

LOGIC DEVICES INC
Form 10-Q
January 26, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended

December 31, 2006

Commission File Number

0-17187

LOGIC Devices Incorporated

(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction of

incorporation or organization)

94-2893789

(I.R.S. Employer

Identification Number)

395 West Java Drive, Sunnyvale, California 94089

(Address of principal executive offices)

(Zip Code)

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(408) 542-5400

(Registrant's telephone number, including area code)

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

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

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Indicate the number of shares outstanding of the issuer's classes of common stock, as of the latest practicable date. On January 25, 2007, 6,795,438 shares of Common Stock, without par value, were issued and outstanding.

LOGIC Devices Incorporated

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Part I - Financial Information**Item 1. Financial Statements****Condensed Balance Sheets**

	December 31, 2006 (unaudited)	September 30, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 627,500	\$ 1,478,100
Investment in available-for-sale securities	1,019,500	507,000
Accounts receivable	872,000	830,900
Inventories	5,394,600	5,239,700
Prepaid expenses and other current assets	214,900	141,600
Total current assets	8,128,500	8,197,300
Property and equipment, net	1,149,300	1,100,700
Other assets, net	470,200	418,800
	\$ 9,748,000	\$ 9,716,800
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 71,900	\$ 146,900
Accrued payroll and vacation	131,400	142,700
Accrued commissions	6,300	10,400
Other accrued expenses	24,700	-
Total current liabilities	234,300	300,000
Deferred rent	14,700	19,700
Total liabilities	249,000	319,700
Commitments and contingencies		

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Shareholders' equity:

Preferred stock, no par value; 1,000,000 shares authorized; 5,000 designated as Series A; 0 shares issued and outstanding	-	-
Common stock, no par value; 10,000,000 shares authorized 6,793,188 and 6,763,188 shares issued and outstanding	18,505,900	18,458,500
Additional paid-in capital	118,700	118,700
Accumulated deficit	(9,125,600)	(9,180,100)
Total shareholders' equity	9,499,000	9,397,100
	\$ 9,748,000	\$ 9,716,800

See accompanying Notes to Condensed Financial Statements.

Condensed Income Statements

(unaudited)

	For the fiscal quarter ended:	
	December 31, 2006	December 31, 2005
Net revenues	\$ 1,362,400	\$ 1,100,800
Cost of revenues	657,000	654,500
Gross margin	705,400	446,300
Operating expenses:		
Research and development	343,000	139,500
Selling, general, and administrative	327,200	303,700
Total operating expenses	670,200	443,200
Income from operations	35,200	3,100
Interest and other income, net	19,300	6,600
Income before provision for income taxes	54,500	9,700
Provision for income taxes	-	800
	\$ 54,500	\$ 8,900

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Net income

Basic earnings per common share	\$ 0.01	\$ -
Diluted earnings per common share	\$ 0.01	\$ -
Basic weighted average common shares outstanding	6,773,188	6,753,188
Diluted weighted average common shares outstanding	6,956,059	6,753,188

See accompanying Notes to Condensed Financial Statements.

Condensed Statements of Cash Flows

(unaudited)

For the fiscal quarter ended:
December 31, December 31,

\$
1,192.6

\$
2,440.6

\$
2,343.5

Title, escrow, and other fees
123.5

121.3

223.2

216.1

Total premiums and fees

1,362.8

1,313.9

2,663.9

2,559.6

Net investment income

101.0

94.9

202.3

191.2

Other income

28.2

26.6

55.8

53.9

Total operating revenues

1,492.1

1,435.5

2,922.1

2,804.9

Realized investment gains (losses):

From sales

6.8

6.6

21.7

50.8

From impairments

—

—

—

—

Total realized investment gains (losses)

6.8

6.6

21.7

50.8

Total revenues

1,499.0

1,442.2

2,943.8

2,855.7

Benefits, Claims and Expenses:

Benefits, claims and settlement expenses
608.8

587.2

1,168.1

1,157.0

Dividends to policyholders
5.9

5.5

10.1

9.8

Underwriting, acquisition, and other expenses
721.7

689.9

1,422.0

1,336.3

Interest and other charges

16.0

10.6

32.5

21.3

Total expenses

1,352.7

1,293.4

2,632.8

2,524.6

Income before income taxes (credits)

146.3

148.8

311.0

331.1

Income Taxes (Credits):

Current

33.4

38.6

85.4

95.8

Deferred

11.1

9.0

10.8

11.3

Total

44.6

47.7

96.2

107.1

Net Income

\$

101.6

\$
101.0

\$
214.7

\$
224.0

Net Income Per Share:

Basic
\$
.39

\$
.39

\$
.82

\$
.87

Diluted
\$
.35

\$
.35

\$
.74

\$
.78

Average shares outstanding: Basic
261,080,770

259,093,314

260,973,860

258,998,523

Diluted
298,313,246

296,069,028

298,367,533

295,923,078

Dividends Per Common Share:

Cash
\$
.1900

\$
.1875

\$
.3800

\$
.3750

See accompanying Notes to Consolidated Financial Statements.

