" refers to Old Republic International Corporation and its subsidiaries as the context requires.

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, 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 policyholders and their beneficiaries. To achieve these objectives, adherence to insurance risk management principles is stressed, and asset diversification and quality are emphasized. The underwriting principles encompass:

- Disciplined risk selection, evaluation, and pricing to reduce uncertainty and adverse selection;

- Enhancing the predictability of expected outcomes through insurance of the largest number of homogeneous risks as to each type of coverage;

- Reducing the insurance portfolio risk profile through:
  - diversification and spread of insured risks; and
  - assimilation of uncorrelated asset and liability exposures across economic sectors that tend to offset or counterbalance one another; and

- Effective management of gross and net limits of liability through appropriate use of reinsurance.

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 capital resources. Investment management aims for stability of income from interest and dividends, protection of capital, and for sufficiency of 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 primary 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, and by investments in large capitalization, highly liquid equity securities.

In light of the above factors, the Company's affairs are 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 therefore 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- or preferably ten-year intervals. A ten-year period in particular can likely encompass at least one economic and/or underwriting cycle and thereby provide an appropriate time frame for such cycle to run its course, and for premium rate changes and reserved claim costs to be quantified and emerge in financial results with greater finality and effect.

The contributions to consolidated revenues and pretax income, and the assets and shareholders' equity of each Old Republic segment are set forth in the following table. This information should be read in conjunction with the consolidated financial statements, the notes thereto, and the "Management Analysis of Financial Position and Results of Operations" appearing elsewhere in this report.

Financial Information Relating to Segments of Business (a) ($ in Millions)

Revenues (b)			
Years Ended December 31:	2018	2017	2016
General	$3,739.4	$3,531.6	$3,354.7
Title	2,375.4	2,325.0	2,244.1
Corporate & Other - net (c)	46.3	50.1	35.4
Subtotal	6,161.3	5,906.8	5,634.3
RFIG Run-off	96.1	144.6	193.2
Subtotal	6,257.4	6,051.5	5,827.6
Consolidated investment gains (losses) (b)	(235.6)	211.6	72.8
Consolidated	$6,021.8	$6,263.1	$5,900.5

Pretax Income (Loss)			
Years Ended December 31:	2018	2017	2016
General	$363.9	$340.3	$319.9
Title	219.3	237.1	210.2
Corporate & Other - net (c)	40.4	9.9	13.0
Subtotal	623.8	587.3	543.3
RFIG Run-off	49.9	(73.5)	69.8
Subtotal	673.7	513.8	613.1
Consolidated investment gains (losses)	(235.6)	211.6	72.8
Consolidated	$438.1	$725.4	$686.0

Assets			
As of December 31:	2018	2017	2016
General	$16,411.4	$16,055.5	$15,305.7
Title	1,452.2	1,466.0	1,423.0
Corporate & Other - net (c)	726.7	1,076.8	957.9
Subtotal	18,590.3	18,598.4	17,686.7
RFIG Run-off	736.7	805.0	904.8
Consolidated	$19,327.1	$19,403.5	$18,591.6

Shareholders' Equity (d)			
As of December 31:	2018	2017	2016
General (d)	$3,024.6	$3,179.9	$2,957.2
Title (d)	673.6	641.8	554.7
Corporate & Other - net (c)	1,001.2	489.8	618.0
Subtotal	4,699.5	4,311.7	4,130.0
RFIG Run-off	446.7	421.6	330.6
Consolidated	$5,146.2	$4,733.3	$4,460.6

(a) Reference is made to the table in Note 6 of the Notes to Consolidated Financial Statements, incorporated herein by reference, which shows the contribution of each subcategory to the consolidated revenues and pretax income (loss) of Old Republic's insurance industry segments.

(b)

Revenues consist of net premiums, fees, net investment and other income earned. Investment gains (losses) which effective January 1, 2018, include unrealized gains (losses) on equity securities, are shown on a consolidated basis since the investment portfolio is managed as a whole.

(c) Includes amounts for a small life and accident insurance business as well as those of the parent holding company, its internal corporate services subsidiaries and consolidation elimination adjustments.

(d) Shareholders' equity excludes intercompany financing arrangements for the following segments: General - $1,222.1, $1,097.1, and $1,007.1 as of December 31, 2018, 2017, and 2016, respectively; Title - $87.9, $97.9, and $143.9 as of December 31, 2018, 2017, and 2016, respectively.

General Insurance Group

Old Republic's General Insurance segment is best characterized as a commercial lines insurance business with a strong focus on liability insurance coverages. Most of these coverages are provided to businesses, government, and other institutions. The Company does not have a meaningful exposure to personal lines insurance such as homeowners and private automobile coverages, nor does it insure significant amounts of commercial or other real property. In continuance of its commercial lines orientation, Old Republic also focuses on specific sectors of the North American economy, most prominently the transportation (trucking and general aviation), commercial construction, healthcare, education, retail and wholesale trade, forest products, energy, general manufacturing, and financial services industries. In managing the insurance risks it undertakes, the Company employs various underwriting and loss mitigation techniques such as utilization of policy deductibles, captive insurance risk-sharing arrangements, and retrospective rating and policyholder dividend plans. These underwriting techniques are intended to better correlate premium charges with the ultimate claims experience of individual or groups of assureds.

Over the years, the General Insurance Group's operations have been developed steadily through a combination of internal growth, the establishment of additional subsidiaries focused on new types of coverages and/or industry sectors, and through several mergers of smaller companies. As a result, this segment has become widely diversified with a business base encompassing the following major coverages:

Automobile Extended Warranty Insurance (1992): Coverage is provided to the vehicle owner for certain mechanical or electrical repair or replacement costs after the manufacturer's warranty has expired.

Aviation (1983): Insurance policies protect the value of aircraft hulls and afford liability coverage for acts that result in injury, loss of life, and property damage to passengers and others on the ground or in the air.

Commercial Automobile Insurance (1930's): Covers vehicles (mostly trucks) used principally in commercial pursuits. Policies cover damage to insured vehicles and liabilities incurred by an assured for bodily injury and property damage sustained by third parties.

Commercial Multi-Peril ("CMP")(1920's): Policies afford liability coverage for claims arising from the acts of owners or employees, and protection for the physical assets of businesses.

Financial Indemnity: Multiple types of specialty coverages, including most prominently the following four, are underwritten by Old Republic within this financial indemnity products classification.

Errors & Omissions("E&O")/Directors & Officers ("D&O")(1983): E&O liability policies are written for non-medical professional service providers such as lawyers, architects, and consultants, and provide coverage for legal expenses, and indemnity settlements for claims alleging breaches of professional standards. D&O coverage provides for the payment of legal expenses, and indemnity settlements for claims made against the directors and officers of corporations from a variety of sources, most typically shareholders.

Fidelity (1981): Bonds cover the exposures of financial institutions and commercial and other enterprises for losses of monies or debt and equity securities due to acts of employee dishonesty.

Guaranteed Asset Protection ("GAP")(2003): This insurance indemnifies an automobile loan borrower for the dollar value difference between an insurance company's liability for the total loss (remaining cash value) of an insured vehicle and the amount still owed on an automobile loan.

Surety (1981): Bonds are insurance company guarantees of performance by a corporate principal or individual such as for the completion of a building or road project, or payment on various types of contracts.

General Liability (1920's): Protects against liability of an assured which stems from carelessness, negligence, or failure to act, and results in property damage or personal injury to others.

Home Warranty Insurance (1981): This product provides repair and/or replacement coverage for home systems (e.g. plumbing, heating, and electrical) and designated appliances.

Inland Marine (1920's): Coverage pertains to the insurance of property in transit over land and of property which is mobile by nature.

Travel Accident (1970): Coverages provided under these policies, some of which are also underwritten by the Company's Canadian life insurance affiliate, cover monetary losses arising from trip delay and cancellation for individual insureds.

Workers' Compensation (1910's): This coverage is purchased by employers to provide insurance for employees' lost wages and medical benefits in the event of work-related injury, disability, or death.

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(Parenthetical dates refer to the year(s) when Old Republic's Companies began underwriting the coverages)

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Commercial automobile, general liability and workers' compensation insurance policy coverages are typically produced in tandem for many assureds. For 2018, production of workers' compensation direct insurance premiums accounted for approximately 31.4% of consolidated General Insurance Group direct premiums written, while commercial automobile and general liability direct premium production amounted to approximately 32.5% and 12.2%, respectively, of such consolidated totals.

Approximately 92% of general insurance premiums are produced through independent agency or brokerage channels, while the remaining 8% is obtained through direct production facilities.

Title Insurance Group

Old Republic's flagship title insurance company was founded in 1907. The Title Insurance Group's business consists primarily of the issuance of policies to real estate purchasers and investors based upon searches of the public records which contain information concerning interests in real property. The policies insure against losses arising out of defects, liens and encumbrances affecting the insured title and not excluded or excepted from the coverage of the policy. For the year ended December 31, 2018, approximately 26% of the Company's consolidated title premium and related fee income stemmed from direct operations (which include branch offices of its title insurers and wholly owned agency subsidiaries of the Company), while the remaining 74% emanated from independent title agents and underwritten title companies.

There are two basic types of title insurance policies: lenders' policies and owners' policies. Both are issued for a one-time premium. Most mortgages made in the United States are extended by mortgage bankers, savings and commercial banks, state and federal agencies, and life insurance companies. These financial institutions secure title insurance policies to protect their mortgagees' interest in the real property. This protection remains in effect for as long as the mortgagee has an interest in the property. A separate title insurance policy may be issued to the owner of the real estate. An owner's policy of title insurance protects an owner's interest in the title to the property.

The premiums charged for the issuance of title insurance policies vary with the policy amount and the type of policy issued. The premium is collected in full when the real estate transaction is closed, there being no recurring fee thereafter. In many areas, premiums charged on subsequent policies on the same property may be reduced depending generally upon the time elapsed between issuance of the previous policies and the nature of the transactions for which the policies are issued. Most of the charge to the customer relates to title services rendered in conjunction with the issuance of a policy rather than to the possibility of loss due to risks insured against. Accordingly, the cost of services performed by a title insurer relates for the most part to the prevention of loss rather than to the assumption of the risk of loss. Claim losses that do occur result primarily from title search and examination mistakes, fraud, forgery, incapacity, missing heirs and escrow processing errors.

In connection with its title insurance operations, Old Republic also provides escrow closing and construction disbursement services, as well as real estate information products, national default management services, and a variety of other services pertaining to real estate transfers and loan transactions. As lenders and the title insurance industry transition into the evolving digital landscape of eClosings and eMortgages, Old Republic believes it is well positioned with technology and business process innovations to remain competitive in the market.

Republic Financial Indemnity Group (RFIG) Run-off Business
Old Republic's RFIG run-off business consists of its mortgage guaranty and CCI operations.
Private mortgage insurance protects mortgage lenders and investors from default related losses on residential mortgage loans made primarily to homebuyers who make down payments of less than 20% of the home's purchase price. The mortgage guaranty operation insures only first mortgage loans, primarily on residential properties incorporating one-to-four family dwelling units. Old Republic's mortgage guaranty business was started in 1973.

There are two principal types of private mortgage insurance coverage: "primary" and "pool". Primary mortgage insurance provides mortgage default protection on individual loans and covers a stated percentage of the unpaid loan principal, delinquent interest, and certain expenses associated with the default and subsequent foreclosure. In lieu of paying the stated coverage percentage, the Company may pay the entire claim amount, take title to the mortgaged property, and subsequently sell the property to mitigate its loss. Pool insurance, which is written on a group of loans in negotiated transactions, provides coverage that ranges up to 100% of the net loss on each individual loan included in the pool, subject to provisions regarding deductibles, caps on individual exposures, and aggregate stop loss provisions which limit aggregate losses to a specified percentage of the total original balances of all loans in the pool.

Traditional primary insurance was issued on an individual loan basis to mortgage bankers, brokers, commercial banks and savings institutions through a network of Company-managed underwriting sites located throughout the country. Traditional primary loans were individually reviewed (except for loans insured under delegated underwriting programs) and priced according to filed premium rates. In underwriting traditional primary business, the Company generally adhered to the underwriting guidelines published by Fannie Mae or Freddie Mac both of which were purchasers of many of the loans the Company insured. Delegated underwriting programs allowed approved lenders to commit the Company to insure loans provided they adhered to predetermined underwriting guidelines.

Bulk and other insurance was issued on groups of loans to mortgage banking customers through a centralized risk assessment and underwriting department. These groups of loans were priced in the aggregate on a bid or negotiated

basis. Coverage for insurance issued in this manner was provided through primary insurance policies (loan level coverage) or pool insurance policies (aggregate coverage). The Company considers transactions designated as bulk insurance to be exposed to higher risk (as determined by such characteristics as origination channel, loan amount, credit quality, and extent of loan documentation) than those designated as other insurance.

Before insuring any loans, the Company issued to each approved customer a master policy outlining the terms and conditions under which coverage would be provided. Primary business was then produced via the issuance of a commitment/certificate for each loan submitted and approved for insurance. In the case of business providing pool coverage, a separate pool insurance policy was issued covering the particular loans applicable to each transaction.

As to all types of mortgage insurance products, the amount of premium charge depended on various underwriting criteria such as loan-to-value ratios, the level of coverage being provided, the borrower's credit history, the type of loan instrument (whether fixed rate/fixed payment or an adjustable rate/adjustable payment), documentation type, and whether or not the insured property is categorized as an investment or owner occupied property. Coverage is non-cancelable by the Company (except in the case of non-payment of premium or certain master policy violations) and premiums are paid under single, annual, or monthly payment plans. Single premiums are paid at the inception of coverage and provide coverage for the entire policy term. Annual and monthly premiums are renewable on their anniversary dates with the premium charge determined on the basis of the original or outstanding loan amount. The majority of the Company's direct premiums were written under monthly premium plans. Premiums may be paid by borrowers as part of their monthly mortgage payment and passed through to the Company by the servicer of the loan, or paid directly by the originator of, or investor in the mortgage loan.

During 2011, the Company's flagship mortgage guaranty insurance carrier, Republic Mortgage Insurance Company ("RMIC") and its sister company Republic Mortgage Guaranty Insurance Corporation ("RMGIC"), discontinued writing new business in all states and limited themselves to servicing the run-off of their existing business. RMIC has continually evaluated the potential long-term underwriting performance of the run-off book of business based on various modeling techniques. The resulting models take into account actual premium and paid claim experience of prior periods, together with a large number of assumptions and judgments about future outcomes that are highly sensitive to a wide range of estimates. Many of these estimates and underlying assumptions relate to matters over which the Company has no control, including: 1) The conflicted interests, as well as the varying mortgage servicing and foreclosure practices of a large number of insured lending institutions; 2) General economic and industry-specific trends and events; and 3) The evolving or future social and economic policies of the U.S. Government vis-à-vis such critical sectors as the banking, mortgage lending, and housing industries, as well as its policies for resolving the insolvencies and assigning a possible future role to Fannie Mae and Freddie Mac. These matters notwithstanding, RMIC's standard model of forecasted results extending through 2022 continues to reflect ultimate profitability for the book of business. In this regard a long-used RMIC standard model indicates that underwriting performance of the book of business should be positive over the run-off period assumed to end on or about December 31, 2022, though there is no guaranty of such an outcome.

As of December 31, 2018, RFIG's mortgage insurance subsidiaries had total statutory capital, inclusive of a contingency reserve of $433.1 million, of $515.0 million.
CCI policies, which have been issued by the Company since 1954, provide limited indemnity coverage to lenders and other financial intermediaries. The coverage is for the risk of non-payment of loan balances by individual buyers and borrowers. Claim costs are typically affected by unemployment, bankruptcy, and other issues leading to failures to pay. During 2008, the Company ceased the underwriting of new policies and the existing book of business was placed in run-off operating mode. Until year end 2017, CCI underwriting performance was affected negatively by significant litigation costs pertaining to claims settled or otherwise fully provided for through that date.

Corporate and Other Operations

Corporate and other operations include the accounts of a small life and accident insurance business as well as those of the parent holding company and its internal corporate services subsidiaries that perform cash and investment management, payroll, administrative and marketing services. The life and accident business registered net premium revenues of $14.6 million, $18.8 million, and $20.1 million in 2018, 2017 and 2016, respectively. Life and accident business is conducted in both the United States and Canada and consists mostly of limited product offerings sold through financial intermediaries such as automobile dealers, travel agents, and marketing channels that are also utilized in some of Old Republic's general insurance operations. Production of term life insurance, accounting for net premiums earned of $6.8 million, $7.1 million, and $10.3 million in 2018, 2017 and 2016, respectively, was terminated and placed in run off as of year-end 2004.

Consolidated Underwriting Statistics

The following table reflects underwriting statistics covering premiums and related loss, expense, and policyholders' dividend ratios for the major coverages underwritten in the Company's insurance segments.

	($ in Millions)		
Years Ended December 31:	2018	2017	2016
General Insurance Group:			
Overall Experience: (d)			
Net Premiums Earned	$3,277.1	$3,110.8	$2,936.3
Claim Ratio	72.2 %	71.8 %	73.0 %
Expense Ratio	25.0	25.5	24.8
Composite Ratio	97.2 %	97.3 %	97.8 %
Experience by Major Coverages:			
Commercial Automobile (Principally Trucking):			
Net Premiums Earned	$1,206.1	$1,076.3	$988.6
Claim Ratio	79.3 %	76.8 %	79.4 %
Workers' Compensation:			
Net Premiums Earned	$1,018.5	$1,045.2	$1,072.5
Claim Ratio	70.7 %	75.5 %	76.1 %
General Liability:			
Net Premiums Earned	$203.6	$195.2	$163.3
Claim Ratio	68.9 %	73.1 %	77.5 %
Three Above Coverages			

Combined:			
Net Premiums Earned	$2,428.3	$2,316.8	$2,224.5
Claim Ratio	74.8 %	75.9 %	77.6 %
Financial Indemnity: (a)(d)			
Net Premiums Earned	$174.7	$153.1	$125.0
Claim Ratio	73.8 %	62.1 %	45.5 %
Inland Marine and Commercial Multi-Peril:			
Net Premiums Earned	$252.8	$236.7	$217.9
Claim Ratio	62.8 %	59.3 %	60.9 %
Home and Automobile Warranty:			
Net Premiums Earned	$297.5	$294.9	$274.6
Claim Ratio	63.5 %	60.5 %	65.3 %
Other Coverages: (b)			
Net Premiums Earned	$122.2	$108.1	$95.2
Claim Ratio	51.7 %	54.7 %	53.4 %
Title Insurance Group: (c)			
Net Premiums Earned	$1,885.6	$1,827.6	$1,742.4
Combined Net Premiums	$2,336.1	$2,287.2	$2,206.6

& Fees Earned						
Claim Ratio	2.1	%	.9	%	3.8	%
Expense Ratio	90.0		90.0		87.9	
Composite Ratio	92.1	%	90.9	%	91.7	%
RFIG Run-off Business: (d)						
Net Premiums Earned	$75.9		$122.9		$170.0	
Claim Ratio	39.4	%	160.9	%	60.4	%
Expense Ratio	21.5		16.6		12.2	
Composite Ratio	60.9	%	177.5	%	72.6	%
All Coverages Consolidated:						
Net Premiums & Fees Earned	$5,703.9		$5,539.7		$5,333.2	
Claim Ratio	43.1	%	44.7	%	44.0	%
Expense Ratio	51.6		52.0		50.6	
Composite Ratio	94.7	%	96.7	%	94.6	%

Any necessary reclassifications of prior years' data are reflected in the above table to conform to current presentation.

(a) Consists principally of fidelity, surety, executive indemnity (directors & officers and errors & omissions), and GAP coverages.

(b) Consists principally of aviation and travel accident coverages.

(c) Title claim, expense, and composite ratios are calculated on the basis of combined net premiums and fees earned.

(d) Consumer credit indemnity coverages are reported within the RFIG Run-off segment and have been excluded from the General Insurance Group.

The effect of the reclassified CCI coverage from the General Insurance Group's overall and financial indemnity underwriting statistics to the RFIG Run-off Business are as follows:

	($ in Millions)		
Years Ended December 31:	2018	2017	2016
General insurance overall experience:			
Increase (decrease) in net premiums earned	$(1.5)	$(13.0)	$(15.8)
Percentage point increase (decrease) in claim ratio	.1 %	(4.0)%	(1.3)%
Percentage point increase (decrease) in expense ratio	(.1)	.1	.1
Percentage point increase (decrease) in composite ratio	— %	(3.9)%	(1.2)%
Financial Indemnity coverages:			
Increase (decrease) in net premiums earned	$(1.5)	$(13.0)	$(15.8)
Percentage point increase (decrease)	1.9 %	(76.1)%	(30.4)%

in claim ratio			
RFIG Run-off Business:			
Increase (decrease) in net premiums earned	$1.5	$13.0	$15.8
Percentage point increase (decrease) in claim ratio	(3.8)%	103.3 %	26.3 %
Percentage point increase (decrease) in expense ratio	1.5	.1	.2
Percentage point increase (decrease) in composite ratio	(2.3)%	103.4 %	26.5 %

Net Premiums Earned

With few exceptions, General insurance 2018 earned premiums grew for most types of coverages and markets served. The cumulative effects of recent years' and ongoing premium rate increases for several insurance products, along with new business production were main contributors to premium growth. The greater premium levels stemmed primarily from commercial automobile (trucking), national accounts, executive indemnity and auto warranties. Positive earned premium trends throughout 2017 were unevenly distributed among various insurance coverages and sources of business. Gains were registered most prominently in commercial automobile (trucking), risk management and national accounts, and home and auto warranty. On the other hand, premium growth was constrained by low volume in a large account contractors book of business faced with a particularly competitive market place, and by reduced opportunities in gas and oil energy services and several smaller industry sectors. Premium volume from the new underwriting facility established in early 2015 also added measurably to earned premiums in all three years.

Growth in Title insurance 2018 premiums and fees reflect a slowdown in housing and mortgage lending activity during the year. The continuation of a generally positive mortgage rate environment and reasonably strong housing and commercial property markets were major factors in the year-over-year gain in premiums and fees in 2017.

RFIG Run-off earned premium volume has reflected a continuing decline due to the natural outcome of a run-off book of business devoid of new premium production since at least 2011.

Claim Ratios

Variations in claim ratios are typically caused by changes in the frequency and severity of claims incurred, changes in premium rates and the level of premium refunds, and periodic changes in claim and claim expense reserve estimates resulting from ongoing reevaluations of reported and incurred but not reported claims and claim expenses. As demonstrated in the table on the previous page, the Company can therefore experience period-to-period volatility in the underwriting results posted for individual coverages. In light of Old Republic's basic underwriting focus in managing its business, a long-term objective has been to dampen this volatility by diversifying coverages offered and industries served.

The claim ratios include loss adjustment expenses where appropriate. Policyholders' dividends, which apply principally to workers' compensation insurance, are a reflection of changes in loss experience for individual or groups of policies, rather than overall results, and should be viewed in conjunction with claim ratio trends.