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

	Quarters Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Net Income As Reported	\$101.6	\$101.0	\$214.7	\$224.0
Other comprehensive income (loss):				
Unrealized gains (losses) on securities:				
Unrealized gains (losses) on securities before reclassifications	15.7	276.4	95.8	589.0
Amounts reclassified as realized investment gains from sales in the statements of income	(6.8)	(6.6)	(21.7)	(50.8)
Pretax unrealized gains (losses) on securities	8.8	269.7	74.1	538.1
Deferred income taxes (credits)	3.2	94.3	25.9	188.2
Net unrealized gains (losses) on securities, net of tax	5.6	175.4	48.1	349.9
Defined benefit pension plans:				
Net pension adjustment before reclassifications	—	—	—	.1
Amounts reclassified as underwriting, acquisition, and other expenses in the statements of income	.1	.1	.2	.3
Net adjustment related to defined benefit pension plans	.1	.1	.2	.4
Deferred income taxes (credits)	—	—	—	.1
Net adjustment related to defined benefit pension plans, net of tax	.1	.1	.1	.2
Foreign currency translation and other adjustments	1.7	1.3	3.3	7.6
Net adjustments	7.5	176.8	51.6	357.8
Comprehensive Income (Loss)	\$109.1	\$277.9	\$266.4	\$581.8

See accompanying Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$214.7	\$224.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred policy acquisition costs	(21.0)	(6.7)
Premiums and other receivables	(215.1)	(208.6)
Unpaid claims and related items	73.3	6.5
Unearned premiums and other policyholders' liabilities	118.0	27.1
Income taxes	(1.6)	3.0
Prepaid federal income taxes	(31.8)	(19.1)
Reinsurance balances and funds	130.6	142.0
Realized investment (gains) losses	(21.7)	(50.8)
Accounts payable, accrued expenses and other	13.7	46.3
Total	259.0	163.8
Cash flows from investing activities:		
Fixed maturity securities:		
Available for sale:		
Maturities and early calls	387.3	484.5
Sales	300.4	157.6
Sales of:		
Equity securities	40.5	283.1
Other - net	21.1	7.5
Purchases of:		
Fixed maturity securities:		
Available for sale	(563.4)	(503.2)
Held to maturity	(107.6)	(278.4)
Equity securities	(262.0)	(338.0)
Other - net	(29.9)	(21.0)
Net decrease (increase) in short-term investments	95.5	118.6
Other - net	—	—
Total	(118.0)	(89.2)
Cash flows from financing activities:		
Issuance of debentures and notes	—	32.4
Issuance of common shares	12.4	5.0
Redemption of debentures and notes	(3.9)	(3.5)
Dividends on common shares	(98.8)	(96.7)
Other - net	(1.2)	(2.8)
Total	(91.5)	(65.6)
Increase (decrease) in cash	49.3	8.8

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Cash, beginning of period	145.7	159.8
Cash, end of period	\$195.1	\$168.7

Supplemental cash flow information:

Cash paid (received) during the period for: Interest	\$31.2	\$20.4
Income taxes	\$97.9	\$103.7

See accompanying Notes to Consolidated Financial Statements.

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

1. Accounting Policies and Basis of Presentation:

The accompanying consolidated financial statements have been prepared in conformity with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") of accounting principles generally accepted in the United States of America ("GAAP"). These interim financial statements should be read in conjunction with these notes and those included in the Company's 2016 Annual Report on Form 10-K incorporated herein by reference.

Pertinent accounting and disclosure pronouncements issued from time to time by the FASB are adopted by the Company as they become effective. In 2016, the Company adopted FASB guidance requiring additional disclosures about short-duration insurance contracts which provide additional information about insurance liabilities including the nature, amount, timing, and uncertainty of future cash flows related to those liabilities. The related interim disclosure requirements outlined in the guidance have been included in the pertinent note herein. Effective January 1, 2017, the company adopted new FASB guidance on accounting for share-based payment award transactions. The Company's adoption of this guidance did not have a material impact on the consolidated financial statements. In May 2014, the FASB issued a comprehensive revenue recognition standard which will be effective in 2018 and applies to all entities that have contracts with customers, except for those that fall within the scope of other standards, such as insurance contracts. In January 2016, the FASB issued guidance on the recognition and measurement of financial instruments which will be effective in 2018. Among other changes, the standard will require equity investments to be measured at fair value with changes in fair value recognized in the consolidated statement of income. In February 2016, the FASB issued guidance on lease accounting which will be effective in 2019 and requires balance sheet recognition of all leases with a term of greater than 12 months. Most recently, in June 2016, the FASB issued guidance on accounting for credit losses on financial instruments which will be effective in 2020. The guidance will require immediate recognition of expected credit losses for certain financial instruments and also modifies the impairment model for available for sale fixed maturities securities. The Company is currently evaluating the foregoing guidance to determine the potential impact of its adoption on its consolidated financial statements.

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

2. Common Share Data:

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

	Quarters Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Numerator:				
Net income	\$ 101.6	\$ 101.0	\$ 214.7	\$ 224.0
Numerator for basic earnings per share - income available to common stockholders	101.6	101.0	214.7	224.0
Adjustment for interest expense incurred on assumed conversion of convertible notes	3.6	3.6	7.3	7.3
Numerator for diluted earnings per share - income available to common stockholders after assumed conversion of convertible notes	\$ 105.2	\$ 104.7	\$ 222.0	\$ 231.3
Denominator:				
Denominator for basic earnings per share - weighted-average shares (a)	261,080,250	259,093,314	260,973,280	258,998,523
Effect of dilutive securities - stock based compensation awards	1,458,135	1,297,379	1,630,905	1,257,907
Effect of dilutive securities - convertible senior notes	35,774,335	35,168,335	35,762,768	35,666,648
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversion of convertible notes (a)	298,313,296	296,069,028	298,367,295	295,923,078
Earnings per share: Basic	\$.39	\$.39	\$.82	\$.87
Diluted	\$.35	\$.35	\$.74	\$.78
Anti-dilutive common stock equivalents excluded from earnings per share computations:				
Stock based compensation awards	1,403,500	1,693,800	—	1,693,800
Convertible senior notes	—	—	—	—
Total	1,403,500	1,693,800	—	1,693,800

(a) In calculating earnings per share, pertinent accounting rules require that common shares owned by the Company's Employee Savings and Stock Ownership Plan that are not yet allocated to participants in the plan be excluded from the calculation. Such shares are issued and outstanding and have the same voting and other rights applicable to all other common shares.

3. Investments:

The Company may classify its invested assets in terms of those assets relative to which it either (1) has the positive intent and ability to hold until maturity, (2) has available for sale or (3) has the intention of trading. As of June 30, 2017 and December 31, 2016, the majority of the Company's invested assets were classified as "available for sale."

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

The Company reviews the status and fair value changes of each of its investments on at least a quarterly basis during the year, and estimates of other-than-temporary impairments ("OTTI") in the portfolio's value are evaluated and established at each quarterly balance sheet date. In reviewing investments for OTTI, the Company, in addition to a security's market price history, considers the totality of such factors as the issuer's operating results, financial condition and liquidity, its ability to access capital markets, credit rating trends, most current audit opinion, industry and securities markets conditions, and analyst expectations to reach its conclusions. Sudden fair value declines caused by such adverse developments as newly emerged or imminent bankruptcy filings, issuer default on significant obligations, or reports of financial accounting developments that bring into question the validity of 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. 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 is considered OTTI. In the event the Company's estimate of OTTI is insufficient at any point in time, future periods' net income (loss) would be adversely affected by the recognition of additional realized or impairment losses, but its financial position would not necessarily be affected adversely inasmuch as such losses, or a portion of them, could have been recognized previously as unrealized losses in shareholders' equity. The Company recognized no OTTI adjustments for the quarters and six months ended June 30, 2017 and 2016.