The general insurance claim ratios are summarized as follows:

	Reported Claim Ratio	Effect of Prior Periods' (Favorable)/ Unfavorable Claim Reserves Development	Claim Ratio Excluding Prior Periods' Claim Reserves Development
2014	77.9 %	3.9 %	74.0 %
2015	74.1	1.5	72.6
2016	73.0	0.3	72.7
2017	71.8	0.7	71.1
2018	72.2 %	— %	72.2 %

The Company generally underwrites concurrently workers' compensation, commercial automobile (liability and physical damage), and general liability insurance coverages for a large number of customers. Given this concurrent underwriting approach, an evaluation of trends in premiums, claim and dividend ratios for these individual coverages is more appropriately considered for the aggregate of these coverages. As the table above indicates, claim ratios have been on a fairly consistent downtrend during the past five years. The improvement has arisen from slightly lower estimates of current accident years' claim provisions, and by the lessening impacts from developments of prior years' reserve estimates. The claim ratio increase in 2018 resulted from recurring fiscal twelve month reserve evaluations of current and prior years' developing claim experience. Substantially all of this increase stemmed from the past decade's new books of business that are subject to ongoing adjustments to the underwriting and claim management processes. The claim ratio improved in 2017 compared to 2016. While current accident year claim ratios reflected moderate year-over-year declines, these were affected by moderately unfavorable developments of prior years' reserves. The unfavorable developments were concentrated in the Company's largest insurance coverages of workers' compensation and general liability which were partially offset by favorable development trends in commercial automobile (trucking).

Claims are a major cost factor and changes in them reflect continually evolving pricing and risk selection together with variability in loss severity and frequency trends caused by fortuitous and other events. Changes in commercial automobile claim ratios are primarily due to fluctuations in claim severity. Claim ratios for workers' compensation and liability insurance can reflect greater variability due to chance events in any one year, changes in loss costs emanating from participation in involuntary markets (i.e. insurance assigned risk pools and associations in which participation is basically mandatory), and added provisions for loss costs not recoverable from assuming reinsurers which may experience financial difficulties from time to time. Additionally, workers' compensation claim costs in particular are affected by a variety of underwriting techniques such as the use of captive reinsurance retentions, retrospective premium plans, and self-insured or deductible insurance programs that are intended to mitigate claim costs over time. Claim ratios for a relatively small book of general liability coverages tend to be highly volatile year to year due to the impact of changes in claim emergence and severity of legacy asbestos and environmental claims exposures.

Title insurance claim ratios have remained in the single digits for a number of years due to a continuation of favorable trends in claims frequency and severity. 2018's claim costs trended higher as favorable development of prior years' claim reserve estimates edged down. 2017 claim costs were lower in the face of declining claims activity since the Great Recession years. Favorable developments of reserves established in prior years further reduced the claim ratios for the periods shown in the following table:

Effect of
Prior Periods'
(Favorable)/

	Reported Claim Ratio	Unfavorable Claim Reserves Development	Claim Ratio Excluding Prior Periods' Claim Reserves Development
2014	5.2 %	(0.8)%	6.0 %
2015	4.9	(0.6)	5.5
2016	3.8	(1.1)	4.9
2017	0.9	(3.3)	4.2
2018	2.1 %	(2.0)%	4.1 %

The ratio of RFIG Run-off - mortgage guaranty incurred claim costs to earned premiums were reduced by 27.0, 38.3 and 39.8 percentage points for 2018, 2017 and 2016, respectively. In each instance, the reductions reflect favorable developments of prior years' claim reserves. MI claim costs for 2017, however, had risen most significantly due to third quarter additional claim provisions of $23.0 which added 20.9 percentage points to the claim ratio for the year.

The much more favorable RFIG Run-off - CCI claim ratio for 2018 reflects the absence of the litigation-induced claim costs and favorable development of previously established claim reserves. The 2017 year-over-year claim ratio comparison was most significantly affected by the additional $107.0 million claim and related expense provisions related to the final settlement and probable dispositions of all known litigated and other claim costs.

The consolidated claim, expense, and composite ratios reflect all the above factors and the changing period-to-period contributions of each segment to consolidated results.

General Insurance Claim Reserves

The Company's property and liability insurance subsidiaries establish claim reserves which consist of estimates to settle: a) reported claims; b) claims which have been incurred as of each balance sheet date but have not as yet been reported ("IBNR") to the insurance subsidiaries; and c) the direct costs, (fees and costs which are allocable to individual claims) and indirect costs (such as salaries and rent applicable to the overall management of claim departments) to administer known and IBNR claims. Such claim reserves, except as to classification in the Consolidated Balance Sheets as to gross and reinsured portions and purchase accounting adjustments, are reported for financial and regulatory reporting purposes at amounts that are substantially the same.

The establishment of claim reserves by the Company's insurance subsidiaries is a reasonably complex and dynamic process influenced by a large variety of factors. These factors principally include past experience applicable to the anticipated costs of various types of claims, continually evolving and changing legal theories emanating from the judicial system, recurring accounting, statistical, and actuarial studies, the professional experience and expertise of the Company's claim departments' personnel or attorneys and independent claim adjusters, ongoing changes in claim frequency or severity patterns such as those caused by natural disasters, illnesses, accidents, work-related injuries, and changes in general and industry-specific economic conditions. Consequently, the reserves established are a reflection of the opinions of a large number of persons, of the application and interpretation of historical precedent and trends, of expectations as to future developments, and of management's judgment in interpreting all such factors. At any point in time, the Company is exposed to the incurrence of possibly higher or lower than anticipated claim costs due to all of these factors, and to the evolution, interpretation, and expansion of tort law, as well as the effects of unexpected jury verdicts.

In establishing claim reserves, the possible increase in future loss settlement costs caused by inflation is considered implicitly, along with the many other factors cited above. Reserves are generally set to provide for the ultimate cost of all claims. With regard to workers' compensation reserves, however, the ultimate cost of long-term disability or pension type claims is discounted to present value based on interest rates ranging from 3.5% to 4.0%. Where applicable, the Company only uses such discounted reserves in evaluating the results of its operations, in pricing its products and settling retrospective and reinsured accounts, in evaluating policy terms and experience, and for other general business purposes. Solely to comply with reporting rules mandated by the Securities and Exchange Commission, however, Old Republic has made statistical studies of applicable workers' compensation reserves to obtain estimates of the amounts by which claim and claim adjustment expense reserves, net of reinsurance, have been discounted. These studies have resulted in estimates of such amounts at $216.5 million, $240.7 million and $231.9 million, as of December 31, 2018, 2017 and 2016, respectively. It should be noted, however, that these differences between discounted and non-discounted (terminal) reserves are fundamentally of an informational nature, and are not indicative of an effect on operating results for any one or series of years for the above noted reasons.

Early in 2001, the Federal Department of Labor revised the Federal Black Lung Program regulations. The revisions basically require a reevaluation of previously settled, denied, or new occupational disease claims in the context of newly devised, more lenient standards when such claims are resubmitted. Following a number of challenges and appeals by the insurance and coal mining industries, the revised regulations were, for the most part, upheld in June, 2002 and are to be applied prospectively. Since the final quarter of 2001, black lung claims filed or refiled pursuant to these revised regulations have increased, though the volume of new claim reports has abated in recent years.

In March 2010, federal regulations were revised once again as part of the Patient Protection and Affordability Act that reinstates two provisions that can potentially benefit claimants. In response to this most recent legislation and the above noted 2001 change, black lung claims filed or refiled have risen once again. The vast majority of claims filed to date against Old Republic pertain to business underwritten through loss sensitive programs that permit the charge of additional or refund of return premiums to wholly or partially offset changes in estimated claim costs, or to business

underwritten as a service carrier on behalf of various industry-wide involuntary market (i.e. assigned risk) pools. A much smaller portion pertains to business produced on a traditional risk transfer basis. The Company has established applicable reserves for claims as they have been reported and for claims not as yet reported on the basis of its historical experience as well as assumptions relative to the effect of the revised regulations.

Old Republic's reserve estimates also include provisions for indemnity and settlement costs for various asbestosis and environmental impairment ("A&E") claims that have been filed in the normal course of business against a number of its insurance subsidiaries. Many such claims relate to policies incepting prior to 1985, including many issued during a short period between 1981 and 1982 pursuant to an agency agreement canceled in 1982. Over the years, the Company's property and liability insurance subsidiaries have typically issued general liability insurance policies with face amounts ranging between $1.0 million and $2.0 million and rarely exceeding $10.0 million. Such policies have, in turn, been subject to reinsurance cessions which have typically reduced the subsidiaries' net retentions to $.5 million or less as to each claim.

Old Republic's exposure to A&E claims cannot be calculated by conventional insurance reserving methods for a variety of reasons, including: a) the absence of statistically valid data inasmuch as such claims typically involve long reporting delays and very often uncertainty as to the number and identity of insureds against whom such claims have arisen or will arise; and b) the litigation history of such or similar claims for insurance industry members which has produced inconsistent court decisions with regard to such questions as to when an alleged loss occurred, which policies provide coverage, how a loss is to be allocated among potentially responsible insureds and/or their insurance carriers, how policy coverage exclusions are to be interpreted, what types of environmental impairment or toxic tort claims are covered, when the insurer's duty to defend is triggered, how policy limits are to be calculated, and whether clean-up costs constitute property damage.

Over time, the Executive Branch and/or the Congress of the United States have proposed or considered changes in the legislation and rules affecting the determination of liability for environmental and asbestosis claims. As of December 31, 2018, however, there is no solid evidence to suggest that possible future changes might mitigate or reduce some or all of these claim exposures. Because of the above issues and uncertainties, estimation of reserves for losses and allocated loss adjustment expenses for A&E claims in particular is much more difficult or impossible to quantify with a high degree of precision. Accordingly, no representation can be made that the Company's reserves for such claims and related costs will not prove to be overstated or understated in the future. At December 31, 2018 and 2017, Old Republic's aggregate indemnity and loss adjustment expense reserves specifically identified with A&E exposures amounted to approximately $105.8 million and $117.4 million gross, respectively, and $74.4 million and $96.4 million net of reinsurance, respectively. Based on average annual claims payments during the five most recent calendar years, such reserves represented a paid loss survival ratio of 4.3 years (gross) and 5.0 years (net of reinsurance) as of December 31, 2018 and 4.6 years (gross) and 6.3 years (net of reinsurance) as of December 31, 2017. Fluctuations in this ratio between years can be caused by the inconsistent pay out patterns associated with these types of claims. For the five years ended December 31, 2018, incurred A&E claim and related loss settlement costs have averaged .2% of average annual General Insurance Group claims and related settlement costs.

Over the years, the subject of property and liability insurance claim reserves has been written about and analyzed extensively by a large number of professionals and regulators. Accordingly, the above discussion should be regarded as a basic outline of the subject and not as a definitive presentation. The Company believes that its overall reserving practices have been consistently applied over many years, and that its aggregate reserves have generally resulted in reasonable approximations of the ultimate net costs of claims incurred. However, no representation is made nor is any guaranty given that ultimate net claim and related costs will not develop in future years to be greater or lower than currently established reserve estimates.

(b) Investments. In common with other insurance organizations, Old Republic invests most of its capital and operating funds in income producing securities. Investments must comply with applicable insurance laws and regulations which prescribe the nature, form, quality, and relative amounts of investments which may be made by insurance companies. Generally, these laws and regulations permit insurance companies to invest within varying limitations in state, municipal and federal government obligations, corporate debt, preferred and common stocks, certain types of real estate, and first mortgage loans. For many years, Old Republic's investment policy has therefore been to acquire and retain primarily investment grade, publicly traded, fixed maturity securities, and in more recent years, a greater amount of high yielding publicly traded large capitalization equity securities. The investment policy is also influenced by the terms of the insurance coverages written, by its expectations as to the timing of claim and benefit payments, and by income tax considerations. As a consequence of all these factors, the Company's invested assets portfolio is directed in consideration of enterprise-wide risk management objectives. Most importantly, these are intended to ensure solid funding of insurance subsidiaries' long-term obligations to policyholders and other beneficiaries, as well as the long-term stability of the subsidiaries' capital accounts. To this end, the investment portfolio contains no significant insurance risk-correlated asset exposures to real estate, mortgage-backed securities, collateralized debt obligations ("CDO's"), derivatives, hybrid securities, or illiquid private equity and hedge fund investments. Moreover, 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.

Management considers investment grade fixed maturity securities to be those rated by major credit rating agencies that fall within the top four rating categories, or securities which are not rated but have characteristics similar to securities so rated. The Company had no fixed maturity investments in default as to principal and/or interest at December 31, 2018 and 2017. The status and fair value changes of each of the fixed maturity investments are

reviewed at least once per quarter 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.

The realization of investment gains or losses can be highly discretionary and can be affected by such randomly occurring factors as the timing of individual securities sales, the recording of estimated losses from write-downs of impaired securities, tax-planning and tax-rate change considerations, and modifications of investment management judgments regarding the direction of securities markets or the future prospects of individual investees or industry sectors.

The following tables show invested assets at the end of the last two years, together with investment income for each of the last three years:

Consolidated Investments
($ in Millions)

December 31:	2018	2017
Available for Sale		
Fixed Maturity Securities:		
U.S. & Canadian Governments	$1,524.4	$1,552.2
Corporate	6,658.3	6,730.0
	8,182.8	8,282.3
Short-term Investments	354.9	670.1
Total available for sale	8,537.8	8,952.4
Held to Maturity		
Fixed Maturity Securities:		
Tax-Exempt	1,044.8	1,067.4
Equity Securities	3,380.9	3,265.5
Other Investments	31.0	32.5
Total Investments	$12,994.6	$13,318.0

Sources of Consolidated Investment Income
($ in Millions)

Years Ended December 31:	2018	2017	2016
Fixed Maturity Securities:			
Taxable Interest	$278.4	$272.7	$285.0
Tax-Exempt Interest	20.7	20.4	11.5
	299.2	293.2	296.6
Equity Securities Dividends	124.0	110.9	88.2
Other Investment			

Income:			
Interest on Short-term Investments	9.8	5.4	2.1
Other Sources	4.9	4.5	3.9
	14.8	9.9	6.0
Gross Investment Income	438.1	414.1	390.9
Less: Investment Expenses (a)	6.2	4.6	3.8
Net Investment Income	$431.8	$409.4	$387.0

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(a) Investment expenses largely consist of personnel costs and investment management and custody service fees.

The independent credit quality ratings and maturity distribution for Old Republic's consolidated fixed maturity investments, excluding short-term investments, at the end of the last two years are shown in the following tables. These investments, $9.2 billion and $9.3 billion at December 31, 2018 and 2017, respectively, represented approximately 48% of consolidated assets for both years, and 65% and 64% of consolidated liabilities, respectively, as of December 31, 2018 and 2017.

Credit Quality Ratings of Fixed Maturity Securities (b)

December 31:	2018	2017
	(% of total portfolio)	
Aaa	20.9 %	21.6 %
Aa	12.8	12.9
A	31.5	31.8
Baa	29.1	27.5
Total investment grade	94.3	93.8
All other (c)	5.7	6.2
Total	100.0%	100.0%

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

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

Age Distribution of Fixed Maturity Securities

December 31:	2018	2017
	(% of total portfolio)	
Maturity Ranges:		
Due in one year or less	7.0 %	9.2 %
Due after one year through five years	51.6	45.5
Due after five years through ten years	40.7	44.1
Due after ten years through fifteen years	.6	1.0
Due after fifteen years	.1	.2

	100.0%	100.0%
Average Maturity in Years	4.5	4.7

(c) Marketing. Commercial automobile (trucking), workers' compensation and general liability insurance underwritten for business enterprises and public entities is marketed primarily through independent insurance agents and brokers with the assistance of Old Republic's trained sales, underwriting, actuarial, and loss control personnel. The remaining property and liability commercial insurance written by Old Republic is obtained through insurance agents or brokers who are independent contractors and generally represent other insurance companies, and by direct sales. No single source accounted for over 10% of Old Republic's premium volume in 2018.

A substantial portion of the Company's title insurance business is referred to it by title insurance agents, builders, lending institutions, real estate developers, realtors, and lawyers. Title insurance and related real estate settlement products are sold through 274 Company offices and through agencies and underwritten title companies in the District of Columbia and all 50 states. The issuing agents are authorized to issue commitments and title insurance policies based on their own search and examination, or on the basis of abstracts and opinions of approved attorneys. Policies are also issued through independent title companies (not themselves title insurers) pursuant to underwriting agreements. These agreements generally provide that the agency or underwritten company may cause title policies of the Company to be issued, and the latter is responsible under such policies for any payments to the insured. Typically, the agency or underwritten title company deducts the major portion of the title insurance charge to the customer as its commission for services. During 2018, approximately 74% of title insurance premiums and fees were accounted for by policies issued by agents and underwritten title companies.

Title insurance premium and fee revenue is closely related to the level of activity in the real estate market. The volume of real estate activity is affected by the availability and cost of financing, population growth, family movements and other socio-economic factors. Also, the title insurance business is seasonal. During the winter months, new building activity is reduced and, accordingly, the Company produces less title insurance business relative to new construction during such months than during the rest of the year. The most important factors, insofar as Old Republic's title business is concerned, however, are the rates of activity in the resale and refinance markets for residential properties.

The Company's flagship mortgage guaranty insurance carrier ceased underwriting new policies and the existing book of business was placed in run-off operating mode effective August 31, 2011. Prior to that date, traditional primary mortgage insurance was marketed principally through a direct sales force which called on mortgage bankers, brokers, commercial banks, savings institutions and other mortgage originators. No sales commissions or other forms of remuneration were paid to the lending institutions or others for the procurement or development of business.

The personal contacts, relationships, reputations, and intellectual capital of Old Republic's key executives and other associates responsible for the production of business are a vital element in obtaining and retaining much of its business. Many of the Company's customers produce large amounts of premiums and fees and therefore warrant substantial levels

of attention and involvement by these persons. In this respect, Old Republic's mode of operation is similar to that of professional reinsurers and commercial insurance brokers, and relies on the marketing, underwriting, and management skills of relatively few key people for large parts of its business.

Historically, several types of insurance coverages underwritten by Old Republic, such as consumer credit indemnity, title, and mortgage guaranty insurance, have been affected in varying degrees by changes in national economic conditions. During periods when housing activity or mortgage lending are constrained by any combination of rising interest rates, tighter mortgage underwriting guidelines, falling home prices, excess housing supply and/or economic recession, operating and/or claim costs pertaining to such coverages tend to rise disproportionately to revenues and can result in underwriting losses and reduced levels of profitability.

At least one Old Republic general insurance subsidiary is licensed to do business in each of the 50 states, the District of Columbia, Puerto Rico, Virgin Islands, Guam, and each of the Canadian provinces. Title insurance operations are licensed to do business in 50 states, the District of Columbia and Guam. Although not currently writing new business, the mortgage insurance subsidiaries are licensed in 50 states and the District of Columbia. Consolidated direct premium volume distributed among the various geographical regions shown was as follows for the past three years:
Geographical Distribution of Consolidated
Direct Premiums Written

	2018	2017	2016
United States:			
Northeast	11.9 %	12.3 %	12.3 %
Mid-Atlantic	7.3	7.5	7.9
Southeast	20.9	20.8	20.2
Southwest	11.6	11.1	11.3
East North Central	11.2	11.8	12.1
West North Central	10.1	10.3	10.6
Mountain	8.2	7.9	7.4
Western	16.1	16.3	16.4
Foreign (Principally Canada)	2.7	2.0	1.8
Total	100.0%	100.0%	100.0%

(d) Reserves, Reinsurance, and Retrospective Adjustments. Old Republic's insurance subsidiaries establish reserves for unearned premiums, reported claims, IBNR claims, and claim adjustment expenses, as required in the circumstances. See "General Insurance Claim Reserves" herein.

In order to maintain premium production within its capacity and limit maximum losses for which it might become liable under its policies, Old Republic, as is the common practice in the insurance industry, may cede all or a portion of its premiums and related liabilities on certain classes of insurance, individual policies, or blocks of business to other insurers and reinsurers. Although the ceding of insurance does not ordinarily discharge an insurer from its direct liability to a policyholder, it is industry practice to establish the reinsured part of risks as the liability of the reinsurer. Old Republic also employs retrospective premium and a large variety of risk-sharing procedures and arrangements for parts of its business in order to reduce underwriting losses for which it might become liable under insurance policies it issues, and to afford its customers or producers a degree of participation in the risks and rewards associated with such business. Under retrospective arrangements, Old Republic collects additional premiums if losses are greater than

originally anticipated and refunds a portion of original premiums if loss costs are lower. Pursuant to risk sharing arrangements, the Company adjusts production costs or premiums retroactively to likewise reflect deviations from originally expected loss costs. The amount of premium, production costs and other retrospective adjustments which may be made is either limited or unlimited depending on the Company's evaluation of risks and related contractual arrangements.

The following table displays the Company's General Insurance liabilities reinsured by its ten largest reinsurers as of December 31, 2018.

Major General Insurance Balances Due from Reinsurers

Reinsurer	A.M. Best Rating	($ in Millions) Reinsurance Recoverable on Paid Claims	on Claim Reserves	Total Exposure to Reinsurer	% of Total Consolidated Reinsured Liabilities
Munich Re America, Inc.	A+	$9.1	$321.1	$330.3	10.9 %
Archway Insurance, Ltd.	Unrated	—	297.6	297.6	9.8
Hannover Ruckversicherungs	A+	2.8	211.0	213.8	7.1
Swiss Reinsurance America Corporation	A+	7.5	164.2	171.8	5.7
AXIS Reinsurance Company	A+	.2	120.6	120.8	4.0
Summit Insurance, Ltd.	Unrated	—	109.2	109.3	3.6
Global Vision II	Unrated	—	105.9	105.9	3.5
National WC Reinsurance Pool	Unrated	1.6	93.8	95.4	3.1
Endurance Assurance Corporation	A+	.1	88.6	88.8	2.9
Trabaja Reinsurance Company	Unrated	1.4	81.5	82.9	2.7
		$23.0	$1,594.1	$1,617.1	53.3 %

Reinsured liabilities of the Title Insurance Group, RFIG Run-off Group and small life and accident insurance operations are not material.

Reinsurance recoverable asset balances represent amounts due from or credited by assuming reinsurers for paid and unpaid claims and policy reserves. Such reinsurance balances that are recoverable from non-admitted foreign and certain other reinsurers such as captive insurance companies owned by assureds or business producers, as well as similar balances or credits arising from policies that are retrospectively rated or subject to assureds' high deductible retentions are substantially collateralized by irrevocable letters of credit, securities, and other financial instruments. Old Republic evaluates on a regular basis the financial condition of its assuming reinsurers and assureds who purchase its retrospectively rated or high deductible policies. Estimates of unrecoverable amounts are included in the Company's net claim and claim expense reserves since reinsurance, retrospectively rated and self-insured deductible policies and contracts do not relieve Old Republic from its direct obligations to assureds or their beneficiaries.

Old Republic's reinsurance practices with respect to portions of its business also result from its desire to bring its sponsoring organizations and customers into some degree of joint venture or risk sharing relationship. The Company may, in exchange for a ceding commission, reinsure up to 100% of the underwriting risk, and the premium applicable

to such risk, to insurers owned by or affiliated with lending institutions, financial and other intermediaries, and commercial institutions generally whose customers are insured by Old Republic, or individual customers who have formed captive insurance companies. The ceding commissions received compensate Old Republic for performing the direct insurer's functions of underwriting, actuarial, claim settlement, loss control, legal, reinsurance, and administrative services to comply with local and federal regulations, and for providing appropriate risk management services.

Remaining portions of Old Republic's business are reinsured in most instances with independent insurance or reinsurance companies pursuant to excess of loss agreements. Except as noted in the following paragraph, reinsurance protection on property and liability coverages generally limits the net loss on most individual claims to a maximum of: $5.2 million for workers' compensation; $6.4 million for commercial automobile (trucking) liability; $6.4 million for general liability; $12.0 million for executive protection (directors & officers and errors & omissions); $2.0 million for aviation; and $5.0 million for property coverages. Title insurance risk assumptions are generally limited to a maximum of $500.0 million as to any one policy. The vast majority of title policies issued, however, carry exposures of less than $1.0 million. The average direct primary mortgage guaranty exposure is (in whole dollars) $37,700 per insured loan.

Since January 1, 2005, the Company has had maximum treaty reinsurance coverage of up to $200.0 million for its workers' compensation exposures. Pursuant to regulatory requirements, however, all workers' compensation primary insurers such as the Company remain liable for unlimited amounts in excess of reinsured limits. Other than the substantial concentration of workers' compensation losses caused by the September 11, 2001 terrorist attack on America, to the best of the Company's knowledge there had not been a similar accumulation of claims in a single location from a single occurrence prior to that event. Nevertheless, the possibility continues to exist that non-reinsured losses could, depending on a wide range of severity and frequency assumptions, aggregate several hundred million dollars to an insurer such as the Company. Such aggregation of losses could occur in the event of a catastrophe such as an earthquake that could lead to the death or injury of a large number of persons concentrated in a single facility such as a high rise building.

As a result of the September 11, 2001 terrorist attack on America, the reinsurance industry eliminated coverage from substantially all contracts for claims arising from acts of terrorism. Primary insurers like the Company thus became fully exposed to such claims. Late in 2002, the Terrorism Risk Insurance Act of 2002 (the "TRIA") was signed into law, immediately establishing a temporary federal reinsurance program administered by the Secretary of the Treasury. The program applied to insured commercial property and casualty losses resulting from an act of terrorism, as defined in the TRIA. Congress extended and modified the program in late 2005 through the Terrorism Risk Insurance Revision and Extension Act of 2005 (the "TRIREA"). TRIREA expired on December 31, 2007. Congress enacted a revised program

in December 2007 through the Terrorism Risk Insurance Program Reauthorization Act (the "TRIPRA") of 2007, a seven year extension that expired in December 2014. In January 2015, Congress passed the TRIPRA of 2015 that extended the program through 2020.

The TRIA automatically voided all policy exclusions which were in effect for terrorism related losses and obligated insurers to offer terrorism coverage with most commercial property and casualty insurance lines. The TRIREA revised the definition of "property and casualty insurance" to exclude commercial automobile, burglary and theft, surety, professional liability and farm owners multi-peril insurance. TRIPRA did not make any further changes to the definition of property and casualty insurance, however, it did include domestic acts of terrorism within the scope of the program. Although insurers are permitted to charge an additional premium for terrorism coverage, insureds may reject the coverage. Under TRIPRA, the program's protection is not triggered for losses arising from an act of terrorism until the industry first suffers losses in excess of a prescribed aggregate deductible during any one year. The program deductible trigger is $180 million and $200 million for 2019 and 2020, respectively. Once the program trigger is met, the program will be responsible for a fixed percentage of the Company's terrorism losses that exceed its deductible which ranges from 85% for 2015 and declines by one percentage point per year until it reaches 80% in 2020. The Company's deductible amounts to 20% of direct earned premium on eligible property and casualty insurance coverages. The Company currently reinsures limits on a treaty basis of $195.0 million in excess of $5.0 million for claims arising from certain acts of terrorism for casualty clash and catastrophe workers' compensation liability insurance coverages. The Company also purchases facultative reinsurance on certain accounts in excess of $200.0 million to manage the Company's net exposures.

(e) Competition. The insurance business is highly competitive and Old Republic competes with many stockholder-owned and mutual insurance companies. Many of these competitors offer more insurance coverages and have substantially greater financial resources than the Company. The rates charged for many of the insurance coverages in which the Company specializes, such as workers' compensation insurance, other property and liability insurance and title insurance, are primarily regulated by the states. The basic methods of competition available to Old Republic, aside from rates, are service to customers, expertise in tailoring insurance programs to the specific needs of its clients, efficiency and flexibility of operations, personal involvement by its key executives, and, as to title insurance, accuracy and timely delivery of evidences of title issued.

The Company believes its experience and expertise have enabled it to develop a variety of specialized insurance programs and related services for its customers, and to secure state insurance departments' approval of these programs.

(f) Government Regulation. In common with all insurance companies, Old Republic's insurance subsidiaries are subject to the regulation and supervision of the jurisdictions in which they do business. The method of such regulation varies, but, generally, regulation has been delegated to state insurance commissioners who are granted broad administrative powers relating to: the licensing of insurers and their agents; the nature of and limitations on investments; approval of policy forms; reserve requirements; and trade practices. In addition to these types of regulation, many classes of insurance, including most of the Company's insurance coverages, are subject to rate regulations which require that rates be reasonable, adequate, and not unfairly discriminatory.

The majority of states have also enacted insurance holding company laws which require registration and periodic reporting by insurance companies controlled by other corporations licensed to transact business within their respective jurisdictions. Old Republic's insurance subsidiaries are subject to such legislation and are registered as controlled insurers in those jurisdictions in which such registration is required. Such legislation varies from state to state but typically requires periodic disclosure concerning the corporation which controls the registered insurers, or ultimate holding company, and all subsidiaries of the ultimate holding company, and prior approval of certain intercorporate transfers of assets (including payments of dividends in excess of specified amounts by the insurance subsidiary) within the holding company system. Each state has established minimum capital and surplus requirements to conduct

an insurance business. At December 31, 2018 each of the Company’s General, Title, Mortgage Guaranty and Life and Accident insurance subsidiaries exceeded the minimum statutory capital and surplus requirements.

Data Protection and Cybersecurity

The Company is subject to U.S. laws and regulations that require financial institutions, insurance companies and other businesses to protect the security and confidentiality of personal information and provide notice of their practices relating to the collection and disclosure of personal information. The Company is also subject to laws and regulations requiring notification to affected individuals and regulators of security breaches.

Effective March 1, 2017, the New York Department of Financial Services issued a landmark cybersecurity regulation requiring covered financial services institutions to implement a cybersecurity program designed to protect customer information as well as information technology systems. The regulation imposes specific safeguards as well as governance, risk assessment, monitoring and testing, third party service provider incident response and reporting and other requirements.

In October 2017, the National Association of Insurance Commissioners adopted the Insurance Data Security Model Law, which requires insurers, insurance producers and other entities licensed under state insurance laws to develop and maintain a written information security program, conduct risk assessments, oversee the data security practices of third-party service providers and other related requirements. Since the model law’s adoption, numerous states in which the Company operates have approved legislation incorporating the model into statute.

In June 2018, California adopted the California Consumer Privacy Act. This law provides California residents with broad personal data protections and rights related to the use and collection of their personal information. The Company anticipates additional information security and privacy laws and regulations to be forthcoming.

(g) Employees. As of December 31, 2018, Old Republic and its subsidiaries employed approximately 9,000 persons on a full time basis. Approximately 50% of this total was represented by employees associated with the Company's title insurance segment. A majority of eligible full time employees participate in various pension plans (all of which are frozen) or other plans which provide benefits payable upon retirement. Eligible employees are also covered by hospitalization and major medical insurance, group life insurance, and various savings, profit sharing, and deferred compensation plans. The Company considers its employee relations to be good.

(h) Website access. The Company files various reports with the U.S. Securities and Exchange Commission ("SEC"), including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. The Company's reports are available by visiting the SEC's internet website (http://www.sec.gov) and accessing its EDGAR database to view or print copies of the electronic versions of the Company's reports. Additionally, the Company's reports can be obtained, free of charge, by visiting its internet website (http://www.oldrepublic.com), selecting Investors then SEC Filings to view or print copies of the electronic versions of the Company's reports. The contents of the Company's internet website are not intended to be, nor should they be considered incorporated by reference in any of the reports the Company files with the SEC.

Item 1A - Risk Factors

Risk factors are uncertainties and events over which the Company has limited or no control, and which can have a materially adverse effect on its business, results of operations or financial condition. The Company and its business segments are subject to a variety of such risk factors and, within individual segments, each type of insurance coverage may be exposed to risk factors specific to them. The following sections set forth management's evaluation of material risk factors for the Company as a whole and for each business segment. There may be risks which management does not presently consider to be material that may later prove to be material risk factors as well.

Parent Company

Dividend Dependence and Liquidity

The Company is an insurance holding company with no operations of its own. Substantially all of its assets consist of those used for the business conducted by its insurance subsidiaries. It relies upon dividends from such subsidiaries in order to pay the interest and principal on its debt obligations, dividends to its shareholders, and corporate expenses. The extent to which the insurance subsidiaries are able to declare and pay dividends is subject to regulations under the laws of their states or foreign jurisdictions of domicile. The regulations limit dividends based on the amount of statutory adjusted unassigned surplus or statutory earnings, and require the insurance subsidiaries to maintain minimum amounts of capital, surplus and reserves. Dividends in excess of the ordinary limitations can only be declared and paid with prior regulatory approval, of which there can be no assurance. The inability of the insurance subsidiaries to pay dividends in an amount sufficient to meet the Company's debt service and cash dividends on stock, as well as other cash requirements could result in liquidity issues.

Capitalization

Apart from dividends and interest on intercompany financing arrangements from its subsidiaries, the Company has access to various capital and liquidity resources including holding company investments and the public debt and

equity capital markets. The availability of all such capital sources cannot, however, be assured and its cost could be significant at the time capital is raised. At December 31, 2018, the Company's consolidated debt to equity ratio was 19.1%.

Risk Factors Common to the Company and its Insurance Subsidiaries

Investment Risks

The Company’s investment portfolio consists primarily of highly rated debt securities and large capitalization common stocks. Its investments are subject to market-wide risks and fluctuations, as well as to risks inherent in particular securities. Changing or unprecedented market conditions could materially impact the future valuation of securities in its investment portfolio. This could cause the Company to impair the carrying value of some portion of those debt securities in the future. Volatility or illiquidity in the markets in which the Company holds positions may cause certain other-than-temporary impairments within its portfolio and thus lead to potentially significant adverse effects on the Company’s liquidity, financial condition and operating results.

Income from the Company’s investment portfolio is one of its primary sources of cash flow to support operations and claim payments. Should the Company improperly structure its investment portfolio to meet those future liabilities or should it have unexpected losses, including losses resulting from the forced liquidation of investments before their maturity or under adverse securities markets conditions, the Company could be unable to meet those obligations. The Company’s investments and investment policies are subject to the provisions of state insurance laws, which results in its portfolio

being predominantly limited to highly rated fixed income securities. Interest rates on fixed income securities have been at historical lows. In the event that interest rates should rise above those of the Company's fixed income securities, the market value of the Company's investment portfolio would decline. Any significant decrease in the value of the Company's investment portfolio could adversely impact its GAAP financial condition, but not necessarily the statutory financial condition of its insurance subsidiaries since their fixed maturities portfolio is generally stated at amortized cost from a regulatory standpoint.

Compared to historical averages, interest rates and investment yields on highly rated investments have generally declined, which has the effect of limiting the investment income the Company can generate. The Company depends on its investments as a source of revenue, and a prolonged period of low investment yields would have an adverse impact on its revenues and could potentially adversely affect its operating results.

The Company may be forced to change its investments or investment policies depending upon regulatory, economic and market conditions, thus affecting the existing or anticipated financial condition and operating needs, including the tax position, of its business. In such circumstances, the Company's investment objectives may not be achieved. While the Company's portfolio consists mostly of highly-rated investments and complies with applicable regulatory requirements, the success of its investment activity is affected by general economic conditions, which may adversely affect the markets for credit and interest-rate-sensitive securities, including the extent and timing of investor participation in these markets, the level and volatility of interest rates and, consequently, the value of fixed-income securities.

Excessive Losses and Loss Expenses

Although the Company's business segments encompass different types of insurance, the greatest risk factor common to all insurance coverages is excessive losses due to unanticipated claims frequency, severity or a combination of both. Many of the factors affecting the frequency and severity of claims depend upon the type of insurance coverage, but others are shared in common. Severity and frequency can be affected by changes in national economic conditions, unexpectedly adverse outcomes in claims litigation, often as a result of unanticipated jury verdicts, changes in court made law, adverse court interpretations of insurance policy provisions resulting in increased liability or new judicial theories of liability, together with unexpectedly high costs of defending claims.

Inadequate Reserves

Reserves are the amounts that an insurance company sets aside for its anticipated policy liabilities. Claim reserves are an estimate of liability for reported unpaid claims as well as defense and claim adjustment expenses, and IBNR claims. It is not possible to calculate precisely what these liabilities will amount to in advance and, accordingly, the reserves represent a best estimate at any point in time. Such estimates are based upon known historical loss data, certain assumptions and expectations of future trends in claim frequency and severity, inflation and other economic considerations. The latter are affected by a variety of factors over which insurers may have little or no control and which may exhibit significant volatility over time.

Reserve estimates are periodically reviewed in light of known developments and, where necessary, they are adjusted and refined as circumstances may warrant. Nevertheless, the reserve setting process is inherently uncertain. If for any of these reasons reserve estimates prove to be inadequate, the Company's subsidiaries can be forced to increase their reported liabilities; such occurrences could result in possibly material adverse impacts on their results of operations and financial condition.

Inadequate Pricing

Premium rates are generally determined on the basis of historical data for claim frequency and severity as well as related production and other expense patterns. In the event ultimate claims and expenses exceed historically projected levels, premium rates are likely to prove insufficient. Premium rate inadequacy may not become evident quickly, may require time to correct, and, much like excessive losses can affect adversely the Company's business, operating results and financial condition.

Liquidity Risk

As indicated above, the Company manages its fixed-maturity investments with a view toward matching the maturities of those investments with the anticipated liquidity needs of its subsidiaries for the payment of claims and expenses. If a subsidiary suddenly experienced greater-than-anticipated liquidity needs for any reason, it could require an injection of funds that might not necessarily be available to meet its obligations at a point in time. Alternatively, invested securities may need to be sold at a loss and thus impact adversely both financial condition and operating results.

Regulatory Environment

The Company's insurance businesses are subject to extensive governmental regulation under state laws in the U.S. and the laws of each of the few other jurisdictions outside the U.S. in which they operate. These regulations relate to such matters as licensing requirements, types of insurance products that may be sold, premium rates, marketing practices, capital and surplus requirements, investment limitations, underwriting limitations, dividend payment limitations, transactions with affiliates, accounting practices, taxation and other matters. While most of the regulation is at the state level in the U.S., the federal government has increasingly expressed an interest in regulating the insurance business and has injected itself through the Graham-Leach-Bliley Act, the Patriot Act, the Dodd-Frank Wall Street Reform and

Consumer Protection Act of 2009. Likewise, changes in the Internal Revenue Code and other regulations bear directly on the costs of conducting an insurance business through increased compliance expenses.

Apart from the rising costs of compliance, as existing regulations evolve through administrative and court interpretations, and as new regulations are adopted, there is no basis for predicting the impact that changes could have on the Company's businesses in the future. The impact could have a material adverse effect on the manner in which the company's subsidiaries do business, and or their ability to compete, to continue offering their existing products, or to pursue acquisitions and growth opportunities.

Competition

Each of the Company's lines of continuing insurance business is highly competitive and is likely to remain so for the foreseeable future. Moreover, existing competitors and the capital markets have from time to time brought an influx of capital and newly-organized entrants into the industry, and changes in laws have enabled financial institutions, like banks and savings and loans, to sell insurance products. Increases in competition threaten to reduce demand for the Company's insurance products, reduce its market share and growth prospects, and potentially reduce its profitability.

Exposure to Independent Rating Downgrades

The competitive positions of insurance companies in general have come to depend increasingly on independent ratings of their financial strength and claims-paying ability. The rating agencies base their ratings on criteria they establish regarding an insurer's financial strength, operating performance, strategic position and ability to meet its obligations to policyholders. A significant downgrade in the ratings of any of the Company's major policy-issuing subsidiaries could have a materially adverse effect on their ability to compete for new business and retain existing business and, as a result, their operating results and financial condition.

Financial Institutions Risk

The Company's subsidiaries have significant business relationships with financial institutions, particularly national banks. The subsidiaries are the beneficiaries of a considerable amount of security in the form of letters of credit and trusteed funds and investments which they hold as collateral securing the obligations of insureds and certain reinsurers. Some of the banks themselves have subsidiaries that reinsure the Company's business. Other banks are depositories holding large sums of money in escrow accounts established by the Company's title subsidiaries. There is thus a risk of concentrated financial exposures in one or more such banking institutions. If any of these institutions fail or are unable to honor their credit obligations, or if escrowed funds become lost or tied up due to the failure of a bank, the result could have a materially adverse effect on the Company's business, results of operations and financial condition.

Risk Management

The Company has established processes and procedures designed to identify, measure, analyze, monitor and report the types of risk the Company and its subsidiaries are subject to, including operational risk, market risk, credit risk, liquidity risk, investment risk, interest rate risk, legal risk and reputational risk, among others. There are inherent limitations in such processes and procedures, and as a result, there is always the possibility that the Company has not adequately identified or anticipated risks. Such inadequacies could lead to future unexpected losses or expenses.

Legal Risks

The Company and certain of its subsidiaries are from time to time named defendants or otherwise involved in various legal proceedings, including class actions and other litigation or arbitration proceedings with third parties, as well as proceedings by regulatory agencies. Any of these actions could result in judgments, settlements, fines or penalties which could materially adversely affect the Company's or its subsidiaries' business, financial condition or results of operations.

Acquisition Integration Risk

The Company has from time to time grown its business by acquisition and is likely to consider acquisitions in the future. There can never be any assurance that such acquisitions will have positive accretive results. Integration of an acquired business can be costly and complex. The integration of acquisitions already completed, as well as any that may be completed in the future could result in significant unanticipated costs or losses of one sort or another.

Attracting and Retaining Qualified Employees

The Company's and its subsidiaries' employees at all levels are among their most important assets. Should the Company and its subsidiaries for any reason be unable to attract and retain qualified employees, their performance could be materially adversely affected.

Information Technology Systems

To perform day to day operations as well as communicate with customers, business partners and other stakeholders, the Company is reliant upon an array of digital technologies. The Company’s business depends on effective information systems and the integrity and timeliness of the data its information systems use to run its business. The Company uses computer systems to store, retrieve, evaluate and use customer, employee, and company data and information. Some internal processes, in turn, rely upon third-party systems and tools. This combination of resources allow business units

to provide insurance quotes, process premium payments, make changes to existing policies, file and pay claims, provide customer support, execute transactions and manage investment portfolios. In addition, the Company routinely transmits, receives and stores personal, confidential and proprietary information by email and other electronic means. Although the Company attempts to keep such information confidential, it may be unable to do so in all events, especially with clients, vendors, service providers, and other third parties.

Like other large companies, the Company is a target of potential cyber and other security threats and must continuously monitor and develop information technology networks and infrastructure to prevent, detect, address and mitigate the risk of threats to data and systems, including malware and computer virus attacks, ransomware, unauthorized access, misuse, denial-of-service attacks, system failures and disruptions. In some cases, such unauthorized access may not be immediately detected and can remain undetected for some time, increasing the severity of the incident. There is no assurance that the Company’s security measures, including information security policies, will provide fully effective protection from such events. The Company does maintain cyber risk insurance; however this insurance may not cover all costs associated with the consequences of personal, confidential or proprietary information being compromised.

Any information security breach of systems or services or breach of a third-party vendor or services provider that results in the loss or unauthorized access of sensitive data could disrupt the Company’s ability to conduct business operations during recovery and any remediation period. In the event of a cyber-attack or other information security incident, systems may be inaccessible to employees, customers or business partners for an extended period of time and employees may be unable to perform their duties for an extended period of time if data or systems are disabled or destroyed. In addition, a successful cyber-attack or similar information security incident could expose the Company to substantial costs and negative consequences including but not limited to:

- Remediation costs, such as liability for stolen assets or information and repairs of system damage;
- Lost revenues resulting from the unauthorized use of proprietary information or any down-time of critical information technology tools and infrastructure;
- Litigation and legal costs;
- Increased cyber risk insurance premiums;
- Reputational damage that adversely affects customer or investor confidence; and
- Damage to the Company’s competitiveness, stock price and long-term shareholder value.

Furthermore, the Company’s businesses are subject to compliance with laws and regulations enacted by U.S. federal and state governments, as well as laws enacted by various regulatory organizations or exchanges relating to the privacy and security of the information of clients, employees or others. These laws and regulations are increasing in complexity and number, change frequently and sometimes conflict. The compromise of personal, confidential or proprietary information could expose the Company to liability under federal and state laws, and subject the Company to litigation and investigations and result in reputational harm, which could have a material adverse effect on its business, cash flows, financial condition and results of operations.

As the breadth and inter-connectedness of the Company’s security infrastructure continues to expand and reliance on technology resources grows, so will the risk of potential privacy and security events. The Company is continuously evaluating and enhancing its privacy and security processes. While the Company takes a risk-based approach and adheres both to statutorily required and commercially reasonable measures to keep systems and data secure, such measures may be insufficient.

In addition to the foregoing, the following are risk factors that are particular to each of the Company's three major business segments.

General Insurance Group

Catastrophic Losses

While the Company limits the property exposures it assumes, the casualty or liability insurance it underwrites creates an exposure to claims arising out of catastrophes. The two principal catastrophe exposures are earthquakes and acts of terrorism in areas where there are large concentrations of employees of an insured employer or other individuals who could potentially be injured and assert claims against an insured under workers' compensation policies. Collateral damage to property or persons from acts of terrorism and other calamities could also expose general liability policies.

Following the September 11, 2001 terrorist attack, the reinsurance industry eliminated coverage from substantially all reinsurance contracts for claims arising from acts of terrorism. As discussed elsewhere in this report, the U.S. Congress subsequently passed TRIA, TRIREA, and TRIPRA legislation that required primary insurers to offer coverage for certified acts of terrorism under most commercial property and casualty insurance policies. Although these programs established a temporary federal reinsurance program through December 31, 2020, primary insurers like the Company's general insurance subsidiaries retain significant exposure for terrorist act-related losses.

Long-Tailed Losses

Coverage for general liability is considered long-tailed coverage. Written in most cases on an "occurrence" basis, it often takes longer for covered claims to be reported and become known, adjusted and settled than it does for property claims, for example, which are generally considered short-tailed. The extremely long-tailed aspect of such claims as

pollution, asbestos, silicosis, manganism (welding rod fume exposure), black lung, lead paint and other toxic tort claims, coupled with uncertain and sometimes variable judicial rulings on coverage and policy allocation issues along with the possibility of legislative actions, makes reserving for these exposures highly uncertain. While the Company believes that it has reasonably estimated its liabilities for such exposures to date, and that its exposures are relatively modest, there is a risk of materially adverse developments in both known and as-yet-unknown claims.