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed Maturity Securities by Type:				
June 30, 2017:				
Available for sale:				
U.S. & Canadian Governments	\$ 1,419.8	\$ 12.7	\$ 2.7	\$ 1,429.9
Corporate	6,476.1	182.0	17.7	6,640.4
	\$ 7,896.0	\$ 194.7	\$ 20.4	\$ 8,070.3
Held to maturity:				
Tax-exempt	\$ 1,071.7	\$ 13.3	\$ 7.6	\$ 1,077.4
December 31, 2016:				
Available for sale:				
U.S. & Canadian Governments	\$ 1,419.7	\$ 12.6	\$ 5.5	\$ 1,426.8
Corporate	6,599.8	175.0	30.7	6,744.1
	\$ 8,019.6	\$ 187.6	\$ 36.3	\$ 8,170.9
Held to maturity:				
Tax-exempt	\$ 974.8	\$.7	\$ 28.0	\$ 947.4

	Amortized Cost	Estimated Fair Value
Fixed Maturity Securities Stratified by Contractual Maturity at June 30, 2017:		
Available for sale:		
Due in one year or less	\$ 1,011.0	\$ 1,019.8
Due after one year through five years	3,817.3	3,921.4
Due after five years through ten years	2,964.8	3,017.8
Due after ten years	102.7	111.2
	\$ 7,896.0	\$ 8,070.3
Held to maturity:		
Due in one year or less	\$ —	\$ —
Due after one year through five years	62.1	61.8
Due after five years through ten years	977.9	983.5
Due after ten years	31.7	32.0
	\$ 1,071.7	\$ 1,077.4

A summary of the Company's equity securities follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity Securities:				
June 30, 2017	\$ 2,639.1	\$ 580.4	\$ 38.3	\$ 3,181.1
December 31, 2016	\$ 2,404.9	\$ 516.2	\$ 25.0	\$ 2,896.1

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

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	12 Months or Less		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2017:						
Fixed Maturity Securities:						
U.S. & Canadian Governments	\$516.9	\$ 2.6	\$1.2	\$ —	\$518.1	\$ 2.7
Tax-exempt	466.9	7.6	—	—	466.9	7.6
Corporate	1,000.4	13.1	168.3	4.5	1,168.8	17.7
Subtotal	1,984.3	23.4	169.5	4.5	2,153.9	28.0
Equity Securities	332.1	17.6	132.3	20.7	464.4	38.3
Total	\$2,316.5	\$ 41.0	\$301.8	\$ 25.3	\$2,618.4	\$ 66.3

December 31, 2016:

Fixed Maturity Securities:						
U.S. & Canadian Governments	\$699.0	\$ 5.5	\$1.3	\$ —	\$700.4	\$ 5.5
Tax-exempt	814.4	28.0	—	—	814.4	28.0
Corporate	1,250.5	20.3	246.2	10.3	1,496.8	30.7
Subtotal	2,764.0	53.9	247.5	10.4	3,011.6	64.3
Equity Securities	82.6	12.5	122.1	12.4	204.8	25.0
Total	\$2,846.7	\$ 66.5	\$369.7	\$ 22.8	\$3,216.5	\$ 89.4

At June 30, 2017, the Company held 557 fixed maturity and 12 equity securities in an unrealized loss position, representing 28.0% (as to fixed maturities) and 11.2% (as to equity securities) of the total number of such issues it held. At December 31, 2016, the Company held 718 fixed maturity and 8 equity securities in an unrealized loss position, representing 37.0% (as to fixed maturities) and 7.7% (as to equity securities) of the total number of such issues it held. Of the securities in an unrealized loss position, 31 and 46 fixed maturity securities and 2 and 2 equity securities, had been in a continuous unrealized loss position for more than 12 months as of June 30, 2017 and December 31, 2016, respectively. The unrealized losses on these securities are primarily deemed to reflect changes in the interest rate environment and changes in fair values of fixed income and equity securities issued by participants in the extractive industries in particular. As part of its assessment of other-than-temporary impairments, the Company considers its intent to continue to hold, and the likelihood that it will not be required to sell investment securities in an unrealized loss position until cost recovery, principally on the basis of its asset and liability maturity matching procedures.

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

The Company uses quoted values and other data provided by a nationally recognized independent pricing source as inputs into its quarterly process for determining fair values of its fixed maturity and equity securities. To validate the techniques or models used by pricing sources, the Company's review process includes, but is not limited to: (i) initial and ongoing evaluation of methodologies used by outside parties to calculate fair value; and (ii) comparing other

sources including the fair value estimates to its knowledge of the current market and to independent fair value estimates provided by the investment custodian. The independent pricing source obtains market quotations and actual transaction prices for securities that have quoted prices in active markets and uses its own proprietary method for determining the fair value of securities that are not actively traded. In general, these methods involve the use of "matrix pricing" in which the independent pricing source uses observable market inputs including, but not limited to, investment yields, credit risks and spreads, benchmarking of like securities, broker-dealer quotes, reported trades and sector groupings to determine a reasonable fair value.