Workers' Compensation Coverage

Workers' compensation coverage is one of the largest lines of insurance written by the Company's General Insurance subsidiaries. The frequency and severity of claims, and the adequacy of reserves for workers' compensation claims and expenses can all be significantly influenced by such risk factors as future wage inflation in states that index benefits, the speed with which injured employees are able to return to work in some capacity, the cost and rate of inflation in medical treatments, the types of medical procedures and treatments, the cost of prescription medications, the frequency with which closed claims reopen for additional or related medical issues, the mortality of injured workers with lifetime benefits and medical treatments, the use of health insurance to cover some of the expenses, the assumption of some of the expenses by states' second injury funds, the use of cost containment practices like preferred provider networks, and the opportunities to recover against third parties through subrogation. Adverse developments in any of these factors, if significant, could have a materially adverse effect on the Company's operating results and financial condition.

Reinsurance

Reinsurance is a contractual arrangement whereby one insurer (the reinsurer) assumes some or all of the risk exposure written by another insurer (the reinsured). The Company depends on reinsurance to manage its risks both in terms of the amount of coverage it is able to write, the amount it is able to retain for its own account, and the price at which it is able to write it. The availability of reinsurance and its price, however, are generally determined in the reinsurance market by conditions beyond the Company's control.

Reinsurance does not relieve the reinsured company of its primary liability to its insureds in the event of a loss. It merely reimburses the reinsured company. The ability and willingness of reinsurers to honor their counterparty obligations to the Company represent credit risks. Old Republic has no practical basis for evaluating the risks assumed by a reinsurer from sources other than its own. Those risks could result in a significant deterioration of the reinsurer's ability to honor its obligations to the Company, thereby exacerbating credit risk exposure.

Old Republic addresses these risks by limiting its reinsurance placements to those reinsurers it considers the best credit risks. In recent years, however, there has been an ever decreasing number of reinsurers so considered. There can be no assurance that the Company will be able to find the desired or even adequate amounts of reinsurance at favorable rates from acceptable reinsurers in the future. If unable to do so, the Company would be forced to reduce the volume of business it writes or retain increased amounts of liability exposure. Because of the declining number of acceptable reinsurers, there is a risk that too much reinsurance risk may become concentrated in too few reinsurers. These concentrations of risk could adversely affect the Company's business, results of operations, and financial condition.

Insureds as Credit Risks

A significant amount of Old Republic's liability and workers' compensation business, particularly for large commercial insureds, is written on the basis of risk sharing underwriting methods utilizing large deductibles, captive insurance risk retentions, or other arrangements whereby the insureds effectively retain and fund varying and at times significant amounts of their losses. Their financial strength and ability to pay are carefully evaluated as part of the

underwriting process and monitored periodically thereafter, and their retained exposures are estimated and collateralized based on pertinent credit analysis and evaluation. Because the Company is primarily liable for losses incurred under its policies, the possible failure or inability of insureds to honor their retained liability represents a credit risk. Any subsequently developing shortage in the amount of collateral held would also be a risk, as would the failure or inability of a bank to honor a draw on a collateral trust or a letter of credit issued as collateral. These risk factors could have a materially adverse impact on the Company's results of operations and financial condition.

Guaranty Funds and Residual Markets

In nearly all states, licensed property and casualty insurers are required to participate in guaranty funds through assessments covering a portion of insurance claims against impaired or insolvent property and casualty insurers. Any increase in the number or size of impaired companies would likely result in an increase in the Company's share of such assessments.

Many states have established second injury funds that compensate injured employees for aggravation of prior injuries or conditions. These second injury funds are funded by assessments or premium surcharges.

Residual market or pooling arrangements exist in many states to provide various types of insurance coverage to those that are otherwise unable to find private insurers willing to insure them. All licensed property and casualty insurers writing such coverage voluntarily are required to participate in these residual market or pooling mechanisms.

A material increase in any of these assessments or charges could adversely affect the Company's results of operations and financial condition.

Prior Approval of Rates

Most of the insurance coverages underwritten by the Company are subject to prior regulatory approval of premium rates in a majority of the states. The process of securing regulatory approval can be time consuming and can impair the Company's ability to effect necessary rate increases in an expeditious manner. Furthermore, there is a risk that the regulators will not approve a requested increase, particularly in regard to workers' compensation insurance with respect to which rate increases often confront strong opposition from local business, organized labor, and political interests.

Title Insurance Group

Housing and Mortgage Lending Markets

The tightening and collapse of credit markets, the collapse of the housing market, the general decline in the value of real property, the rise in unemployment, and the uncertainty and negative trends in general economic conditions that began in 2006 created a difficult operating environment for the Company's title insurance subsidiaries. While these conditions have since improved to varying degrees, any return of these recessionary conditions could have a materially adverse effect on these subsidiaries' financial condition and results of operation over the near and longer terms. The impact of these conditions was somewhat mitigated both by lower mortgage interest rates, which lead to an increase in mortgage refinancings and by a rise in the number of agents producing business for the Companies' title insurance subsidiaries. Future rises in mortgage interest rates, however, could result in a decline in refinancing activity and reduced housing affordability which, in turn, could result in fewer transactions and reduced title insurance business.

Competition

Business comes to title insurers primarily by referral from real estate agents, lenders, developers and other settlement providers. The sources of business lead to a great deal of competition among title insurers. Although the top four title insurance companies during 2018 accounted for about 85% of industry-wide premium volume, there are numerous smaller companies representing the remainder at the regional and local levels. The smaller companies are an ever-present competitive risk in the regional and local markets where their business connections can give them a competitive edge. Moreover, there is always competition among the major companies for key employees, especially those engaged in business production. Unlike the three other large national title insurers, the Company’s title insurance subsidiaries rely upon independent agencies to produce most of their business. Independent agencies can direct business to any title insurer, whereas owned agencies will typically direct business solely to their parent or affiliated title insurers. The Company’s title subsidiaries are therefore more vulnerable to a loss of business than other title companies that rely on direct production facilities.

Regulation and Litigation

Regulation is also a risk factor for title insurers. The title insurance industry has recently been, and continues to be, under regulatory scrutiny in a number of states with respect to pricing practices, and alleged RESPA violations and unlawful rebating practices. The regulatory investigations could lead to industry-wide reductions in premium rates and escrow fees, the inability to get rate increases when necessary, as well as to changes that could adversely affect the Company's ability to compete for or retain business or raise the costs of additional regulatory compliance.

From time to time the Company's title insurance subsidiaries are named as defendants or are otherwise involved in various legal proceedings, including class actions and other litigated disputes with third parties, and proceedings or civil investigations brought by regulatory agencies. Any resulting adverse judgments, settlements, fines, penalties or

other rulings could have, directly or indirectly, a material adverse effect on the Company's financial condition, results of operations or business reputation. Litigation or other disputes between the Company’s mortgage insurance subsidiaries and insured mortgage lenders could also have an adverse effect on the Company’s title insurance subsidiaries if, as a result, the lenders threatened to or discontinued accepting title insurance or title related services from the Company’s title insurers.

Other Risks

Inadequate title searches are among the risk factors faced by the entire industry. When the search is less than thorough or complete, title defects can go undetected and claims result.

Fraud is also a risk factor for all title companies -- sometimes in the form of an agent's or an employee's defalcation of escrowed funds, sometimes in the form of fraudulently issued title insurance policies.

RFIG Run-off Business

Mortgage Guaranty Business in Run-off; Possible Material Losses, Statutory Capital Impairment, and Receivership

The material increases in mortgage guaranty insurance claims and loss payments that began in 2007 gradually depleted RMIC's statutory capital base and forced it to discontinue writing new business in 2011. The insurance laws of 16 jurisdictions, including RMIC's and RMGIC’s 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 and RMGIC were placed under administrative supervision by the North Carolina Department of Insurance ("NCDOI") in 2012 and ultimately ordered to defer the payment of 40% of all settled claims as a deferred payment obligation ("DPO").

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 RMGIC. Under the Amended Plan, RMIC and RMGIC were authorized to pay 100% of their DPOs accrued as of June 30, 2014, and to settle all subsequent valid claims entirely in cash, without establishing any DPOs. In anticipation of receiving this Final Order, ORI invested $125.0 million in cash and securities in RMIC in June 2014. In mid-July 2014, in furtherance of the Final Order, RMIC and RMGIC processed payments of their accumulated DPO balances of approximately $657.0 million relating to fully settled claims charged to periods extending between January 19, 2012 and June 30, 2014. The NCDOI subsequently terminated the summary orders which placed RMIC and RMGIC under administrative supervision effective December 8, 2017, thereby releasing both companies from its supervision as they were eminently solvent.

RMIC has continually evaluated the potential long-term underwriting performance of the run-off book of business based on various modeling techniques. The resulting models take into account actual premium and paid claim experience of prior periods, together with a large number of assumptions and judgments about future outcomes that are highly sensitive to a wide range of estimates. Many of these estimates and underlying assumptions relate to matters over which the Company has no control, including: 1) The conflicted interests, as well as the varying mortgage servicing and foreclosure practices of a large number of insured lending institutions; 2) General economic and industry-specific trends and events; and 3) The evolving or future social and economic policies of the U.S. Government vis-à-vis such critical sectors as the banking, mortgage lending, and housing industries, as well as its policies for resolving the insolvencies and assigning a possible future role to Fannie Mae and Freddie Mac.

Premium Income and Long-Term Claim Exposures

Mortgage insurers such as the Company issue long duration, guaranteed renewable policies covering multi-year periods during which exposure to loss exists. Loss exposures typically manifest themselves as recurring losses usually concentrated between the second and fifth year following issuance of any one year's new policies. Additionally, the policies cover catastrophic aggregations of claims such as those that occurred during the Great Recession of 2007 to 2012 which was engendered by substantial market dislocations in the housing and mortgage lending industries, in particular.

The Company's mortgage guaranty premiums stem principally from monthly installment policies. Such premiums are written and earned in the month coverage is effective. Recognition of claim costs, however, occurs only after an insured mortgage loan has missed two or more consecutive monthly payments. Accordingly, GAAP revenue recognition is not appropriately matched to the risk exposure and the consequent recognition of both normal and, most significantly, future catastrophic loss occurrences. As a result, mortgage guaranty GAAP earnings for any individual year or series of years may be materially adversely affected, particularly by cyclical catastrophic loss events such as the mortgage insurance industry experienced between 2007 and 2012. Reported GAAP earnings and financial condition form, in part, the basis for significant judgments and strategic evaluations made by management, analysts, investors, and other users of the financial statements issued by mortgage guaranty companies. The risk exists that such judgments and evaluations are at least partially based on GAAP financial information that does not necessarily match revenues and expenses and is not reflective of the long-term normal and catastrophic risk exposures assumed by

mortgage guaranty insurers at any point in time. This risk is inherent in the models on which the run-off of RMIC's and RMGIC's business is based.

Inadequate Loss Reserves

The Company establishes reserves for losses and loss adjustment expenses for its mortgage and consumer credit indemnity insurance coverages based upon loans reported to be in default, as well as estimates of those in default but not yet reported. The reserves are best estimates by management and take into consideration its judgments and assumptions regarding the housing and mortgage markets, unemployment rates and economic trends in general. During the ongoing sustained economic downturn, loss reserve estimates have become subject to even greater uncertainty and volatility. The rate and severity of actual losses could prove to be greater than expected and require the Company to effect substantial increases in its loss reserves. Depending upon the magnitude, such increases could have a materially adverse impact on the Company's mortgage insurance and consumer credit indemnity insurance run-off business and the Company's consolidated results of operations and financial condition. There can be no assurance that the actual losses for the mortgage insurance and consumer credit indemnity coverages will not be materially greater than previously established loss reserves.

Fewer Coverage Rescissions

The Company may rescind its mortgage guaranty and consumer credit indemnity coverages whenever it finds evidence that a loan did not qualify for insurance coverage in the first instance, or that a material misrepresentation had been made in the loan application by the borrower, the lender, and/or its agent. Between 2008 and 2010 the number and rate of coverage rescissions and claim denials rose dramatically. As a result, rescissions reduced materially the percentage of approved claims, and loss reserving estimates have reflected assumptions about the levels of rescission activity. Since 2010 the number and rate of rescissions and denials has continued to decline.

Certain policyholders experienced high rates of coverage rescission and instituted litigation or arbitration proceedings challenging the Company's position on rescissions. Whether the current rescission rates continue or decline, it is possible that further litigation or arbitral challenges to the Company's rescissions of coverage could arise. If any of the challenges are successful, they could have a materially adverse effect on the Company's mortgage guaranty and/or consumer credit indemnity run-off insurance business and consolidated operating results and financial position. Even if such challenges should prove unsuccessful, the costs of addressing them through litigation could be substantial.

Item 1B - Unresolved Staff Comments

None

Item 2 - Properties

The principal executive offices of the Company are located in the Old Republic Building in Chicago, Illinois. This Company-owned building contains 151,000 square feet of floor space of which approximately 50% is occupied by Old Republic, and the remainder is leased to others. In addition to its Chicago building, the Company owns one other major office building. A subsidiary of the Title Insurance Group owns and partially occupies its operations headquarters building in Minneapolis, Minnesota. This building contains 110,000 square feet of floor space of which approximately 95% is occupied by the Title Insurance Group and an affiliated Old Republic subsidiary, with the remainder leased to others. Six smaller buildings are owned by Old Republic and its subsidiaries in various parts of the nation and are primarily used for its business. The carrying value of all owned buildings and related land at December 31, 2018 was $49.1 million.

Certain other operations of the Company and its subsidiaries are directed from leased premises. See Note 4(b) of the Notes to Consolidated Financial Statements for a summary of all material lease obligations.

Item 3 - Legal Proceedings

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. At December 31, 2018, the Company did not have material non-claim litigation exposures in its consolidated business for which adequate loss and related expense provisions had not been made.

Item 4 - Mine Safety Disclosures

Not applicable.

PART II

Item 5 - Market for the Registrant's Common Equity, Related Security Holder Matters and Issuer Purchases of Equity Securities

The Company's common stock is traded on the New York Stock Exchange under the symbol "ORI". As of January 31, 2019, there were 2,071 registered holders of the Company's Common Stock. See Note 3(c) of the Notes to Consolidated Financial Statements for a description of certain regulatory restrictions on the payment of dividends by Old Republic's insurance subsidiaries.

Comparative Five Year Performance Graphs for Common Stock

The following table, prepared on the basis of market and related data furnished by Standard & Poor's Total Return Service, reflects total market return data for the most recent five calendar years ended December 31, 2018. For purposes of the presentation, the information is shown in terms of $100 invested at the close of trading on the last trading day preceding the first day of the fifth preceding year. The $100 investment is deemed to have been made either in Old Republic Common Stock, in the S&P 500 Index of common stocks, or in an aggregate of the common shares of the Peer Group of publicly held insurance businesses selected by Old Republic. The cumulative total return assumes reinvestment of cash dividends on a pretax basis. The information utilized to prepare the following table has been obtained from sources believed to be reliable, but no representation is made that it is accurate or complete in all respects.

Comparison of Five Year Total Market Return
OLD REPUBLIC INTERNATIONAL CORPORATION vs. S&P 500 vs. Peer Group
(For the five years ended December 31, 2018)

	Dec 13	Dec 14	Dec 15	Dec 16	Dec 17	Dec 18
ORI	$100.00	$88.85	$118.44	$125.65	$146.81	$153.39
S&P 500	100.00	113.69	115.26	129.05	157.22	150.33
Peer Group	100.00	113.38	123.49	139.31	155.21	132.29

The Peer Group which has been approved by the Compensation Committee of the Company's Board of Directors consists of the following publicly held corporations with which the Company competes in various regards: American Financial Group, Inc., American International Group, Inc., W.R. Berkley Corporation, Chubb Limited, Cincinnati Financial Corporation, CNA Financial Corporation, Fidelity National Financial, Inc., First American Financial Corporation, The Hartford Financial Services Group, Inc., Stewart Information Services Corporation, and Travelers Companies, Inc.

Item 6 - Selected Financial Data ($ in millions, except share data)

December 31:	2018	2017	2016	2015	2014
FINANCIAL POSITION:					
Cash and Invested Assets (a)	$13,187.4	$13,536.4	$12,995.8	$11,475.5	$11,291.6
Other Assets	6,139.6	5,867.1	5,595.7	5,626.1	5,685.2
Total Assets	$19,327.1	$19,403.5	$18,591.6	$17,101.6	$16,976.9
Liabilities, Other than Debt	$13,199.4	$13,221.5	$12,602.2	$12,278.9	$12,099.0
Debt	981.4	1,448.7	1,528.7	952.8	953.7
Total Liabilities	14,180.8	14,670.2	14,130.9	13,231.7	13,052.8
Preferred Stock	—	—	—	—	—
Common Shareholders' Equity	5,146.2	4,733.3	4,460.6	3,869.8	3,924.0
Total Liabilities and Shareholders' Equity	$19,327.1	$19,403.5	$18,591.6	$17,101.6	$16,976.9
Total Capitalization (b)	$6,127.6	$6,182.0	$5,989.4	$4,822.7	$4,877.8

Years Ended December 31:	2018	2017	2016	2015	2014
RESULTS OF OPERATIONS:					
Net Premiums and Fees Earned	$5,703.9	$5,539.7	$5,333.2	$5,179.4	$4,811.1
Net Investment and Other Income	553.5	511.7	494.3	495.4	447.1
Investment Gains (Losses) (c)	(235.6)	211.6	72.8	91.3	272.3
Net Revenues	6,021.8	6,263.1	5,900.5	5,766.1	5,530.7
Benefits, Claims, and Settlement Expenses	2,460.7	2,478.8	2,347.9	2,459.3	2,514.5
Underwriting and Other Expenses	3,122.9	3,058.8	2,866.5	2,675.0	2,406.6
Pretax Income	438.1	725.4	686.0	631.8	609.4

(Loss)					
Income Taxes (Credits)	67.5	164.8	219.0	209.6	199.7
Net Income (Loss)	$370.5	$560.5	$466.9	$422.1	$409.7
COMMON SHARE DATA:					
Net Income (Loss):					
Basic	$1.26	$2.14	$1.80	$1.63	$1.58
Diluted	$1.24	$1.92	$1.62	$1.48	$1.44
Dividends: Cash (d)	$.78	$1.76	$.75	$.74	$.73
Book Value	$17.23	$17.72	$17.16	$14.98	$15.15
Common Shares (thousands):					
Outstanding	302,714	269,238	262,719	261,968	260,946
Average: Basic	294,248	262,114	259,429	259,502	258,553
Diluted	301,016	299,387	296,379	296,088	295,073

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(a) Consists of cash, investments and accrued investment income.
(b) Total capitalization consists of debt, preferred stock, and common shareholders' equity.
(c) Effective January 1, 2018, includes unrealized gains and losses from changes in fair value of equity securities.
(d) In late December 2017, the Board declared a special cash dividend of $1.00 per share payable on January 31, 2018.

Item 7 - Management Analysis of Financial Position and Results of Operations
($ 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 principally 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 .3% of consolidated operating revenues for the year ended December 31, 2018 and .7% of consolidated assets as of that date, is included within the corporate and other caption of this report.

The consolidated accounts are presented in conformity with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") of accounting principles generally accepted in the United States of America ("GAAP"). As a publicly held company, Old Republic utilizes GAAP largely to comply with the financial reporting requirements of the Securities and Exchange Commission ("SEC"). From time to time the FASB and the SEC issue various releases, most of which require additional financial statement disclosures and provide related application guidance. Of particular relevance to the Company's financial statements is guidance recently issued by the FASB relative to revenue recognition, recognition and measurement of financial instruments including the addition of equity security unrealized gains and losses in periodic income statements, lease accounting, and accounting for credit losses on financial instruments, all of which are discussed further in the Notes to Consolidated Financial Statements.

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 elsewhere in this report.

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, 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 policyholders and their beneficiaries. To achieve these objectives, adherence to insurance risk management principles is stressed, and asset diversification and quality are emphasized. In addition, Management engages in an ongoing assessment of operating risks, such as cybersecurity risks, that could adversely affect the Company's business and reputation.

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 capital resources. Investment management aims for stability of income from interest and dividends, protection of capital, and for sufficiency of 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 primary 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, and by investments in large capitalization, highly liquid equity securities.

In light of the above factors, the Company's affairs are 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 therefore 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- or preferably ten-year intervals. A ten-year period in particular can likely encompass at least one economic and/or underwriting cycle and thereby provide an appropriate time frame for such cycle to run its course, and for premium rate changes and reserved claim costs to be quantified and emerge in financial results 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

Old Republic International Corporation reported the following consolidated results:

Years Ended December 31:	2018	2017	2016
Pretax income (loss)	$438.1	$725.4	$686.0
Pretax investment gains (losses) included in pretax income (loss)	(235.6)	211.6	72.8
Pretax income (loss) excluding investment gains (losses)	$673.7	$513.8	$613.1
Net income (loss)	$370.5	$560.5	$466.9
Net of tax investment gains (losses) included in net income (loss)	(185.9)	242.4	47.3
Net income (loss) excluding investment gains (losses)	$556.4	$318.0	$419.6

As noted on the following pages, performance comparisons among the periods reported upon are affected by two significant events in 2018, and by special operating charges and deferred tax adjustments in 2017. The components of consolidated net income (loss) shown in the above table are also reflected on a per share basis in the Financial Highlights below.

FINANCIAL HIGHLIGHTS

				% Change	
Years Ended December 31:	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
SUMMARY INCOME STATEMENTS:					
Revenues:					
Net premiums and fees earned	$5,703.9	$ 5,539.7	$ 5,333.2	3.0 %	3.9 %
Net investment income	431.8	409.4	387.0	5.5	5.8
Other income	121.6	102.2	107.3	18.9	(4.7)
Total operating revenues	6,257.4	6,051.5	5,827.6	3.4	3.8
Investment gains (losses):					
Realized from actual transactions	58.2	211.6	77.8		
Unrealized from changes in fair value of equity securities	(293.8)	—	—		
Realized from impairments	—	—	(4.9)		
Total investment gains (losses)	(235.6)	211.6	72.8		
Total revenues	6,021.8	6,263.1	5,900.5		
Operating expenses:					
Claim costs	2,460.7	2,478.8	2,347.9	(0.7)	5.6
Sales and general expenses	3,080.6	2,995.7	2,816.3	2.8	6.4
Interest and other costs	42.2	63.0	50.2	(33.0)	25.5
Total operating expenses	5,583.7	5,537.7	5,214.5	0.8 %	6.2 %
Pretax income (loss)	438.1	725.4	686.0		
Income taxes (credits)	67.5	164.8	219.0		
Net income (loss)	$370.5	$ 560.5	$ 466.9		
COMMON STOCK STATISTICS:					
Net income (loss) per share: Basic	$1.26	$ 2.14	$ 1.80		
Diluted	$1.24	$ 1.92	$ 1.62		
Components of net income (loss) per share:					
Basic net income (loss) excluding investment gains (losses)	$1.89	$ 1.21	$ 1.62		
Net investment gains (losses):					
Realized from actual transactions	0.16	0.93	0.19		
Unrealized from changes in fair value of equity securities	(0.79)	—	—		

Realized from impairments	—	—	(0.01)		
Basic net income (loss)	$1.26	$ 2.14	$ 1.80		
Diluted net income (loss) excluding investment gains (losses)	$1.86	$ 1.11	$ 1.46		
Net investment gains (losses):					
Realized from actual transactions	0.15	0.81	0.17		
Unrealized from changes in fair value of equity securities	(0.77)	—	—		
Realized from impairments	$—	$ —	$ (0.01)		
Diluted net income (loss)	$1.24	$ 1.92	$ 1.62		
Cash dividends on common stock	$0.7800	$ 1.7600	$ 0.7500		
Book value per share	17.23	17.72	17.16	(2.8)%	3.3 %
Common shares outstanding: Average basic	294,248,871	262,114,533	259,429,298	12.3 %	1.0 %
Average diluted	301,016,076	299,387,373	296,379,251	0.5 %	1.0 %
Actual, end of period	302,714,502	269,238,727	262,719,660	12.4 %	2.5 %

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Effective January 1, 2018, two significant events transpired that have a bearing on the year-over-year comparability of consolidated pretax and net income. One arises from a rule of the Financial Accounting Standards Board ("FASB") that requires the inclusion of unrealized investment gains or losses emanating from changes in the fair value of equity (but not fixed maturity) securities in the determination of pre and post-tax income. The second relates to a reduction in nominal Federal corporate income tax rates from 35% to 21%. The impact of the 2018 rate change on the reported 2017 and 2016 effective tax rates is discussed at the bottom of this page.

The realization of investment gains or losses can be highly discretionary and can be affected by such randomly occurring factors as the timing of individual securities sales, the recording of estimated losses from write-downs of impaired securities, tax-planning and tax-rate change considerations, and modifications of investment management judgments regarding the direction of securities markets or the future prospects of individual investees or industry sectors. The inclusion, starting in 2018, of securities market-driven changes in equity investments' valuations will most likely produce, as it has in 2018, greater period-to-period fluctuations in reported net income, particularly at times of significant instability or volatility in such markets. This accounting change, however, has no effect, on the determination of such critical elements as current income taxes, debt-to-equity ratios, shareholders' equity, or, most importantly, the conduct of insurance subsidiaries' operations and their ability to pay dividends to the ORI holding company parent.

The Financial Highlights table on the previous page shows the components of consolidated pretax and net income to reflect the impact that total realized and, beginning in 2018, unrealized investment gains or losses of equity securities have on period-to-period comparisons. Management uses income exclusive of all investment gains (losses) to analyze, evaluate, and establish accountability for the results of Old Republic's basic insurance operating performance. Net income, however, is the measure of total profitability according to the tenets of generally accepted accounting principles ("GAAP").

The table on the following page presents the major segmented elements of the Company's financial performance. This reflects: 1) the above-cited significant events for 2018, and 2) the special operating charges for 2017 which consisted of: (a) General insurance claims provisions ($8.0) associated with hurricane claim exposures, (b) additional claim and related expense provisions ($130.0) applicable to final settlements and probable dispositions of all known litigated and other claims costs incurred by the Company's RFIG run-off business during the Great Recession years and their aftermath, (c) charges for additional 2017 estimated employee incentive awards ($32.3), and (d) adjustment of previously estimated life insurance reserves and cost assumptions ($9.5).

In the table on the following page, the amounts shown for: (1) underwriting and related services income (loss) represent net premiums, fees, and other income reduced by claim costs and sales and general expenses; and (2) segmented and consolidated pretax income (loss), excluding investment gains (losses), represent the combination of underwriting and related services income (loss) and net investment income, reduced by interest and other charges.

In general, taxable income stemming from: (a) underwriting and related services, and (b) investments in corporate and federal government debt securities are taxed at the nominal tax rates in effect during the reporting periods, while income emanating from: (c) investments in states' and their subdivisions' debt securities, and (d) dividends from equity securities are taxed at a reduced nominal tax rate. The table below shows the effective consolidated income tax rates which result from application of such nominal or nominally-adjusted tax rates to these various components of taxable income.

Years Ended December 31:	2018	2017 As Reported	2017 As Adjusted*	2016
Net income (loss)	15.4 %	22.7 %	31.4 %	31.9%
Realized investment gains (losses)	21.1 %	(14.6)%	35.0 %	35.0%

Unrealized investment gains (losses)	(21.1)%	N/A	N/A	N/A
Net income (loss) excluding investment gains (losses)	17.4 %	38.1 %	30.0 %	31.6%

* In the final quarter of 2017, deferred income tax adjustments were made as required to reflect the lower Federal income tax rates which took effect at the beginning of 2018. The adjustments amounted to a deferred income tax charge of $41.8 applied to income excluding investment gains or losses, and a deferred income tax credit of $104.9 applied to investment gains or losses. The 2017 As Adjusted effective income tax rates in the above table reflect the exclusion of such required adjustments.

	Major Segmented and Consolidated Elements of Income (Loss)				
Years Ended December 31:	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
Net premiums, fees, and other income:					
General insurance	$3,277.1	$3,110.8	$2,936.3	5.3 %	5.9 %
Title insurance	2,336.1	2,287.2	2,206.6	2.1	3.6
Corporate and other	14.6	18.8	20.1	(22.0)	(6.8)
Other income	121.6	102.2	107.3	18.9	(4.7)
Subtotal	5,749.5	5,519.1	5,270.5	4.2	4.7
RFIG run-off business	75.9	122.9	170.0	(38.2)	(27.7)
Consolidated total	$5,825.5	$5,642.0	$5,440.5	3.3 %	3.7 %
Underwriting and related services income (loss):					
General insurance	$91.2	$84.3	$65.5	8.2 %	28.8 %
Title insurance	185.1	206.7	181.7	(10.5)	13.8
Corporate and other (a)	(21.9)	(28.4)	(17.5)	22.7	(62.5)
Subtotal	254.3	262.6	229.7	(3.2)	14.4
RFIG run-off business	29.7	(95.2)	46.6	131.2	N/M
Consolidated total	$284.0	$167.3	$276.3	69.7 %	(39.4)%
Consolidated composite ratio:					
Claim ratio	43.1 %	44.7 %	44.0 %		
Expense ratio	51.6	52.0	50.6		
Composite ratio	94.7 %	96.7 %	94.6 %		
Net investment income:					
General insurance	$341.0	$318.9	$312.1	6.9 %	2.2 %
Title insurance	38.8	37.3	36.2	4.2	3.1
Corporate and other	31.7	31.4	15.4	1.2	103.4
Subtotal	411.7	387.7	363.8	6.2	6.6
RFIG run-off business	20.1	21.7	23.2	(7.2)	(6.4)
Consolidated total	$431.8	$409.4	$387.0	5.5 %	5.8 %
Interest and other charges:					
General insurance	$68.3	$62.9	$57.6		
Title insurance	4.6	6.9	7.6		
Corporate and other (b)	(30.6)	(6.9)	(15.0)		
Subtotal	42.2	63.0	50.2		
RFIG run-off business	—	—	—		
Consolidated total	$42.2	$63.0	$50.2	(33.0)%	25.5 %
Segmented and consolidated pretax income (loss) excluding investment gains (losses):					
General insurance	$363.9	$340.3	$319.9	6.9 %	6.4 %
Title insurance	219.3	237.1	210.2	(7.5)	12.8
Corporate and other	40.4	9.9	13.0	N/M	(24.1)
Subtotal	623.8	587.3	543.3	6.2	8.1
RFIG run-off business	49.9	(73.5)	69.8	167.9	(205.4)
Consolidated pretax income (loss) excluding investment gains (losses)	673.7	513.8	613.1	31.1 %	(16.2)%
Income taxes (credits) on above (c)	117.2	195.7	193.5		
Net income (loss) excluding					

investment gains (losses)	556.4	318.0	419.6		
Consolidated pretax investment gains (losses):					
Realized from actual transactions	58.2	211.6	77.8		
Unrealized from changes in fair value of equity securities	(293.8)	—	—		
Realized from impairments	—	—	(4.9)		
Consolidated realized and unrealized investment gains (losses)	(235.6)	211.6	72.8		
Income taxes (credits) on investment gains (losses) (c)	(49.6)	(30.8)	25.5		
Net of tax investment gains (losses)	(185.9)	242.4	47.3		
Net income (loss)	$370.5	$560.5	$466.9		
Net operating cash flows:					
Consolidated	$760.5	$452.8	$637.3	68.0 %	(29.0)%
Exclusive of RFIG run-off business	$837.0	$765.3	$739.8	9.4 %	3.4 %

(a) Includes general administrative expenses. / (b) Includes net external and internal debt interest costs and consolidation/elimination entries. / (c) See the table at the bottom of the previous page for information about year-end 2017 deferred tax adjustments.

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General Insurance Segment Results - The table below reflects the major elements affecting this segment's financial performance for the periods shown.

General Insurance Business Segment

Years Ended December 31:	2018	2017	2016	% Change 2018 vs. 2017	% Change 2017 vs. 2016
Net premiums earned	$3,277.1	$3,110.8	$2,936.3	5.3 %	5.9 %
Net investment income	341.0	318.9	312.1	6.9	2.2
Other income	121.3	101.8	106.2	19.1	(4.1)
Operating revenues	3,739.4	3,531.6	3,354.7	5.9	5.3
Claim costs (a)	2,365.8	2,234.4	2,143.1	5.9	4.3
Sales and general expenses	941.3	893.8	833.9	5.3	7.2
Interest and other costs	68.3	62.9	57.6	8.5	9.2
Operating expenses	3,375.5	3,191.3	3,034.7	5.8	5.2
Segmented pretax operating income (loss) (b)	$363.9	$340.3	$319.9	6.9 %	6.4 %
Claim ratio	72.2 %	71.8 %	73.0 %		
Expense ratio	25.0	25.5	24.8		
Composite ratio	97.2 %	97.3 %	97.8 %		

(a) General insurance pretax results for the year ended December 31, 2017 include hurricane-related claim costs of $8.0.

(b) In connection with the run-off mortgage guaranty ("MI") and consumer credit indemnity ("CCI") combination, $3.8, ($121.1) and ($33.8) of pretax operating income (loss) for 2018, 2017, and 2016, respectively, were retained by certain general insurance companies pursuant to various quota share and stop loss reinsurance agreements. All of these amounts, however, have been reclassified such that 100% of the CCI run-off business is reported in the RFIG run-off segment.

With few exceptions, 2018 earned premiums grew for most types of coverages and markets served. The cumulative effects of recent years' and ongoing premium rate increases for several insurance products, along with new business production were main contributors to premium growth. The greater premium levels stemmed principally from commercial automobile (trucking), national accounts, executive indemnity and auto warranties. Positive earned premium trends throughout 2017 were unevenly distributed among various insurance coverages and sources of business. Gains were registered most prominently in commercial automobile (trucking), risk management and national accounts, and home and auto warranty. On the other hand, premium growth was constrained by low volume in a large account contractors book of business faced with a particularly competitive market place, and by reduced opportunities in gas and oil energy services and several smaller industry sectors. Premium volume from the new underwriting facility established in early 2015 also added measurably to earned premiums in all three years. Net investment income gained in the context of a slightly higher invested asset base and relatively stable yield environment.

As the table below indicates, claim ratios have been on a fairly consistent downtrend during the past five years. The improvement has arisen from slightly lower estimates of current accident years' claim provisions, and by the lessening impacts from developments of prior years' reserve estimates. The claim ratio increase in 2018 resulted from recurring fiscal twelve month reserve evaluations of current and prior years' developing claim experience. Substantially all of this increase stemmed from the past decade's new books of business that are subject to ongoing adjustments to the underwriting and claim management processes. 2017’s unfavorable developments were concentrated in the Company’s largest insurance coverages of workers’ compensation and general liability which were partially offset by favorable development trends in commercial automobile (trucking).

	Reported Claim Ratio	Effect of Prior Periods' (Favorable)/ Unfavorable Claim Reserves Development	Claim Ratio Excluding Prior Periods' Claim Reserves Development
2014	77.9 %	3.9 %	74.0 %
2015	74.1	1.5	72.6
2016	73.0	0.3	72.7
2017	71.8	0.7	71.1
2018	72.2 %	— %	72.2 %

As the above table shows, year-over-year operating expenses have remained aligned with earned premiums trends.

Quarterly and even annual claim provisions and the trends they display may not be particularly meaningful indicators of future outcomes for Old Republic’s liability-oriented mix of business. Absent significant economic and insurance industry dislocations in the foreseeable future, it is currently anticipated that reported claim ratios can be expected to fall within targeted averages in the high 60 to low 70 percent range. The current mix of business should reflect an expense ratio

ranging between 23 and 25 percent. The expense ratio for 2017 was slightly above this long-term operating objective due to additional charges for estimated employee incentive awards. The slightly higher sales and general expense ratio in 2016 resulted mostly from greater costs incurred in the above-noted underwriting facility, additional litigation cost provisions in the year's second quarter, and by a slightly different premium mix and attendant production costs associated with the business' responses to recurring changes in insurance market conditions and opportunities.

Title Insurance Segment Results - The table below reflects the major elements affecting this segment's financial performance for the periods shown.

Title Insurance Business Segment

Years Ended December 31:	2018	2017	2016	% Change 2018 vs. 2017	% Change 2017 vs. 2016
Net premiums and fees earned	$2,336.1	$2,287.2	$2,206.6	2.1 %	3.6 %
Net investment income	38.8	37.3	36.2	4.2	3.1
Other income	0.3	0.5	1.2	N/M	(56.4)
Operating revenues	2,375.4	2,325.0	2,244.1	2.2	3.6
Claim costs	48.3	20.8	84.3	131.7	(75.3)
Sales and general expenses	2,103.0	2,060.1	1,941.8	2.1	6.1
Interest and other costs	4.6	6.9	7.6	(33.9)	(8.6)
Operating expenses	2,156.0	2,087.9	2,033.8	3.3	2.7
Segmented pretax operating income (loss)	$219.3	$237.1	$210.2	(7.5)%	12.8 %
Claim ratio	2.1 %	0.9 %	3.8 %		
Expense ratio	90.0	90.0	87.9		
Composite ratio	92.1 %	90.9 %	91.7 %		

2018 year-over-year comparison of revenues from title premiums and fees reflect a slowdown in housing and mortgage lending activity during the year. The continuation of a generally positive mortgage rate environment and reasonably strong housing and commercial property markets were major factors in the year-over-year gain in premiums and fees for 2017. By contrast, claim costs for 2018 trended higher as favorable development of prior years' claim reserve estimates edged down. Claim costs for the prior periods were trending lower in the face of declining claims activity since the Great Recession years. The following table shows recent annual claim ratios and the effect of claim development trends:

	Reported	Effect of Prior Periods' (Favorable)/ Unfavorable Claim	Claim Ratio Excluding Prior Periods' Claim

	Claim Ratio	Reserves Development	Reserves Development
2014	5.2 %	(0.8)%	6.0 %
2015	4.9	(0.6)	5.5
2016	3.8	(1.1)	4.9
2017	0.9	(3.3)	4.2
2018	2.1 %	(2.0)%	4.1 %

Net investment income is reflective of both a relatively stable invested asset base and investment yield environment. The operating expense ratio for the periods reported upon has remained aligned with revenues from premiums and fees.

RFIG Run-off Segment Results - The table below reflects the major elements affecting this segment's financial performance for the periods shown.

RFIG Run-off Business Segment

				% Change	
				2018	2017
Years Ended December 31:	2018	2017	2016	vs. 2017	vs. 2016
A. Mortgage Insurance (MI)					
Net premiums earned	$74.4	$109.8	$154.1	(32.3)%	(28.7)%
Net investment income	19.2	20.4	22.0	(5.9)	(7.4)
Claim costs (a)	32.1	63.3	52.5	(49.2)	20.4
MI pretax operating income (loss)	$46.7	$48.9	$105.0	(4.5)%	(53.5)%
Claim ratio (a)	43.2 %	57.6 %	34.1 %		
Expense ratio	20.0	16.5	12.0		
Composite ratio	63.2 %	74.1 %	46.1 %		
B. Consumer Credit Insurance (CCI)					
Net premiums earned	$1.5	$13.0	$15.8	(88.3)%	(17.8)%
Net investment income	0.8	1.2	1.1	(29.6)	12.0
Claim costs (a)	(2.2)	134.5	50.0	(101.7)	168.7
CCI pretax operating income (loss) (b)	$3.2	$(122.4)	$(35.2)	102.6 %	(247.1)%
Claim ratio (a)	N/M	N/M	315.9 %		
Expense ratio	N/M	N/M	13.9		
Composite ratio	N/M	N/M	329.8 %		
C. Total MI and CCI run-off business					
Net premiums earned	$75.9	$122.9	$170.0	(38.2)%	(27.7)%
Net investment income	20.1	21.7	23.2	(7.2)	(6.4)
Claim costs (a)	29.9	197.8	102.6	(84.9)	92.7
Segmented pretax operating income (loss) (b)	$49.9	$(73.5)	$69.8	167.9 %	(205.4)%

Claim ratio (a)	39.4	%	160.9	%	60.4	%
Expense ratio	21.5		16.6		12.2	
Composite ratio	60.9	%	177.5	%	72.6	%

(a) RFIG run-off pretax results for the year ended December 31, 2017 include additional claim and related expense provisions of $130.0 applicable to the final settlements and probable dispositions of all known litigated and other claim costs incurred by the Company's run-off Financial Indemnity business during the Great Recession years and their aftermath. Of the total charge, $23.0 related to mortgage guaranty claim costs, and $107.0 was attributable to additional claim provisions in the consumer credit indemnity run-off business.

(b) In connection with the run-off mortgage guaranty ("MI") and consumer credit indemnity ("CCI") combination, $3.8, ($121.1), and ($33.8) of pretax operating income (loss) for 2018, 2017, and 2016, respectively, were retained by certain general insurance companies pursuant to various quota share and stop loss reinsurance agreements. All of these amounts, however, have been reclassified such that 100% of the CCI run-off business is reported in the RFIG run-off segment.

Pretax operating results of the run-off MI and CCI business reflect the expected, continuing drop in net earned premiums from declining risk in force. For the CCI coverage in particular, the much lower premiums in 2018 resulted mostly from the 2017 elimination of a major bank business relationship which had been a significant source of both earned premiums and substantially higher litigated claim costs.

The ratios of MI incurred claim costs to earned premiums were reduced by 27.0, 38.3 and 39.8 percentage points for 2018, 2017 and 2016, respectively. In each instance, the reductions reflect favorable developments of prior years' claim reserves. MI claim costs for 2017, however, had risen most significantly due to third quarter additional claim provisions of $23.0 which added 20.9 percentage points to the claim ratio for the year.

The much more favorable CCI claim ratios for 2018 reflect the absence of the aforementioned litigation-induced claim costs and favorable development of previously established claim reserves. During 2017's third quarter, additional claim provisions in the amount of $107.0 were made to cover the final settlements and probable dispositions of all known litigated and other claim costs incurred during the Great Recession and its aftermath.

Corporate and Other Operating Results - The combination of a small life and accident insurance business and the net costs associated with the parent holding company and its internal corporate services subsidiaries usually produce highly variable results. Earnings variations stem from volatility inherent to the small scale of the life and accident insurance line, net investment income, and net interest charges (credits) pertaining to external and intra-system financing arrangements. Full year 2018 results were enhanced by the elimination of interest costs related to outstanding external debt converted into ORI common stock in March 2018. Additionally, year-over-year comparisons were particularly affected by a charge of $9.5 resulting from a fourth quarter 2017 review and update of previously established estimates of future interest rates, mortality, and persistency in largely inactive life insurance products. The interplay of these various elements is summarized in the following table:

Corporate and Other Operations			
Years Ended December 31:	2018	2017	2016
Net life and accident premiums earned	$14.6	$18.8	$20.1
Net investment income	31.7	31.4	15.4
Other operating income	(0.1)	(0.1)	(0.1)
Operating revenues	46.3	50.1	35.4
Claim costs	16.7	25.8	17.7
Insurance expenses	4.8	8.2	7.8
Corporate, interest and other expenses - net	(15.6)	6.1	(3.2)
Operating expenses	5.9	40.2	22.4
Corporate and other pretax operating income	$40.4	$9.9	$13.0

Summary Consolidated Balance Sheet - The following table shows Old Republic's consolidated financial position at the dates shown.

	December 31,	
	2018	2017
Assets:		
Cash and fixed maturity securities	$9,683.0	$10,145.9
Equity securities	3,380.9	3,265.5
Other invested assets	123.4	124.9
Cash and invested assets	13,187.4	13,536.4
Accounts and premiums receivable	1,499.4	1,469.7
Federal income tax recoverable: Current	16.8	—
Prepaid federal income taxes	129.8	114.3
Reinsurance balances recoverable	3,484.5	3,371.8
Sundry assets	1,008.9	911.1
Total	$19,327.1	$19,403.5
Liabilities and Shareholders' Equity:		
Policy liabilities	$2,303.5	$2,176.3
Claim reserves	9,471.2	9,237.6
Federal income tax payable: Current	—	6.5
Deferred	10.3	100.5
Debt	981.4	1,448.7
Sundry liabilities	1,414.2	1,700.5
Shareholders' equity	5,146.2	(a) 4,733.3
Total	$19,327.1	$19,403.5

(a) Reflects the completed conversion of the 3.75% convertible senior notes into ORI common stock in March, 2018.

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

Cash, Invested Assets, and Shareholders' Equity

As of December 31:	2018	2017	2016	% Change 2018 vs. 2017	% Change 2017 vs. 2016
Cash and invested assets:					
Available for sale fixed maturity securities, cash and other invested assets, carried at fair value	$8,761.7	$9,203.4	$9,124.9	(4.8)%	0.9 %
Equity securities, carried at fair value	3,380.9	3,265.5	2,896.1	3.5	12.8
Held to maturity, carried at amortized cost	1,044.8	1,067.4	974.8	(2.1)	9.5
Total per balance sheet	$13,187.4	$13,536.4	$12,995.8	(2.6)%	4.2 %
Total at original cost for all	$12,950.6	$12,783.4	$12,360.3	1.3 %	3.4 %
Shareholders' equity: Total	$5,146.2	$4,733.3	$4,460.6	8.7 %	6.1 %
Per common share	$17.23	$17.72	$17.16	(2.8)%	3.3 %
Composition of shareholders' equity per share:					
Equity before items below	$17.04	$16.26	$15.92	4.8 %	2.1 %
Unrealized investment gains (losses) and other accumulated comprehensive income (loss)	0.19	1.46	1.24		
Total	$17.23	$17.72	$17.16	(2.8)%	3.3 %
Segmented composition of shareholders' equity per share:					
Excluding run-off segment	$15.73	$16.14	$15.89	(2.5)%	1.6 %
RFIG run-off segment	1.50	1.58	1.27		
Consolidated total	$17.23	$17.72	$17.16	(2.8)%	3.3 %

Old Republic's invested assets portfolio is directed in consideration of enterprise-wide risk management objectives. Most importantly, these are intended to ensure solid funding of the insurance subsidiaries' long-term obligations to policyholders and other beneficiaries, as well as the long-term stability of the subsidiaries' capital accounts. To this end, the investment portfolio contains no significant insurance risk-correlated asset exposures to real estate, mortgage-backed securities, collateralized debt obligations ("CDO's"), derivatives, hybrid securities, or illiquid private equity and hedge fund investments. Moreover, 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 December 31, 2018, the consolidated investment portfolio reflected an allocation of approximately 74% to fixed-maturity and short-term investments, and 26% to high quality, dividend-paying equity securities. The 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 shown, these resulted mostly from net income, dividend payments to shareholders, and changes in the value of invested assets carried at fair value.