Level 1 securities include U.S. and Canadian Treasury notes, publicly traded common stocks, the quoted net asset value ("NAV") mutual funds, and most short-term investments in highly liquid money market instruments. Level 2 securities generally include corporate bonds, municipal bonds, and certain U.S. and Canadian government agency securities. Securities classified within Level 3 include non-publicly traded bonds and equity securities. There were no significant changes in the fair value of assets measured with the use of significant unobservable inputs as of June 30, 2017 and December 31, 2016.

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

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As of June 30, 2017:	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Available for sale:				
Fixed maturity securities:				
U.S. & Canadian Governments	\$770.8	\$659.1	\$ —	—\$1,429.9
Corporate	—	6,629.9	10.5	6,640.4
Equity securities	3,180.0	—	1.0	3,181.1
Short-term investments	586.9	—	—	586.9
Held to maturity:				
Fixed maturity securities:				
Tax-exempt	\$—	\$1,077.4	\$ —	—\$1,077.4
As of December 31, 2016:				
Available for sale:				
Fixed maturity securities:				
U.S. & Canadian Governments	\$772.1	\$654.7	\$ —	—\$1,426.8
Corporate	—	6,733.6	10.5	6,744.1
Equity securities	2,895.2	—	.9	2,896.1
Short-term investments	681.6	—	—	681.6
Held to maturity:				
Fixed maturity securities:				
Tax-exempt	\$—	\$947.4	\$ —	—\$947.4

There were no transfers between Levels 1, 2 or 3 during the quarter ended June 30, 2017.

Investment income is reported net of allocated expenses and includes appropriate adjustments for amortization of premium and accretion of discount on fixed maturity securities acquired at other than par value. Dividends on equity securities are credited to income on the ex-dividend date. Realized investment gains and losses, which result from sales or write-downs of securities, are reflected as revenues in the income statement and are determined on the basis of amortized value at date of sale for fixed maturity securities, and cost in regard to equity securities; such bases apply to the specific securities sold. Unrealized investment gains and losses, net of any deferred income taxes, are recorded directly as a component of accumulated other comprehensive income in shareholders' equity. At June 30, 2017, the Company and its subsidiaries had no non-income producing fixed maturity securities.

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

	Quarters Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Investment income from:				
Fixed maturity securities	\$73.2	\$74.3	\$147.5	\$149.4
Equity securities	26.6	19.7	52.8	40.7
Short-term investments	1.1	.5	1.9	1.1
Other sources	.9	1.2	2.2	1.9
Gross investment income	102.1	95.9	204.5	193.2
Investment expenses (a)	1.0	1.0	2.1	1.9
Net investment income	\$101.0	\$94.9	\$202.3	\$191.2
Realized gains (losses) on:				
Fixed maturity securities:				
Gains	\$11.5	\$4.6	\$14.4	\$7.0
Losses	(4.6)	(.5)	(4.8)	(.7)
Net	6.8	4.0	9.5	6.3
Equity securities:				
Gains	—	2.6	12.2	68.3
Losses	—	—	—	(23.8)
Net	—	2.6	12.2	44.4
Other long-term investments, net	(.1)	—	—	—
Total realized gains (losses)	6.8	6.6	21.7	50.8
Income taxes (credits)	2.4	2.3	7.5	17.8
Net realized gains (losses)	\$4.4	\$4.3	\$14.1	\$33.0
Changes in unrealized investment gains (losses) on:				
Fixed maturity securities	\$5.9	\$144.1	\$22.9	\$291.8
Less: Deferred income taxes (credits)	2.1	50.3	8.0	102.0
	3.7	93.7	14.9	189.8
Equity securities & other long-term investments	2.9	125.6	51.1	246.2
Less: Deferred income taxes (credits)	1.0	43.9	17.8	86.1
	1.8	81.6	33.2	160.0
Net changes in unrealized investment gains (losses)	\$5.6	\$175.4	\$48.1	\$349.9

Investment expenses consist of personnel costs and investment management and custody service fees, as well as (a) interest incurred on funds held of \$.1 for the quarters ended June 30, 2017 and 2016, and \$.2 for the six months ended June 30, 2017 and 2016.

4. Losses, Claims and Settlement 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. 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 risk 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.

All reserves are therefore based on estimates which are periodically reviewed and evaluated in the light of emerging claim experience and changing circumstances. The resulting changes in estimates are recorded in operations of the periods during which they are made. Return and additional premiums and policyholders' dividends, all of which tend to be affected by development of claims in future years, may offset, in whole or in part, developed claim redundancies or deficiencies for certain coverages such as workers' compensation, portions of which are written under loss sensitive programs that provide for such adjustments. The Company believes that its overall reserving practices have been consistently applied over many years, and that its aggregate net 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.

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The Company's accounting policy regarding the establishment of claim reserve estimates is described in Note 1(h) to the consolidated financial statements included in Old Republic's 2016 Annual Report on Form 10-K. The following table shows an analysis of changes in aggregate reserves for the Company's losses, claims and settlement expenses for each of the periods shown.

	Six Months Ended	
	June 30,	
	2017	2016
Gross reserves at beginning of period	\$9,206.0	\$9,120.2
Less: reinsurance losses recoverable	2,766.1	2,732.5
Net reserves at beginning of period:		
General Insurance	5,249.9	5,053.1
Title Insurance	602.0	580.8
RFIG Run-off	574.0	736.7
Other	13.8	16.9
Sub-total	6,439.8	6,387.6
Incurred claims and claim adjustment expenses:		
Provisions for insured events of the current year:		
General Insurance	1,061.7	1,051.0
Title Insurance	44.3	51.2
RFIG Run-off (a)	67.6	86.1
Other	11.4	12.2
Sub-total	1,185.1	1,200.7
Change in provision for insured events of prior years:		
General Insurance	28.8	(3.6)
Title Insurance	(22.0)	—
RFIG Run-off (a)	(21.4)	(37.2)
Other	(1.8)	(1.5)
Sub-total	(16.5)	(42.5)
Total incurred claims and claim adjustment expenses (a)	1,168.6	1,158.1
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year:		
General Insurance	276.4	266.4
Title Insurance	1.4	.9
RFIG Run-off (b)	.9	1.3
Other	6.4	7.4
Sub-total	285.3	276.2
Claims and claim adjustment expenses attributable to insured events of prior years:		
General Insurance	677.3	705.9
Title Insurance	31.8	31.5
RFIG Run-off (b)	97.1	131.4
Other	3.2	6.1
Sub-total	809.6	875.1
Total payments (b)	1,094.9	1,151.3
Amount of reserves for unpaid claims and claim adjustment expenses at the end of each period, net of reinsurance losses recoverable: (c)		
General Insurance	5,386.7	5,128.1
Title Insurance	591.0	599.5

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RFIG Run-off	522.0	652.7
Other	13.7	13.9
Sub-total	6,513.5	6,394.4
Reinsurance losses recoverable	2,873.0	2,732.2
Gross reserves at end of period	\$9,386.6	\$9,126.6

In common with all other insurance lines, 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. Changes in (a) 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 claims denials of \$3.2 and \$4.6 for the year-to-date periods ended June 30, 2017 and 2016, respectively. The provision for insured events of prior years for the periods shown in the table was (increased) reduced by estimated coverage rescissions and claims denials of \$(1.9) and \$(5.3), 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.

(b) Rescissions reduced the Company's paid losses by an estimated \$(6.4) and \$(9.8) for the year-to-date periods ended June 30, 2017 and 2016, respectively.

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

	June 30, 2017	June 30, 2016	December 31, 2016
General Insurance	\$2,560.7	\$2,442.8	\$ 2,431.2
Title Insurance	519.0	526.7	517.5
RFIG Run-off	221.8	203.6	206.3
Other	5.3	5.0	5.4
Total	\$3,306.9	\$3,178.2	\$ 3,160.5

5. Employee Benefit Plans:

The Company had an active pension plan (the Plan) covering a portion of its work force until December 31, 2013. The Plan is a defined benefit plan pursuant to which pension payments are based primarily on years of service and employee compensation near retirement. The Plan was closed to new participants and benefits were frozen as of December 31, 2013. As a result, eligible employees retained all of the vested rights as of the effective date of the freeze. While additional benefits no longer accrue, the Company's cumulative obligation continues to be subject to further adjustment due to changes in actuarial assumptions such as expected mortality and changes in interest rates. Net periodic pension costs for the quarterly and year-to-date periods ended June 30, 2017 and 2016 were not material to Old Republic's consolidated statements of income.