	Shareholders' Equity Per Share December 31,		
	2018	2017	2016
Beginning balance	$17.72	$17.16	$14.98
Changes in shareholders' equity:			
Net income (loss) excluding net investment gains (losses)	1.89	1.21	1.62
Net of tax realized investment gains (losses):			
From actual transactions	0.16	0.53	0.19
From impairments	—	—	(0.01)
From revaluation of deferred taxes	—	0.40	—
Subtotal	0.16	0.93	0.18
Net of tax unrealized investment gains (losses) on securities carried at fair value:			
Reported in net income (loss)	(0.79)	—	—
Reported as other comprehensive income (loss)	(0.59)	0.28	1.12
Subtotal	(1.38)	0.28	1.12
Total net of tax realized and unrealized investment gains (losses)	(1.22)	1.21	1.30
Cash dividends (a)	(0.7800)	(1.7600)	(0.7500)
Debt conversion, stock issuance, and other transactions	(0.38)	(0.10)	0.01
Net change	(0.49)	0.56	2.18
Ending balance	$17.23	$17.72	$17.16
Percentage change for the period	(2.8)%	3.3%	14.6%

(a) Full year 2017 includes a special cash dividend of $1.00 per share.

Capitalization - The following table shows the components of ORI's total capitalization. The most significant change during the year ended December 31, 2018 pertains to the completed conversion of the 3.75% convertible senior notes into ORI common stock in March 2018.

	Capitalization December 31,		
	2018	2017	2016
Debt:			
3.75% Convertible Senior Notes due 2018	$—	$470.6	$547.8
4.875% Senior Notes due 2024	396.8	396.2	395.6
3.875% Senior Notes due 2026	545.7	545.1	544.6
ESSOP debt	—	4.2	8.1
Other miscellaneous debt	38.8	32.4	32.4
Total debt	981.4	1,448.7	1,528.7
Common shareholders' equity	5,146.2	4,733.3	4,460.6
Total capitalization	$6,127.6	$6,182.0	$5,989.4
Capitalization ratios:			
Debt	16.0%	23.4%	25.5%
Common shareholders' equity	84.0	76.6	74.5
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.

CRITICAL ACCOUNTING ESTIMATES

The Company's annual 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 such as Old Republic 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 investments; b) the valuation of deferred income tax assets; c) the recoverability of reinsured paid and/or outstanding losses; and d) the establishment of reserves for losses and loss adjustment expenses. The major assumptions and methods used in setting these estimates are discussed in the pertinent sections of this Management Analysis and are summarized as follows:

(a) Other-than-temporary impairments in the value of investments:

The Company completes a detailed analysis each quarter to assess whether the decline in the value of any fixed maturity (and prior to 2018, any equity security) investment below its cost basis is deemed other-than-temporary. All securities in an unrealized loss position are reviewed. Prior to 2018, absent issuer-specific circumstances that would result in a contrary conclusion, any equity security with any unrealized investment loss amounting to a 20% or greater decline consecutively during a six month period was considered OTTI. The decline in value of a security deemed OTTI is included as a realized investment loss in the determination of net income and a new cost basis is established for financial reporting purposes.

The Company recognized no OTTI adjustments for the years ended December 31, 2018 and 2017, but $4.9 was recognized in 2016.

(b) The valuation of deferred income tax assets

The Company uses the asset and liability method of calculating deferred income taxes. This method results in the establishment of deferred tax assets and liabilities calculated at currently enacted tax rates that are applicable to the cumulative temporary differences between the financial statement and tax bases of assets and liabilities. Deferred income tax assets are reduced by a valuation allowance when management determines that it is more likely than not that some, or all, of the deferred tax assets will not be realized. At December 31, 2018, 2017 and 2016, the net deferred tax asset (liability) was $(10.3), $(100.5), and $(42.6), respectively. In valuing the gross deferred tax assets, Old Republic considered certain factors including primarily the scheduled reversals of certain deferred tax liabilities, the impact of available carry back and carry forward periods, estimates of future taxable income, and its ability to exercise prudent and feasible tax planning strategies. See Note 1(j) of the Notes to Consolidated Financial Statements for further discussion of the Company's consolidated income tax balances.

(c) The recoverability of reinsured paid and/or outstanding losses

Assets consisting of gross paid losses recoverable from assuming reinsurers, and balance sheet date reserve estimates similarly recoverable in future periods as gross losses are settled and paid, are established at the same time as the gross losses are paid or recorded as reserves. Accordingly, these assets are subject to the same estimation processes and valuations as the related gross amounts as is discussed below. As of the three most recent year ends, paid and outstanding reinsurance recoverable balances ranged between 30.7% and 32.3% and averaged 31.8% of the related gross reserves. See Part I, Item 1(d) for further discussion regarding recoverability of the Company's reinsurance balances.

(d) The reserves for losses and loss adjustment expenses

As discussed in pertinent sections of this management analysis, the reserves for losses and related loss adjustment expenses are based on a wide variety of factors and calculations. Among these the Company believes the most critical are:

- The establishment of expected claim ratios for at least the two to five most recent accident years, particularly for so-called long-tail coverages as to which information about covered losses emerges and becomes more accurately quantifiable over long periods of time. Long-tail coverages generally include workers' compensation, commercial automobile (trucking) liability, general liability, errors and omissions and directors and officers' liability, as well as title insurance. Gross loss reserves related to such long-tail coverages ranged between 91.1% and 95.0%, and averaged 93.3% of gross consolidated claim reserves as of the three most

recent year ends. Net of reinsurance recoverables, such reserves ranged between 89.0% and 94.8% and averaged 92.3% as of the same dates.

- Loss trend factors that are considered when establishing the above noted expected claim ratios. These factors take into account such variables as judgments and estimates relative to premium rate trends and adequacy, current and expected interest rates, current and expected social and economic inflation trends, and insurance industry statistical claim trends.

- Loss development factors, expected claim rates and average claim costs, all of which are based on Company and/or industry statistics may also be used to project reported and unreported losses for each accounting period.

Consolidated claim costs developed favorably in the three most recent calendar years. This development had the consequent effect of reducing consolidated annual loss costs for the three most recent years within a range of 3.1% and 5.9%, or by an average of approximately 4.2% per annum. As a percentage of each of these years' consolidated earned premiums and fees, the favorable developments have ranged between 1.4% and 2.8%, and have averaged 1.9%. The variances in prior years' positive or negative claim developments are further discussed within the Incurred Loss Experience section of this document.

In all the above regards the Company anticipates that future periods' financial statements will continue to reflect changes in estimates. As in the past such changes generally result from altered circumstances, the continuum of newly emerging information and its effect on past assumptions and judgments, the effects of securities markets valuations, and changes in inflation rates and future economic conditions beyond the Company's control. As a result, Old Republic cannot predict, quantify, or guaranty the likely impact that probable changes in estimates will have on its future financial condition or results of operations.

FINANCIAL POSITION

The Company's financial position at December 31, 2018 reflected decreases in assets and liabilities of .4% and 3.3%, respectively, and an increase in common shareholders' equity of 8.7% when compared to the immediately preceding year-end. Cash and invested assets represented 68.2% and 69.8% of consolidated assets as of December 31, 2018 and 2017, respectively. As of year-end 2018, the cash and invested asset base decreased by 2.6% to $13,187.4.

Investments - During 2018 and 2017, the Company committed the majority of investable funds to short to intermediate-term fixed maturity securities and higher yielding publicly traded large capitalization equity securities. At both December 31, 2018 and 2017, 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 investment portfolio contains no significant insurance risk-correlated asset exposures to real estate, mortgage-backed securities, collateralized debt obligations ("CDO's"), derivatives, hybrid securities, or illiquid private equity and hedge fund investments. Moreover, 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. At December 31, 2018, the Company had no fixed maturity investments in default as to principal and/or interest.

Short-term maturity investment positions reflect a large variety of seasonal and intermediate-term factors including current operating needs, expected operating cash flows, seasonality of quarterly cash flow, 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 of available for sale securities are reflected, net of deferred income taxes, directly in the shareholders' equity account, and as a separate component of the statement of comprehensive income. Fixed maturity securities classified as held to maturity are carried at amortized cost, and therefore, fluctuations in unrealized gains and losses do not impact

shareholders' equity. 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 fixed maturity portfolio 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 status and fair value changes of each of the fixed maturity (and prior to 2018, its equity security) investments are reviewed at least once per quarter 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 audited financial statements, 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 the issuer's previously reported earnings or financial condition, are recognized as realized losses as soon as credible publicly available information emerges to confirm such developments. Prior to 2018, 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 consecutively during a six month period was 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 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 in shareholders' equity.

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

Credit Quality Ratings of Fixed Maturity Securities (a)

December 31:	2018	2017
Aaa	20.9 %	21.6 %
Aa	12.8	12.9
A	31.5	31.8
Baa	29.1	27.5
Total investment grade	94.3	93.8
All other (b)	5.7	6.2
Total	100.0%	100.0%

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(a) Credit quality ratings referred to herein are a blend of those assigned by the major credit rating agencies for U.S. 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

December 31, 2018	Amortized Cost		Gross Unrealized Losses
Fixed Maturity Securities by Industry Concentration:			
Energy	$ 182.7		$ 18.8
Health Care	44.1		5.3
Basic Industry	44.1		2.6
Industrial	76.1		2.4
Other (includes 6 industry groups)	129.0		4.9
Total	$ 476.1	(c)	$ 34.2

(c) Represents 5.1% of the total fixed maturity portfolio.

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

December 31, 2018	Amortized Cost		Gross Unrealized Losses
Fixed Maturity Securities by Industry Concentration:			
Utilities	$ 864.9		$ 18.7
U.S. Government & Agencies	1,119.3		15.4
Municipals	693.5		13.7
Industrial	536.7		13.2
Other (includes 17 industry groups)	2,783.3		57.6
Total	$ 5,997.8	(d)	$ 118.8

(d) Represents 64.3% of the total fixed maturity portfolio.

Gross Unrealized Losses Stratified by Industry Concentration for Equity Securities

December 31, 2018	Cost		Gross Unrealized Losses	
Equity Securities by Industry Concentration:				
Energy	$386.7		$ 60.2	
Consumer Non Durable	268.9		52.5	
Technology	76.6		19.8	
Telecom	135.8		18.9	
Other (includes 7 industry groups)	286.5		23.9	
Total	$1,154.8	(e)	$ 175.4	(f)

(e) Represents 38.0% of the total equity portfolio.
(f) Represents 5.8% of the cost of the total equity portfolio, while gross unrealized gains represent 17.0% of the equity portfolio.

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

December 31, 2018	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	$371.3	$ 5.9	$2.1	$ —
Due after one year through five years	3,219.3	273.3	61.0	14.6
Due after five years through ten years	2,859.3	188.4	88.4	18.6
Due after ten years	24.0	8.5	1.4	.8
Total	$6,474.0	$ 476.1	$153.0	$ 34.2

Gross Unrealized Losses Stratified by Duration and Amount of Unrealized Losses for All Fixed Maturity Securities

	Amount of Gross Unrealized Losses			
December 31, 2018	Less than 20% of Cost	20% to 50% of Cost	More than 50% of Cost	Total Gross Unrealized Loss
Number of Months in Unrealized Loss Position:				
Fixed Maturity Securities:				
One to six months	$46.8	$5.2	$ —	$ 52.0
Seven to twelve months	35.3	1.3	—	36.6
More than twelve months	58.1	6.1	—	64.3
Total	$140.2	$12.7	$ —	$ 153.0
Number of Issues in Unrealized Loss Position:				
Fixed Maturity Securities:				
One to six months	530	2	—	532
	321	1	—	322

Seven to twelve months					
More than twelve months	478	2	—	480	
Total	1,329	5	—	1,334	(g)

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(g) At December 31, 2018 the number of issues in an unrealized loss position represent 68.1% of the total number of such fixed maturity issues held by the Company.

The aging of issues with unrealized losses employs balance sheet date fair value comparisons with an issue's cost. The percentage reduction from such cost reflects the decline as of a specific point in time (December 31, 2018 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

December 31:	2018		2017	
Maturity Ranges:				
Due in one year or less	7.0	%	9.2	%
Due after one year through five years	51.6		45.5	
Due after five years through ten years	40.7		44.1	
Due after ten years through fifteen years	.6		1.0	
Due after fifteen years	.1		.2	

Total	100.0%	100.0%
Average Maturity in Years	4.5	4.7
Duration (h)	4.1	4.2

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(h) Duration is used as a measure of bond price sensitivity to interest rate changes. A duration of 4.1 as of December 31, 2018 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 4.1%.

Composition of Unrealized Gains (Losses)

December 31:	2018	2017
Available for Sale Fixed Maturity Securities:		
Amortized cost	$8,285.0	$8,162.2
Estimated fair value	8,182.8	8,282.3
Net unrealized gains (losses)	$(102.1)	$120.0
Components of net unrealized gains (losses):		
Gross unrealized gains	$37.1	$147.4
Gross unrealized losses	(139.2)	(27.3)
Net unrealized gains (losses)	$(102.1)	$120.0
Equity Securities:		
Original cost	$3,039.1	$2,629.9
Estimated fair value	3,380.9	3,265.5
Net unrealized gains (losses)(i)	$341.8	$635.6
Components of net unrealized gains (losses):		
Gross unrealized gains	$517.3	$658.8
Gross unrealized losses	(175.4)	(23.2)
Net unrealized gains (losses)(i)	$341.8	$635.6

(i) Effective January 1, 2018, unrealized gains and losses from changes in fair value of equity securities are included in total realized and unrealized investment gains (losses) in the consolidated statements of income.

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. The Company's deferred policy acquisition cost balances have not fluctuated substantially from period-to-period, and 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 $507.8 in dividends from its subsidiaries in 2019 without the prior approval of regulatory authorities. The liquidity achievable through such permitted dividend payments is considered sufficient to cover the parent holding company's currently expected cash outflows represented mostly by interest and scheduled repayments on outstanding debt, reasonably anticipated cash dividend payments to shareholders, modest operating expenses, and the near-term capital needs of its operating company subsidiaries.

Capitalization - Old Republic's total capitalization of $6,127.6 at December 31, 2018 consisted of debt of $981.4 and common shareholders' equity of $5,146.2. Changes in the common shareholders' equity account reflect primarily net income for the year then ended, changes in the fair value of fixed maturity securities, dividend payments and the conversion of all the 2018 Convertible Senior Notes into the Company's common stock.

Old Republic has paid a cash dividend without interruption since the World War II year of 1942 (77 years), and it has raised the regular annual cash dividend payment for each of the past 37 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. In late December 2017, the Board declared a special cash dividend of $1.00 per share payable on January 31, 2018.

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. Since the Company's mortgage insurance subsidiaries have discontinued writing new business the risk-to-capital ratio considerations are therefore no longer of consequence.

Contractual Obligations - The following table shows certain information relating to the required reporting of contractual obligations as of December 31, 2018:

	2019	2020 and 2021	2022 and 2023	2024 and After	Total
Contractual Obligations:					
Debt	$8.5	$30.3	$—	$950.0	$988.8
Interest on Debt	41.8	82.5	81.6	83.4	289.4
Operating Leases	60.4	88.5	56.8	103.6	309.4
Pension Benefits Contributions (a)	6.5	23.5	24.5	7.6	62.1
Claim & Claim Expense Reserves (b)	2,464.6	2,410.8	1,094.4	3,501.2	9,471.2
Total	$2,582.3	$2,636.0	$1,257.4	$4,645.8	$11,121.8

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(a) Represents estimated minimum funding of contributions for the Old Republic International Salaried Employees Retirement Plan. Funding of the plan is dependent on a number of factors including actual performance versus actuarial assumptions made at the time of the actuarial valuation, as well as the maintenance of certain funding levels relative to regulatory requirements.

(b) Amounts are reported gross of reinsurance. As discussed herein with respect to the nature of loss reserves and the estimating process utilized in their establishment, the Company's loss reserves do not have a contractual maturity date. Estimated gross loss payments are based primarily on historical claim payment patterns, are subject to change due to a wide variety of factors, do not reflect anticipated recoveries under the terms of reinsurance contracts, and cannot be predicted with certainty. Actual future loss payments may differ materially from the current estimates shown in the table above.

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 26% of 2018 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 74% 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. 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, 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:

	Earned Premiums and Fees					
	General	Title	RFIG Run-off	Other	Total	% Change from prior period
Years Ended December 31:						
2016	$2,936.3	$2,206.6	$ 170.0	$20.1	$5,333.2	3.0 %
2017	3,110.8	2,287.2	122.9	18.8	5,539.7	3.9
2018	$3,277.1	$2,336.1	$ 75.9	$14.6	$5,703.9	3.0 %

With few exceptions, 2018 general insurance earned premiums grew for most types of coverages and markets served. The cumulative effects of recent years' and ongoing premium rate increases for several insurance products, along with new business production were main contributors to premium growth. The greater premium levels stemmed principally from commercial automobile (trucking), national accounts, executive indemnity and auto warranties. Positive earned premiums trends throughout 2017 were unevenly distributed among various insurance coverages and sources of business. Gains were registered most prominently in commercial automobile (trucking), risk management, national accounts and home and auto warranty. On the other hand, premium growth was constrained by low volume in a large account contractors book of business faced with a particularly competitive market place, and by reduced opportunities in gas and oil energy services and several smaller industry sectors. Premium volume from the new underwriting facility established in early 2015 also added measurably to earned premiums in all three years.

Title Group premium and fee revenues grew by 2.1%, 3.6% and 7.9% in 2018, 2017, and 2016 respectively. 2018 premiums and fees reflect a slowdown in housing and mortgage lending activity during the year. The continuation of a generally positive mortgage rate environment and reasonably strong housing and commercial property markets were major factors in the year-over-year gain in premiums and fees in 2017.

Results of the run-off MI and CCI business reflect the expected, continuing drop in net earned premiums from declining risk in force. For the CCI coverage in particular, the much lower premiums in 2018 resulted mostly from the 2017 elimination of a major bank business relationship which had been a significant source of both earned premiums and substantially higher litigated claim costs.

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					
	Commercial Automobile (mostly trucking)	Workers' Compensation	Financial Indemnity	Inland Marine and Property	General Liability	Other
Years Ended December 31:						
2016	33.7%	36.5 %	4.3 %	7.4 %	5.6 %	12.5%
2017	34.6	33.6	4.9	7.6	6.3	13.0
2018	36.8%	31.1 %	5.3 %	7.7 %	6.2 %	12.9%

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:		
2016	27.9 %	72.1 %
2017	26.9	73.1
2018	26.1 %	73.9 %

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

Earned Premiums	Persistency

Premium and Persistency Trends by Type:	Direct	Net	Traditional Primary	Bulk
Years Ended December 31:				
2016	$157.1	$154.1	77.7%	72.8%
2017	110.4	109.8	77.9	78.2
2018	$74.4	$74.4	79.7%	76.3%

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 7.0% of total net risk in force as of year-end 2018, are frequently subject to deductibles and aggregate stop losses which serve to limit the overall risk on a pool of insured loans.

Net Risk in Force

Net Risk in Force By Type:	Traditional Primary	Bulk	Other	Total
As of December 31:				
2016	$ 4,987.9	$359.5	$20.5	$5,367.9
2017	3,888.0	292.4	12.1	4,192.6
2018	$ 3,098.3	$235.3	$11.2	$3,345.0

Analysis of Risk in Force

Risk in Force Distribution By FICO Scores:	FICO less than 620	FICO 620 to 680	FICO Greater than 680	Unscored/ Unavailable
Traditional Primary:				
As of December 31:				
2016	7.2 %	30.5%	61.5 %	.8 %
2017	7.5	31.5	60.2	.8
2018	7.9 %	32.2%	59.1 %	.8 %
Bulk(a):				
As of December 31:				
2016	29.9%	32.0%	38.0 %	.1 %
2017	31.8	31.7	36.3	.2
2018	33.6%	31.5%	34.8 %	.1 %

Risk in Force Distribution By Loan to Value ("LTV") Ratio:	LTV 85.0 and below	LTV 85.01 to 90.0	LTV 90.01 to 95.0	LTV Greater than 95.0
Traditional Primary(b):				
As of December 31:				
2016	3.8 %	32.1%	30.6%	33.5 %
2017	4.0	30.9	30.5	34.6
2018	4.1 %	30.7%	29.7%	35.5 %
Bulk(a):				
As of December 31:				
2016	46.5%	29.0%	12.3%	12.2 %
2017	45.3	29.9	12.6	12.2
2018	43.4%	30.9%	13.1%	12.6 %

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(a) Bulk pool risk in-force, which represented 8.0% of total bulk risk in-force at December 31, 2018, 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	VA	MD
As of December 31:										
2016	6.4%	7.8%	6.0%	5.8%	4.8%	4.6%	4.4%	4.4%	3.6%	3.8%
2017	5.9	8.1	6.0	6.1	4.8	4.4	4.3	4.6	3.7	4.2
2018	5.5%	8.5%	6.0%	6.4%	4.9%	4.1%	4.3%	4.8%	3.8%	4.6%

	Bulk (a)									
	TX	FL	GA	IL	CA	NY	PA	NJ	OH	MD
As of December 31:										
2016	5.3%	8.6%	4.9%	4.2%	12.4%	7.4%	3.7%	4.1%	4.2%	2.6%
2017	5.4	8.3	5.1	4.4	12.4	7.8	3.8	3.4	4.4	2.7
2018	5.6%	8.2%	5.4%	4.6%	12.4%	7.1%	4.0%	2.9%	4.7%	2.8%

Risk in Force Distribution By Level of Documentation:	Full Documentation		Reduced Documentation	
Traditional Primary:				
As of December 31:				
2016	92.4	%	7.6	%
2017	92.3		7.7	
2018	92.2	%	7.8	%
Bulk (a):				
As of December 31:				
2016	68.0	%	32.0	%
2017	69.4		30.6	
2018	71.8	%	28.2	%

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:		
2016	97.2 %	2.8 %
2017	97.2	2.8
2018	97.2 %	2.8 %
Bulk (a):		
As of December 31:		
2016	71.3 %	28.7%
2017	70.1	29.9
2018	68.6 %	31.4%

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(a) Bulk pool risk in-force, which represented 8.0% of total bulk risk in-force at December 31, 2018, 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 and from the elimination of a major bank as a source of significant premiums and claims in the third quarter of 2017.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:		
2016	$ 15.8	$699.7
2017	13.0	140.9
2018	$ 1.5	$70.1

Revenues: Net Investment Income

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

	Invested Assets at Cost					Fair Value Adjust-ment	Invested Assets at Fair Value (a)
	General	Title	RFIG Run-off	Corporate and Other	Total		
As of December 31:							
2017	$9,702.7	$1,106.2	$ 545.9	$ 1,206.9	$12,561.9	$756.1	$13,318.0
2018	$10,162.3	$1,105.6	$ 583.6	$904.3	$12,755.9	$238.6	$12,994.6

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(a) These balances include fixed maturity securities classified as held to maturity which are reported and reflected herein at amortized cost.