6. Information About Segments of Business:

Old Republic is engaged in the single business of insurance underwriting and related services. The Company conducts its operations through a number of regulated insurance company subsidiaries organized into three major segments, namely its General Insurance Group (property and liability insurance), Title Insurance Group, and the Republic Financial Indemnity Group ("RFIG") Run-off Business. The results of a small life & accident insurance business are included with those of the holding company parent and minor corporate services operations. Each of the Company's segments underwrites and services only those insurance coverages which may be written by it pursuant to state insurance regulations and corporate charter provisions. Segment results exclude net realized investment gains or losses and other-than-temporary impairments as these are aggregated in the consolidated totals. The contributions of Old Republic's insurance industry segments to consolidated totals are shown in the following table.

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	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
General Insurance:				
Net premiums earned	\$769.5	\$741.8	\$1,512.3	\$1,460.8
Net investment income and other income	107.2	103.9	213.4	209.7
Total revenues before realized gains or losses	\$876.7	\$845.8	\$1,725.7	\$1,670.5
Income before taxes (credits) and realized investment gains or losses (a)	\$62.7	\$80.0	\$156.4	\$167.1
Income tax expense (credits) on above	\$17.6	\$24.4	\$45.6	\$51.3
Title Insurance:				
Net premiums earned	\$432.0	\$403.1	\$850.4	\$782.5
Title, escrow and other fees	123.5	121.3	223.2	216.1
Sub-total	555.6	524.5	1,073.6	998.7
Net investment income and other income	9.3	9.3	19.1	18.7
Total revenues before realized gains or losses	\$565.0	\$533.8	\$1,092.8	\$1,017.5
Income before taxes (credits) and realized investment gains or losses (a)	\$65.0	\$44.6	\$105.5	\$66.0
Income tax expense (credits) on above	\$22.5	\$15.7	\$36.4	\$23.3
RFIG Run-off Business:				
Net premiums earned	\$32.9	\$42.7	\$68.4	\$90.5
Net investment income and other income	5.3	5.7	10.9	11.7
Total revenues before realized gains or losses	\$38.3	\$48.5	\$79.4	\$102.3
Income before taxes (credits) and realized investment gains or losses	\$6.8	\$14.3	\$21.3	\$42.0
Income tax expense (credits) on above	\$2.2	\$4.9	\$7.5	\$14.5
Consolidated Revenues:				
Total revenues of above Company segments	\$1,480.0	\$1,428.3	\$2,898.1	\$2,790.3
Other sources (b)	42.2	28.7	84.1	57.1
Consolidated net realized investment gains (losses)	6.8	6.6	21.7	50.8
Consolidation elimination adjustments	(30.1)	(21.5)	(60.1)	(42.5)
Consolidated revenues	\$1,499.0	\$1,442.2	\$2,943.8	\$2,855.7
Consolidated Income Before Taxes (Credits):				
Total income before income taxes (credits) and realized investment gains or losses of above Company segments	\$134.6	\$139.0	\$283.3	\$275.3
Other sources - net (b)	4.8	3.0	5.9	4.9
Consolidated net realized investment gains (losses)	6.8	6.6	21.7	50.8
Consolidated income before income taxes (credits)	\$146.3	\$148.8	\$311.0	\$331.1
Consolidated Income Tax Expense (Credits):				
Total income tax expense (credits) for above Company segments	\$42.4	\$45.1	\$89.6	\$89.2

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Other sources - net (b)	(.1) .2	(.9) .1
Income tax expense (credits) on consolidated net realized investment gains (losses)	2.4	2.3	7.5	17.8
Consolidated income tax expense (credits)	\$44.6	\$47.7	\$96.2	\$107.1

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	June 30, 2017	December 31, 2016
Consolidated Assets:		
General Insurance	\$ 15,981.3	\$ 15,305.7
Title Insurance	1,413.2	1,423.0
RFIG Run-off Business	875.8	904.8
Total assets for the above company segments	18,270.4	17,633.6
Other assets (b)	1,464.6	1,301.8
Consolidation elimination adjustments	(377.9)	(343.9)
Consolidated assets	\$ 19,357.1	\$ 18,591.6

Income before taxes (credits) is reported net of interest charges on intercompany financing arrangements with Old Republic's holding company parent for the following segments: General - \$14.2 and \$28.3 compared to \$13.2 and (a) \$25.3 for the quarter and six months ended June 30, 2017 and 2016, respectively, and Title - \$2.2 and \$4.3 compared to \$2.1 and \$4.2 for the quarter and six months ended June 30, 2017 and 2016, respectively.