	Net Investment Income					Yield at	
	General	Title	RFIG Run-off	Corporate and Other	Total	Original Cost	Fair Value
Years Ended December 31:							
2016	$312.1	$36.2	$ 23.2	$ 15.4	$387.0	3.34%	3.23%
2017	318.9	37.3	21.7	31.4	409.4	3.32	3.14
2018	$341.0	$38.8	$ 20.1	$ 31.7	$431.8	3.41%	3.28%

Consolidated net investment income increased by 5.5% and 5.8% in 2018 and 2017, respectively. This revenue source is affected by changes in the invested asset base which are mainly driven by consolidated operating cash flows, by a concentration of investable assets in interest-bearing securities, and by changes in market rates of return. The yields for the periods presented also reflect an increasingly greater commitment to high quality dividend paying equity securities.

Revenues: Net Investment Gains (Losses)

The Company's investment policies are not designed to maximize or emphasize the realization of investment gains. Rather, these policies aim for a stable source of income from interest and dividends, protection of capital, and the providing of sufficient liquidity to meet insurance underwriting and other obligations as they become payable in the future. Dispositions of fixed maturity securities generally arise from scheduled maturities and early calls; in 2018, 2017, and 2016, 76.3%, 68.1% and 76.0%, respectively, of all such dispositions resulted from these occurrences. The

realization of investment gains or losses can be highly discretionary and can be affected by such randomly occurring factors as the timing of individual securities sales, the recording of estimated losses from write-downs of impaired securities, tax-planning and tax-rate change considerations, and modifications of investment management judgments regarding the direction of securities markets or the future prospects of individual investees or industry sectors.

The following table reflects the composition of net investment gains or losses for the periods shown. Gains realized in 2017 were substantially higher than those realized in recent years and stem from managed sales of investment portfolio securities whose values had risen to higher than expected levels over the course of 2017's strong securities market.

	Realized Investment Gains (Losses) from Actual Transactions			Impairment Losses on Securities			Unrealized Gains (Losses) from Changes in Fair Value of Equity Securities	Total Investment Gains (Losses)
	Fixed Maturity Securities	Equity Securities and Miscel-laneous Investments	Total	Fixed Maturity Securities	Equity Securities and Miscel-laneous Investments	Total		
Years Ended December 31:								
2016	$7.8	$ 69.9	$77.8	$(4.9)	$ —	$(4.9)	$ —	$ 72.8
2017	16.6	194.9	211.6	—	—	—	—	211.6
2018	$(4.8)	$ 63.1	$58.2	$—	$ —	$—	$ (293.8)	$ (235.6)

Expenses: Benefits and Claims

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

The following table shows a breakdown of gross and net of reinsurance claim reserve estimates for major types of insurance coverages as of December 31, 2018 and 2017:

	Claim and Loss Adjustment Expense Reserves			
December 31:	2018		2017	
	Gross	Net	Gross	Net
Workers' compensation	$4,864.4	$3,090.0	$4,752.1	$2,993.9
General liability	1,117.7	556.1	1,072.6	565.4
Commercial automobile (mostly trucking)	1,675.2	1,264.9	1,524.8	1,151.8
Other coverages	870.6	624.5	810.8	561.4
Unallocated loss adjustment expense reserves	237.5	230.4	225.1	198.8
Total general insurance reserves	8,765.6	5,766.1	8,385.6	5,471.5
Title	533.4	533.4	559.7	559.7
RFIG Run-off	154.5	154.5	271.7	271.7
Life and accident	17.7	10.8	20.4	13.5

Total claim and loss adjustment expense reserves	$9,471.2	$6,464.9	$9,237.6	$6,316.4
Asbestosis and environmental claim reserves included in the above general insurance reserves:				
Amount	$105.8	$74.4	$117.4	$96.4
% of total general insurance reserves	1.2 %	1.3 %	1.4 %	1.8 %

The Company's reserve for loss and loss adjustment expenses represents the accumulation of estimates of ultimate losses payable, including incurred but not reported losses and loss adjustment expenses. The establishment of claim reserves by the Company's insurance subsidiaries is a reasonably complex and dynamic process influenced by a large variety of factors as further discussed below. Consequently, reserves established are a reflection of the opinions of a large number of persons, of the application and interpretation of historical precedent and trends, of expectations as to future developments, and of management's judgment in interpreting all such factors. At any point in time, the Company is exposed to the incurrence of possibly higher or lower than anticipated claim costs and the resulting changes in estimates are recorded in operations of the periods during which they are made. Increases to prior reserve estimates are often referred to as unfavorable development whereas any changes that decrease previous estimates of the Company's ultimate liability are referred to as favorable development.

Overview of Loss Reserving Process

Most of Old Republic's consolidated claim and related expense reserves stem from its general insurance business. At December 31, 2018, such reserves accounted for 92.5% and 89.2% of consolidated gross and net of reinsurance reserves, respectively, while similar reserves at December 31, 2017 represented 90.8% and 86.6% of the respective consolidated amounts.

The Company's reserve setting process reflects the nature of its insurance business and the operationally decentralized basis upon which it is conducted. Old Republic's general insurance operations encompasses a large

variety of coverages or classes of commercial insurance; it has negligible exposure to personal insurance coverages such as homeowners or private passenger automobile insurance that exhibit wide diversification of risks, significant frequency of claim occurrences, and high degrees of statistical credibility. Additionally, the Company's insurance subsidiaries do not provide significant amounts of insurance protection for premises; most of its property insurance exposures relate to cargo, incidental property, and insureds' inland marine assets. Consequently, the wide variety of policies issued and commercial insurance customers served require that loss reserves be analyzed and established in the context of the unique or different attributes of each block or class of business produced by the Company. For example, accident liability claims emanating from insured trucking companies or from general aviation customers become known relatively quickly, whereas claims of a general liability nature arising from the building activities of a construction company may emerge over extended periods of time. Similarly, claims filed pursuant to errors and omissions or directors and officers' liability coverages are usually not prone to immediate evaluation or quantification inasmuch as many such claims may be litigated over several years and their ultimate costs may be affected by the vagaries of judged or jury verdicts. Approximately 92% of the general insurance group's claim reserves stem from liability insurance coverages for commercial customers which typically require more extended periods of investigation and at times protracted litigation before they are finally settled. As a consequence of these and other factors, Old Republic does not utilize a single, overarching loss reserving approach.

The Company prepares periodic analyses of its loss reserve estimates for its significant insurance coverages. It establishes point estimates for most losses on an insurance coverage line-by-line basis for individual subsidiaries, sub-classes, individual accounts, blocks of business or other unique concentrations of insurance risks such as directors and officers' liability, that have similar attributes. Actuarially or otherwise derived ranges of reserve levels are not utilized as such in setting these reserves. Instead the reported reserves encompass the Company's best point estimates at each reporting date and the overall reserve level at any point in time therefore represents the compilation of a very large number of reported reserve estimates and the results of a variety of formula calculations largely driven by analysis of historical data. Favorable or unfavorable developments of prior year reserves are implicitly covered by the point estimates incorporated in total reserves at each balance sheet date. The Company does not project future variability or make an explicit provision for uncertainty when determining its best estimate of loss reserves. Over the most recent decade actual incurred losses have developed within a reasonable range of their original estimates.

Aggregate loss reserves consist of liability estimates for claims that have been reported ("case") to the Company's insurance subsidiaries and reserves for claims that have been incurred but not yet reported ("IBNR") or whose ultimate costs may not become fully apparent until a future time. Additionally, the Company establishes unallocated loss adjustment expense reserves for loss settlement costs that are not directly related to individual claims. Such reserves are based on prior years' cost experience and trends, and are intended to cover the unallocated costs of claim departments' administration of case and IBNR claims over time. Long-term, disability-type workers' compensation reserves are discounted to present value based on interest rates that range from 3.5% to 4.0%. The amount of discount reflected in the year-end net reserves totaled $216.5, $240.7 and $231.9 as of December 31, 2018, 2017, and 2016, respectively. Interest accretion of $49.0, $20.4, and $24.2 for the years ended December 31, 2018, 2017, and 2016, respectively, was recognized as unfavorable development of prior year reserves within benefits, claims and settlement expenses in the consolidated statements of income.

A large variety of statistical analyses and formula calculations are utilized to provide for IBNR claim costs as well as additional costs that can arise from such factors as monetary and social inflation, changes in claims administration processes, changes in reinsurance ceded and recoverability levels, and expected trends in claim costs and related ratios. Typically, such formulas take into account so-called link ratios that represent prior years' patterns of incurred or paid loss trends between succeeding years, or past experience relative to progressions of the number of claims reported over time and ultimate average costs per claim.

Overall, reserves pertaining to several hundred large individual commercial insurance accounts that exhibit sufficient statistical credibility, and at times may be subject to retrospective premium rating plans or the utilization of varying levels or types of self-insured retentions through captive insurers and similar risk management mechanisms are established on an account by account basis using case reserves and applicable formula-driven methods. Large account reserves are usually set and analyzed for groups of coverages such as workers' compensation, commercial automobile (trucking) and general liability that are typically underwritten jointly for many customers. For certain so-called long-tail categories of insurance such as retained or assumed excess liability or excess workers' compensation, officers and directors' liability, and commercial umbrella liability relative to which claim development patterns are particularly long, more volatile, and immature in their early stages of development, the Company judgmentally establishes the most current accident years' loss reserves on the basis of expected claim ratios. Such expected claim ratios typically reflect currently estimated claim ratios from prior accident years, adjusted for the effect of actual and anticipated rate changes, actual and anticipated changes in coverage, reinsurance, mix of business, and other anticipated changes in external factors such as trends in loss costs or the legal and claims environment. Expected claim ratios are generally used for the two to three most recent accident years depending on the individual class or category of business. As actual claims data emerges in succeeding interim and annual periods, the original accident year claim ratio assumptions are validated or otherwise adjusted sequentially through the application of statistical projection techniques such as the Bornhuetter/Ferguson method which utilizes data from the more mature experience of prior years to arrive at a likely indication of more recent years' loss trends and costs.

Title insurance and related escrow services loss and loss adjustment expense reserves are established as point estimates to cover the projected settlement costs of known as well as IBNR losses related to premium and escrow service revenues of each reporting period. Reserves for known claims are based on an assessment of the facts available to the Company during the settlement process. The point estimates covering all claim reserves take into account IBNR claims based on past experience and evaluations of such variables as changing trends in the types of policies issued, changes

in real estate markets and interest rate environments, and changing levels of loan refinancing, all of which can have a bearing on the emergence, number, and ultimate costs of claims.

RFIG Run-off mortgage guaranty insurance reserves for unpaid claims and claim adjustment expenses are recognized only upon an instance of default, defined as an insured mortgage loan for which two or more consecutive monthly payments have been missed. Loss reserves are based on statistical calculations that take into account the number of reported insured mortgage loan defaults as of each balance sheet date, as well as experience-based estimates of loan defaults that have occurred but have not as yet been reported. Further, the loss reserve estimating process takes into account a large number of variables including trends in claim severity, potential salvage recoveries, expected cure rates for reported loan delinquencies at various stages of default, the level of coverage rescissions and claims denials due to material misrepresentation in key underwriting information or non-compliance with prescribed underwriting guidelines, and management judgments relative to future employment levels, housing market activity, and mortgage loan interest costs, demand, and extensions.

The Company has the legal right to rescind mortgage insurance coverage unilaterally as expressly stated in its policy. Moreover, two federal courts that have considered that policy wording have each affirmed that right (See First Tennessee Bank N.A. v. Republic Mortg. Ins. Co., Case No. 2:10-cv-02513-JPM-cgc (W.D. Tenn., Feb. 25, 2011) and JPMorgan Chase Bank N.A. v. Republic Mortg. Ins. Co., Civil Action No. 10-06141 (SRC) (D. NJ, May 4, 2011), each decision citing supporting state law legal precedent). RMIC's mortgage insurance policy provides that the insured represents that all statements made and information provided to it in an application for coverage for a loan, without regard to who made the statements or provided the information, have been made and presented for and on behalf of the insured; and that such statements and information are neither false nor misleading in any material respect, nor omit any fact necessary to make such statements and information not false or misleading in any material respect. According to the policy, if any of those representations are materially false or misleading with respect to a loan, the Company has the right to cancel or rescind coverage for that loan retroactively to commencement of the coverage. Whenever the Company determines that an application contains a material misrepresentation, it either advises the insured in writing of its findings prior to rescinding coverage or exercises its unilateral right to rescind coverage for that loan, stating the reasons for that action in writing and returning the applicable premium. The rescission of coverage in instances of materially faulty representations or warranties provided in applications for insurance is a necessary and prevailing practice throughout the insurance industry. In the case of mortgage guaranty insurance, rescissions have occurred regularly over the years but have been generally immaterial. Since 2008, however, the Company has experienced a much greater incidence of rescissions due to increased levels of observed fraud and misrepresentations in insurance applications pertaining to business underwritten between 2004 and the first half of 2008. As a result, the Company has incorporated certain assumptions regarding the expected levels of coverage rescissions and claim denials in its reserving methodology since 2008. Such estimates, which are evaluated at each balance sheet date, take into account observed as well as historical trends in rescission and denial rates. The table below shows the estimated effects of coverage rescissions and claim denials on loss reserves and settled and incurred losses.

	2018	2017	2016
Estimated reduction in beginning reserve	$19.0	$29.6	$47.5
Total incurred claims and settlement expenses reduced (increased) by changes in estimated rescissions:			
Current year	.9	6.2	8.3
Prior year	(12.3)	(3.7)	(24.8)
Sub-total	(11.4)	2.5	(16.5)
Estimated rescission reduction in paid claims	(4.4)	(13.1)	(1.4)
Estimated reduction in ending reserve	$3.2	$19.0	$29.6

As noted above, the estimated reduction in ending loss reserves reflects, in large measure, a variety of judgments relative to the level of expected coverage rescissions and claim denials on loans that are in default as of each balance

sheet date. The provision for insured events of the current year resulted from actual and anticipated rescissions and claim denials attributable to newly reported delinquencies in each respective year. The provision for insured events of prior years resulted from actual rescission and claim denial activity, reinstatement of previously rescinded or denied claims, or revisions in assumptions regarding expected rescission or claim denial rates on outstanding prior year delinquencies. The trends since 2010 reflect a continuing reduction in the level of actual and anticipated rescission and claim denial rates on total outstanding delinquencies. Claims not paid by virtue of rescission or denial represent the Company's estimated contractual risk, before consideration of the impacts of any reinsurance and deductibles or aggregate loss limits, on cases that are settled by the issuance of a rescission or denial notification. Variances between the estimated rescission and actual claim denial rate are reflected in the periods during which they occur.

Although the insured has no right under the policy to appeal a Company claim decision, the insured may, at any time, contest in writing the Company's findings or action with respect to a loan or a claim. In such cases, the Company considers any additional information supplied by the insured. This consideration may lead to further investigation, retraction or confirmation of the initial determination. If the Company concludes that it will reinstate coverage, it advises the insured in writing that it will do so immediately upon receipt of the premium previously returned. Reserves are not adjusted for potential reversals of rescissions or adverse rulings for loans under dispute since such reversals of claim rescissions and denials have historically been immaterial to the reserve estimation process.

Incurred Loss Experience

Management believes that the Company's overall reserving practices have been consistently applied over many years. For at least the past ten years, previously established aggregate reserves have produced reasonable estimates of the cumulative ultimate net costs of claims incurred. However, there are no guarantees that such outcomes will continue, and, accordingly, no representation is made that ultimate net claim and related costs will not develop in future years to be greater or lower than currently established reserve estimates. In management's opinion, however, such potential development is not likely to have a material effect on the Company's consolidated financial position, although it could affect materially its consolidated results of operations for any one annual or interim reporting period. See further discussion in this Annual Report on Form 10-K under Item 1A - Risk Factors.

The following table shows an analysis of changes in aggregate reserves for the Company's losses, claims, and settlement expenses for each of the years shown.

Years Ended December 31:	2018	2017	2016
Gross reserves at beginning of year	$9,237.6	$9,206.0	$9,120.1
Less: reinsurance losses recoverable	2,921.1	2,766.1	2,732.5
Net reserves at beginning of year:			
General Insurance	5,471.5	5,249.9	5,053.1
Title Insurance	559.7	602.0	580.8
RFIG Run-off	271.7	574.0	736.7
Other	13.5	13.8	16.9
Sub-total	6,316.4	6,439.8	6,387.6
Incurred claims and claim adjustment expenses:			
Provisions for insured events of the current year:			
General Insurance	2,346.2	2,192.1	2,115.1
Title Insurance	96.1	95.2	107.7
RFIG Run-off (a)	56.2	297.1	171.3
Other	22.1	20.4	21.7
Sub-total	2,520.7	2,604.9	2,416.0
Change in provision for insured events of prior years:			
General Insurance	(.2)	22.7	9.9
Title Insurance	(47.7)	(74.3)	(23.4)
RFIG Run-off (a)	(26.2)	(99.2)	(68.7)
Other	(3.5)	(2.9)	(3.8)
Sub-total	(77.8)	(153.8)	(86.1)
Total incurred claims and claim adjustment expenses (a)	2,442.9	2,451.0	2,329.9
Payments:			
Claims and claim adjustment expenses attributable to insured events of the current year:			
General Insurance	813.2	765.8	723.5
Title Insurance	9.1	5.0	4.4
RFIG Run-off (b)	3.7	329.4	14.5
Other	16.0	13.9	14.8
Sub-total	842.2	1,114.3	757.4
Claims and claim adjustment expenses attributable to insured events of prior years:			
General Insurance	1,238.1	1,227.3	1,204.5
Title Insurance	65.4	58.2	58.6
RFIG Run-off (b)	143.3	170.6	250.8
Other	5.2	3.9	6.1
Sub-total	1,452.2	1,460.1	1,520.2
Total payments (b)	2,294.5	2,574.4	2,277.6
Amount of reserves for unpaid claims and claim adjustment expenses at the end of each year, net of reinsurance losses recoverable:			
General Insurance	5,766.1	5,471.5	5,249.9
Title Insurance	533.4	559.7	602.0
RFIG Run-off	154.5	271.7	574.0
Other	10.8	13.5	13.8
Sub-total	6,464.9	6,316.4	6,439.8
Reinsurance losses recoverable	3,006.3	2,921.1	2,766.1

Gross reserves at end of year	$9,471.2	$9,237.6	$9,206.0

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Excluding the reclassification of CCI from the General Insurance to the RFIG Run-off Business segment, certain elements shown in the preceding table would have been as follows:

	2018	2017	2016
Change in provision for incurred events of prior years:			
General Insurance	$(6.4)	$(34.5)	$2.5
RFIG Run-off (a)	(20.1)	(42.0)	(61.3)
Payment of claim and claim adjustment expenses attributable to incurred events of the current and prior years:			
General Insurance	2,083.0	2,297.5	1,939.9
RFIG Run-off (b)	$115.4	$195.8	$253.6

(a) In common with all other insurance coverages, RFIG Run-off mortgage guaranty settled and incurred claim and claim adjustment expenses include only those costs actually or expected to be paid by the Company. As previously noted, changes in mortgage guaranty aggregate case, IBNR, and loss adjustment expense reserves shown below and entering into the determination of incurred claim costs, take into account, among a large number of variables, claim cost reductions for anticipated coverage rescissions and claims denials.

The RFIG Run-off mortgage guaranty provision for insured events of the current year was reduced by estimated coverage rescissions and claim denials of $.9, $6.2 and $8.3, respectively, for 2018, 2017 and 2016. The provision for insured events of prior years in 2018, 2017 and 2016 was increased by estimated coverage rescissions and claims denials of $12.3, $3.7 and $24.8, respectively. Prior year development was also affected in varying degrees by differences between actual claim settlements relative to expected experience, by reinstatement of previously rescinded or denied claims, and by subsequent revisions of assumptions in regards to claim frequency, severity or levels of associated claim settlement costs which result from consideration of underlying trends and expectations.
The 2017 RFIG Run-off provision for insured events of the current year is inclusive of the claim expense provisions applicable to final settlements and probable dispositions of all known litigated and other claim costs as described further elsewhere in this report.

(b) Rescissions reduced the Company's paid losses by an estimated $4.4, $13.1, and $1.4 for 2018, 2017, and 2016, respectively.

The percentage of net claims, benefits and related settlement expenses incurred as a percentage of premiums and related fee revenues of the Company's three major operating segments and for consolidated operations were as follows:

Years Ended December 31:	2018	2017	2016
General	72.2 %	71.8 %	73.0 %
Title	2.1	.9	3.8
RFIG Run-off	39.4	160.9	60.4
Consolidated claim ratio	43.1 %	44.7 %	44.0 %
Reconciliation of consolidated ratio:			
Provision for insured events of the current year	44.5 %	47.5 %	45.6 %
Change in provision for insured events of prior years: net (favorable) unfavorable development	(1.4)	(2.8)	(1.6)
Consolidated claim ratio	43.1 %	44.7 %	44.0 %

The consolidated claim ratio reflects the changing effects of period-to-period contributions of each segment to consolidated results, and this ratio's variances within each segment. For the three most recent calendar years, the above table indicates that the one-year development of consolidated reserves at the beginning of each year produced

favorable developments in 2018, 2017, and 2016 which on average decreased the consolidated claim ratio by 1.9%.

The percentage of net claims, benefits and related settlement expenses measured against premiums earned by major types of general insurance coverage were as follows:

	General Insurance Claim Ratios by Type of Coverage						
	All Coverages	Workers' Compen-sation	Commercial Automobile (mostly trucking)	General Liability	Financial Indemnity	Inland Marine and Property	Other
Years Ended December 31:							
2016	73.0%	76.1 %	79.4 %	77.5 %	45.5 %	60.9 %	62.2%
2017	71.8	75.5	76.8	73.1	62.1	59.3	59.0
2018	72.2%	70.7 %	79.3 %	68.9 %	73.8 %	62.8 %	60.1%

The general insurance claim ratios have been on a fairly consistent downtrend during the past five years. The improvement has arisen from slightly lower estimates of current accident years' claim provisions, and by the lessening impacts from developments of prior years' reserve estimates as more fully described in the Executive Summary of the Management Analysis of Financial Position and Results of Operations.

Unfavorable asbestosis and environmental ("A&E") claim developments, although not material in any of the periods presented, are typically attributable to A&E claim reserves due to periodic re-evaluations of such reserves as well as subsequent reclassifications of other coverages' reserves, most often workers' compensation, deemed assignable to A&E category of losses. Except for a small portion that emanates from ongoing primary insurance operations, a large majority of the A&E claim reserves posted by Old Republic stem mainly from its participations in assumed reinsurance treaties and insurance pools which were discontinued during the 1980's and have since been in run-off status. With respect to the primary portion of gross A&E reserves, Old Republic administers the related claims through its claims personnel as well as outside attorneys, and posted reserves reflect its best estimates of ultimate claim costs. Claims administration for the assumed portion of the Company's A&E exposures is handled by the claims departments of unrelated primary or ceding reinsurance companies. While the Company performs periodic reviews of certain claim files managed by third parties, the overall A&E reserves it establishes respond to the paid claim and case reserve activity reported to the Company as well as available industry statistical data such as so-called survival ratios. Such ratios represent the number of years' average paid losses for the three or five most recent calendar years that are encompassed by an insurer's A&E reserve level at any point in time. According to this simplistic appraisal of an insurer's A&E loss reserve level, Old Republic's average five year paid loss survival ratios stood at 4.3 years (gross) and 5.0 years (net of reinsurance) as of December 31, 2018 and 4.6 years (gross) and 6.3 years (net of reinsurance) as of December 31, 2017. Fluctuations in this ratio between years can be caused by the inconsistent pay out patterns associated with these types of claims. Incurred net losses for A&E claims have averaged .2% of general insurance group net incurred losses for the five years ended December 31, 2018.

A summary of reserve activity, including estimates for IBNR, relating to A&E claims at December 31, 2018 and 2017 is as follows:

December 31:	2018		2017	
	Gross	Net	Gross	Net
Asbestos:				
Reserves at beginning of year	$86.7	$75.8	$89.6	$76.7
Loss and loss expenses incurred	(1.1)	(12.2)	18.3	13.5
Claims and claim adjustment expenses paid	10.1	7.8	21.2	14.4
Reserves at end of year	75.4	55.6	86.7	75.8
Environmental:				
Reserves at beginning of year	30.6	20.6	31.6	20.4
Loss and loss expenses incurred	4.0	1.3	3.2	2.7
Claims and claim adjustment expenses paid	4.3	3.1	4.1	2.4
Reserves at end of year	30.3	18.8	30.6	20.6
Total asbestos and environmental reserves	$105.8	$74.4	$117.4	$96.4

Title insurance claim ratios have remained in the single digits for a number of years due to a continuation of favorable trends in claims frequency and severity. 2018's claim costs trended higher as favorable development of prior years' claim reserve estimates edged down as more fully described in the Executive Summary of the Management Analysis of Financial Position and Results of Operations.

The ratios of RFIG Run-off - mortgage guaranty incurred claim costs to earned premiums reflect favorable developments of prior years' claim reserves as further discussed in the Executive Summary of the Management Analysis of Financial Position and Results of Operations. MI claim costs for 2017 rose most significantly, however, due to an additional claim provision of $23.0 which added 20.9 percentage points to the claim ratio for the year.

The much more favorable RFIG Run-off - CCI claim ratio for 2018 reflects the absence of the litigation-induced claim costs and favorable development of previously established claim reserves. The 2017 year-over-year claim ratio comparison was most significantly affected by the additional $107.0 claim and related expense provisions related to the final settlement and probable dispositions of all known litigated and other claim costs.

Certain mortgage guaranty average claim-related trends are listed below:

	Average Settled Claim Amount (a)		Reported Delinquency Ratio at End of Period		Claims Rescissions and Denials
	Traditional Primary	Bulk	Traditional Primary	Bulk	
Years Ended December 31:					
2016	$45,478	$48,158	10.53 %	25.78 %	$ 1.4
2017	47,267	51,446	10.52	23.31	13.1
2018	$47,055	$54,809	9.38 %	16.94 %	$ 4.4

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(a) Amounts are in whole dollars.

Traditional Primary Delinquency Ratios for Top Ten States (b):

	TX	FL	GA	IL	CA	NC	PA	MD	NJ	VA
As of December 31:										
2016	9.1 %	11.8 %	8.7 %	10.7 %	6.1 %	8.3 %	12.7 %	12.8 %	23.5 %	8.6 %
2017	11.4	15.6	8.3	10.1	6.0	8.1	12.0	11.5	19.6	8.4
2018	10.0 %	9.8 %	7.7 %	8.7 %	5.8 %	9.5 %	11.4 %	10.5 %	14.3 %	7.9 %

Bulk Delinquency Ratios for Top Ten States (b):

	TX	FL	GA	IL	CA	OH	PA	MD	NJ	NY
As of December 31:										
2016	20.3 %	33.7 %	19.6 %	23.6 %	29.1 %	14.1 %	28.1 %	35.8 %	61.0 %	53.3 %
2017	20.3	34.2	17.8	21.5	26.4	15.0	25.3	24.8	50.3	44.2
2018	14.5 %	23.5 %	14.5 %	19.1 %	13.0 %	12.4 %	21.0 %	16.0 %	39.7 %	32.3 %

Total Delinquency Ratios for Top Ten States (includes "other" business) (b):

	TX	FL	GA	IL	CA	NC	PA	MD	NJ	VA
As of December 31:										
2016	9.8 %	13.4 %	9.1 %	11.3 %	9.3 %	8.5 %	13.5 %	13.5 %	25.6 %	8.7 %
2017	12.1	16.9	8.8	10.6	9.2	8.4	12.8	12.0	21.1	8.6
2018	10.4 %	10.6 %	8.1 %	9.2 %	6.8 %	9.7 %	12.0 %	10.7 %	15.3 %	7.9 %

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(b) As determined by risk in force as of December 31, 2018, these 10 states represent approximately 52.9%, 57.8%, and 52.8%, of traditional primary, bulk, and total risk in force, respectively.

The following table shows CCI claim-related trends for the periods shown:

	CCI Claim Costs				Reported Delinquency Ratio at End of Period	Claim Rescissions and Denials
	Paid		Incurred			
	Amount	Ratio (a)	Amount	Ratio (a)		
Years Ended December 31:						

2016	$11.7	74.0 %	$50.0	315.9%	2.0	%	$ 10.1
2017	304.2	N/M	134.5	N/M	2.6		5.7
2018	$31.6	N/M	$(2.2)	N/M	1.7	%	$ .4

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(a) Percent of net CCI earned premiums. CCI claim ratios include only those costs actually or expected to be paid by the Company and exclude claims not paid by virtue of coverage rescissions and claim denials as well as unsubstantiated claim submissions. Certain claim rescissions and denials may from time to time become the subject of disagreements between the Company and certain individual insureds. Possible future reversals of such rescissions and denials, however, may not necessarily affect the adequacy of previously established claim reserve levels nor fully impact operating results. These effects could be fully or partially negated by the imposition of additional retrospective premiums and/or the limiting effects of maximum policy limits.

Volatility of Reserve Estimates and Sensitivity

There is a great deal of uncertainty in the estimates of loss and loss adjustment expense reserves, and unanticipated events can have both a favorable or unfavorable impact on such estimates. The Company believes that the factors most responsible, in varying and continually changing degrees, for such favorable or unfavorable development are as follows:

General insurance net claim reserves can be affected by lower than expected frequencies of claims incurred but not reported, the effect of reserve discounts applicable to workers' compensation claims, higher than expected severity of litigated claims in particular, governmental or judicially imposed retroactive conditions in the settlement of claims such as noted elsewhere in this document in regard to black lung disease claims, greater than anticipated inflation rates applicable to repairs and the medical benefits portion of claims, and higher than expected IBNR due to the slower and highly volatile emergence patterns applicable to certain types of claims such as those stemming from litigated, assumed reinsurance, or the A&E types of claims noted above.

Title insurance loss reserve levels can be impacted adversely by such developments as reduced loan refinancing activity, the effect of which can be to lengthen the period during which title policies remain exposed to loss emergence. Such reserve levels can also be affected by reductions in either property values or the volume of transactions which, by virtue of the speculative nature of some real estate developments, can lead to increased occurrences of fraud, defalcations or mechanics' liens.

RFIG Run-off mortgage guaranty net claim reserve levels can be influenced adversely by several factors. These include changes in the mix of insured business toward loans that have a higher probability of default, increases in the average risk per insured loan, the levels of estimated rescission and claim denial activity, the deterioration of regional or national economic conditions leading to a reduction in borrowers' income and thus their ability to make payments on outstanding loans, and reductions in housing values and/or increases in housing supply that can raise the rate at which defaults evolve into claims and affect their overall severity.

With respect to Old Republic's small life and accident insurance operations, reserve adequacy may be impacted adversely by greater than anticipated medical care cost inflation as well as greater than expected frequency and severity of claims. In life insurance, as in general insurance, concentrations of insured lives coupled with a catastrophic event would represent the Company's largest exposure.

On a consolidated basis, which includes all coverages provided by the Company, the cumulative development on prior year loss reserves over the past ten years through December 31, 2018 has ranged from 7.0% unfavorable in 2010 to 6.3% favorable in 2014 and averaged 2.0% favorable for the ten years. Although management does not have a practical business reason for making projections of likely outcomes of future loss developments, its analysis and evaluation of Old Republic's existing business mix, current aggregate loss reserve levels, and loss development patterns suggests a reasonable likelihood that 2018 year-end loss reserves could ultimately develop within a range of +/- 5%. The most significant factors impacting the potential reserve development for each of the Company's insurance segments is discussed above. Old Republic has generally experienced favorable overall loss developments for the latest ten-year period. While General Insurance has experienced unfavorable developments of previously established reserves during four of the last five years, the current analysis of loss development factors and economic conditions influencing the Company's insurance coverages point to a position of reserve adequacy. In management's opinion, the other segments' loss reserve development patterns (most notably those associated with title and mortgage insurance) show greater variability due to changes in economic conditions which cannot be reasonably anticipated. Consequently, management believes that using a 5% potential range of reserve development provides a reasonable benchmark for a sensitivity analysis of the Company's consolidated reserves as of December 31, 2018.

Reinsurance Programs

To maintain premium production within its capacity and limit maximum losses and risks for which it might become liable under its policies, Old Republic may cede a portion or all of its premiums and liabilities on certain classes of insurance, individual policies, or blocks of business to other insurers and reinsurers. Further discussion of the Company's reinsurance programs can be found in Part 1 of this Annual Report on Form 10-K.

Subsidiaries within the general insurance segment have generally obtained reinsurance coverage from independent insurance or reinsurance companies pursuant to excess of loss agreements. Under excess of loss reinsurance agreements the Company is generally reimbursed for claim costs exceeding contractually agreed-upon levels. During the three year period ended December 31, 2018, the Company's net retentions have risen gradually within the general insurance segment; however, such changes have not had a material impact on the Company's consolidated financial statements.

Except for relatively few facultative reinsurance cessions covering large risks, the title insurance segment does not utilize a significant amount of reinsurance to manage its insurance risk.

Generally, the RFIG Run-off mortgage guaranty insurance risk has historically been reinsured through excess of loss contracts with insurers owned by or affiliated with lending institutions and financial and other intermediaries whose customers are insured by Old Republic's mortgage insurance subsidiaries. Effective December 31, 2008, the Company discontinued excess of loss reinsurance cessions to lenders' captive insurance companies for all new production originated subsequent to the effective date.

The Company does not anticipate any significant changes in its reinsurance programs during 2019.

Expenses: Underwriting Acquisition and Other Expenses

The following table sets forth the expense ratios registered by each major business segment and in consolidation for the periods shown:

	General		Title		RFIG Run-off		Consolidated	
Years Ended December 31:								
2016	24.8	%	87.9	%	12.2	%	50.6	%
2017	25.5		90.0		16.6		52.0	
2018	25.0	%	90.0	%	21.5	%	51.6	%

Variations in the Company's consolidated expense ratios reflect a continually changing mix of coverages sold and attendant costs of producing business in the Company's three largest operating segments. To a significant degree, expense ratios for both the general and title insurance segments are mostly reflective of variable costs, such as commissions or similar charges, that rise or decline along with corresponding changes in premium and fee income. Moreover, general operating expenses can contract or expand in differing proportions due to varying levels of operating efficiencies and expense management opportunities in the face of changing market conditions. The General Insurance expense ratio has remained aligned with earned premiums trends while the 2017 ratio was impacted by charges for estimated employee incentive awards. The Title Insurance expense ratio for the periods reported upon remained aligned with revenues from premiums and fees. Finally, the trends in the RFIG Run-off operating expense ratio are primarily reflective of the continuing decline in net premiums inherent in this run-off operation.

Expenses: Total

The composite ratios of the above summarized net claims, benefits and underwriting expenses that reflect the sum total of all the factors enumerated above have been as follows:

	General		Title		RFIG Run-off		Consolidated	
Years Ended December 31:								
2016	97.8	%	91.7	%	72.6	%	94.6	%
2017	97.3		90.9		177.5		96.7	
2018	97.2	%	92.1	%	60.9	%	94.7	%

Expenses: Income Taxes

The effective consolidated income tax rates were 15.4%, 22.7%, and 31.9% in 2018, 2017, and 2016, respectively. The rates for each year reflect primarily the varying proportions of pretax operating income (loss) derived from partially tax sheltered investment income (principally tax-exempt interest and dividend income), the combination of fully taxable investment income, investment gains or losses, underwriting and service income, judgments about the recoverability of deferred tax assets, and changes in the federal corporate tax rate.

The Tax Cuts and Jobs Act ("TCJA") was enacted into law on December 22, 2017, thereby requiring that various accounting adjustments be reflected in the consolidated financial statements at year end 2017. The TCJA, among its many elements, lowered the federal corporate tax rate to 21.0% from 35.0%. Accordingly, the Company revalued its deferred tax items in 2017 to reflect the lower tax rate, resulting in a $63.1 income tax credit reflected in the consolidated statements of income.

OTHER INFORMATION

Reference is here made to "Information About Segments of Business" appearing elsewhere herein.

Historical data pertaining to the operating results, liquidity, and other performance indicators applicable to an insurance enterprise such as Old Republic are not necessarily indicative of results to be achieved in succeeding years. In addition to the factors cited below, the long-term nature of the insurance business, seasonal and annual patterns in premium production and incidence of claims, changes in yields obtained on invested assets, changes in government policies and free markets affecting inflation rates and general economic conditions, and changes in legal precedents or the application of law affecting the settlement of disputed and other claims can have a bearing on period-to-period comparisons and future operating results.

Some of the oral or written statements made in the Company's reports, press releases, and conference calls following earnings releases, can constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Of necessity, any such forward-looking statements involve assumptions, uncertainties, and risks that may affect the Company's future performance. With regard to Old Republic's General Insurance segment, its results can be affected, in particular, by the level of market competition, which is typically a function of available capital and expected returns on such capital among competitors, the levels of interest and inflation rates, and periodic changes in claim frequency and severity patterns caused by natural disasters, weather conditions, accidents, illnesses, work-related injuries, and unanticipated external events. Title Insurance and RFIG Run-off results can be affected by similar factors and by changes in national and regional housing demand and values, the availability and cost of mortgage loans, employment trends, and default rates on mortgage loans. Life and accident insurance earnings can be affected by the levels of employment and consumer spending, variations in mortality and health trends, and changes in policy lapsation rates. At the parent holding company level, operating earnings or losses are generally reflective of the amount of debt outstanding and its cost, interest income on temporary holdings of short-term investments, and period-to-period variations in the costs of administering the Company's widespread operations.

The General Insurance, Title Insurance and Corporate and Other Segments and the RFIG Run-off business maintain customer information and rely upon technology platforms to conduct business. As a result, each of those businesses and the Company are subject to cyber risk. Many of the Company's operating subsidiaries, maintain separate IT systems which reduces the enterprise-wide risks of potential cybersecurity incidents. However, given the potential magnitude of a significant breach, the Company continually evaluates on an enterprise-wide basis its IT hardware, security infrastructure and business practices to respond to these risks and to detect and remediate in a timely manner significant cybersecurity incidents or business process interruptions.

A more detailed listing and discussion of the risks and other factors which affect the Company's risk-taking insurance business are included in Part I, Item 1A - Risk Factors, of this Annual Report to the Securities and Exchange Commission, which Item is specifically incorporated herein by reference.

Any forward-looking statements or commentaries speak only as of their dates. Old Republic undertakes no obligation to publicly update or revise any and all such comments, whether as a result of new information, future events or otherwise, and accordingly they may not be unduly relied upon.

Item 7A - Quantitative and Qualitative Disclosure About Market Risk
($ in Millions)

Market risk represents the potential for loss due to adverse changes in the fair value of financial instruments as a result of changes in interest rates, equity prices, foreign exchange rates and commodity prices. Old Republic's primary market risks consist of interest rate risk associated with investments in fixed maturities and equity price risk associated with investments in equity securities. The Company has no material foreign exchange or commodity risk.

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 of available for sale securities are reflected, net of deferred income taxes, directly in the shareholders' equity account, and as a separate component of the statement of comprehensive income. Fixed maturity securities classified as held to maturity are carried at amortized cost, and therefore, fluctuations in unrealized gains and losses do not impact shareholders' equity. 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.

The following table illustrates the hypothetical effect on the fixed income and equity investment portfolios resulting from movements in interest rates and fluctuations in the equity securities markets, using the S&P 500 index as a proxy, at December 31, 2018:

	Estimated Fair Value	Hypothetical Change in Interest Rates or S&P 500		Estimated Fair Value After Hypothetical Change in Interest Rates or S&P 500
Interest Rate Risk:				
Fixed Maturities	$ 9,217.4	100	basis point rate increase	$ 8,844.1
		200	basis point rate increase	8,470.8

		100	basis point rate decrease	9,590.7
		200	basis point rate decrease	$ 9,964.0
Equity Price Risk:				
Equity Securities	$ 3,380.9	10 %	increase in the S&P 500	$ 3,664.9
		20 %	increase in the S&P 500	3,948.9
		10 %	decline in the S&P 500	3,096.9
		20 %	decline in the S&P 500	$ 2,812.9

Item 8 - Financial Statements and Supplementary Data

Listed below are the consolidated financial statements included herein for Old Republic International Corporation and Subsidiaries:

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

	December 31,	
	2018	2017
Assets		
Investments:		
Available for sale:		
Fixed maturity securities (at fair value) (amortized cost: $8,285.0 and $8,162.2)	$8,182.8	$8,282.3
Short-term investments (at fair value which approximates cost)	354.9	670.1
Total	8,537.8	8,952.4
Held to maturity:		
Fixed maturity securities (at amortized cost) (fair value: $1,034.5 and $1,069.2)	1,044.8	1,067.4
Equity securities (at fair value) (cost: $3,039.1 and $2,629.9)	3,380.9	3,265.5
Other investments	31.0	32.5
Total investments	12,994.6	13,318.0
Other Assets:		
Cash	100.3	125.9
Securities and indebtedness of related parties	28.4	12.8
Accrued investment income	92.4	92.4
Accounts and notes receivable	1,499.4	1,469.7
Federal income tax recoverable: Current	16.8	—
Prepaid federal income taxes	129.8	114.3
Reinsurance balances and funds held	166.2	141.6
Reinsurance recoverable: Paid losses	55.9	60.5
Policy and claim reserves	3,428.6	3,311.3
Deferred policy acquisition costs	316.3	297.8
Sundry assets	497.8	458.8
Total Other Assets	6,332.4	6,085.5
Total Assets	$19,327.1	$19,403.5
Liabilities, Preferred Stock, and Common Shareholders' Equity		
Liabilities:		
Losses, claims, and settlement expenses	$9,471.2	$9,237.6
Unearned premiums	2,104.9	1,971.5
Other policyholders' benefits and funds	198.6	204.7
Total policy liabilities and accruals	11,774.8	11,413.9
Commissions, expenses, fees, and taxes	525.4	547.7
Reinsurance balances and funds	600.4	566.9
Federal income tax payable: Current	—	6.5
Deferred	10.3	100.5
Debt	981.4	1,448.7
Sundry liabilities	288.3	585.8
Commitments and contingent liabilities		
Total Liabilities	14,180.8	14,670.2
Preferred Stock (1)	—	—

Common Shareholders' Equity:		
Common stock (1)	302.7	269.2
Additional paid-in capital	1,277.6	815.2
Retained earnings	3,849.8	3,206.9
Accumulated other comprehensive income (loss)	(210.0)	474.2
Unallocated ESSOP shares (at cost)	(73.9)	(32.4)
Total Common Shareholders' Equity	5,146.2	4,733.3
Total Liabilities, Preferred Stock and Common Shareholders' Equity	$19,327.1	$19,403.5

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(1) At December 31, 2018 and 2017, 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 302,714,502 and 269,238,727 were issued as of December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, 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.

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

	Years Ended December 31,		
	2018	2017	2016
Revenues:			
Net premiums earned	$5,253.4	$ 5,080.2	$ 4,868.9
Title, escrow, and other fees	450.5	459.5	464.2
Total premiums and fees	5,703.9	5,539.7	5,333.2
Net investment income	431.8	409.4	387.0
Other income	121.6	102.2	107.3
Total operating revenues	6,257.4	6,051.5	5,827.6
Investment gains (losses):			
Realized from actual transactions	58.2	211.6	77.8
Unrealized from changes in fair value of equity securities	(293.8)	—	—
Realized from impairments	—	—	(4.9)
Total realized and unrealized investment gains (losses)	(235.6)	211.6	72.8
Total revenues	6,021.8	6,263.1	5,900.5
Benefits, Claims and Expenses:			
Benefits, claims and settlement expenses	2,440.9	2,459.2	2,329.8
Dividends to policyholders	19.8	19.5	18.1
Underwriting, acquisition, and other expenses	3,080.6	2,995.7	2,816.3
Interest and other charges	42.2	63.0	50.2
Total expenses	5,583.7	5,537.7	5,214.5
Income (loss) before income taxes (credits)	438.1	725.4	686.0
Income Taxes (Credits):			
Current	114.1	132.6	190.1
Deferred	(46.5)	32.2	28.8
Total	67.5	164.8	219.0
Net Income (Loss)	$370.5	$ 560.5	$ 466.9
Net Income (Loss) Per Share:			
Basic	$1.26	$ 2.14	$ 1.80
Diluted	$1.24	$ 1.92	$ 1.62
Average shares outstanding: Basic	294,248,871	262,114,533	259,429,298
Diluted	301,016,076	299,387,373	296,379,251

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31,		
	2018	2017	2016
Net Income (Loss) As Reported	$370.5	$560.5	$466.9
Other comprehensive income (loss):			
Unrealized gains (losses) on securities:			
Unrealized gains (losses) before reclassifications, not included in the statements of income	(226.4)	325.0	522.3
Amounts reclassified as realized investment (gains) losses in the statements of income	3.1	(211.6)	(72.8)
Pretax unrealized gains (losses) on securities	(223.2)	113.4	449.4
Deferred income taxes (credits)	(46.9)	39.5	157.2
Net unrealized gains (losses) on securities, net of tax	(176.3)	73.9	292.1
Defined benefit pension plans:			
Net pension adjustment before reclassifications	3.6	(28.2)	(1.3)
Amounts reclassified as underwriting, acquisition, and other expenses in the statements of income	3.2	.5	.6
Net adjustment related to defined benefit pension plans	6.9	(27.7)	(.7)
Deferred income taxes (credits)	1.4	(9.7)	(.2)
Net adjustment related to defined benefit pension plans, net of tax	5.4	(18.0)	(.4)
Foreign currency translation and other adjustments	(11.1)	9.5	2.6
Net adjustments	(182.0)	65.4	294.4
Comprehensive Income (Loss)	$188.5	$626.0	$761.4

See accompanying Notes to Consolidated Financial Statements.

Old Republic International Corporation and Subsidiaries
Consolidated Statements of Preferred Stock
and Common Shareholders' Equity
($ in Millions)

	Years Ended December 31,		
	2018	2017	2016
Convertible Preferred Stock:			
Balance, beginning and end of year	$—	$—	$—
Common Stock:			
Balance, beginning of year	$269.2	$262.7	$261.9
Dividend reinvestment plan	—	—	—
Net issuance of shares under stock based compensation plans	1.1	1.3	.6
Conversion of senior debentures	32.2	5.1	—
Balance, end of year	$302.7	$269.2	$262.7