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

The material increases in mortgage guaranty insurance claims and loss payments that began in 2007 gradually depleted Republic Mortgage Insurance Company's ("RMIC") statutory capital base and forced it to discontinue writing new business in 2011. The insurance laws of 16 jurisdictions, including RMIC's and its affiliate company, Republic Mortgage Insurance Company of North Carolina's ("RMICNC") domiciliary state of North Carolina, require a mortgage insurer to maintain a minimum amount of statutory capital relative to risk in force (or a similar measure) in order to continue to write new business. The formulations currently allow for a maximum risk-to-capital ratio of 25 to 1, or alternatively stated, a "minimum policyholder position" ("MPP") of one-twenty-fifth of the total risk in force. The failure to maintain the prescribed minimum capital level in a particular state generally requires a mortgage insurer to immediately stop writing new business until it reestablishes the required level of capital or receives a waiver of the requirement from a state's insurance regulatory authority. RMIC breached the minimum capital requirement during the third quarter of 2010. RMIC had previously requested and, subsequently received waivers or forbearance of the minimum policyholder position requirements from the regulatory authorities in substantially all affected states. Following several brief extensions, the waiver from its domiciliary state of North Carolina expired on August 31, 2011, and RMIC and its sister company, RMICNC, discontinued writing new business in all states and limited themselves to servicing the run-off of their existing business. They were placed under administrative supervision by the North Carolina Department of Insurance ("NCDOI") the following year 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 RMICNC. Under the Amended Plan, RMIC and RMICNC 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 of cash and securities in RMIC during June 2014. In mid-July 2014, in furtherance of the Final Order, RMIC and RMICNC processed payments of their accumulated DPO balances of approximately \$657.0 relating to fully settled claims charged to periods extending between January 19, 2012 and June 30, 2014. Both subsidiaries remain under the supervision of the NCDOI as they continue to operate in run-off mode. The approval of the Amended Plan notwithstanding, the NCDOI retains its regulatory supervisory powers to review and amend the terms of the Amended Plan in the future as circumstances may warrant.

7. Commitments and Contingent Liabilities:

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

On December 19, 2008, Old Republic Insurance Company and Republic Insured Credit Services, Inc., ("Old Republic") filed suit against Countrywide Bank FSB, Countrywide Home Loans, Inc. ("Countrywide") and Bank of New York Mellon, BNY Mellon Trust of Delaware ("BNYM") in the Circuit Court, Cook County, Illinois (Old Republic Insurance Company, et al. v. Countrywide Bank FSB, et al.) seeking rescission of various credit indemnity policies issued to insure home equity loans and home equity lines of credit which Countrywide had securitized or held for its own account, a declaratory judgment and money damages based upon systemic material misrepresentations and fraud by Countrywide as to the credit characteristics of the loans or by the borrowers in their loan applications. Countrywide filed a counterclaim alleging a breach of contract, bad faith and seeking a declaratory judgment challenging the factual and procedural bases that Old Republic had relied upon to deny or rescind coverage for individual defaulted loans under those policies, as well as unspecified compensatory and punitive damages. The Court ruled that Countrywide does not have standing to counterclaim with respect to the policies insuring the securitized loans because those policies were issued to BNYM. In response, Countrywide and BNYM jointly filed a motion asking the Court to allow an amended counterclaim in which BNYM would raise substantially similar allegations as those raised by Countrywide and make substantially similar requests but with respect to the policies issued to BNYM. The Court dismissed their motion, with leave to re-plead the counterclaim. BNYM's subsequent attempt to re-plead was granted by the Court and BNYM has re-pleaded its counterclaim. Pursuant to a revised case management order, a multi-phase trial is set to begin September 25, 2017.

On December 30, 2011 and on January 4, 2013, purported class action suits alleging RESPA violations were filed in the Federal District Court, for the Eastern District of Pennsylvania targeting RMIC, other mortgage guaranty insurance companies, PNC Financial Services Group (as successor to National City Bank) and HSBC Bank USA, N.A., and their wholly-owned captive insurance subsidiaries. (White, Hightower, et al. v. PNC Financial Services Group (as successor to National City Bank) et al.), (Ba, Chip, et al. v. HSBC Bank USA, N.A., et al.). The lawsuits are two of twelve against various lenders, their captive reinsurers and the mortgage insurers, filed by the same law firms. All of these lawsuits were substantially identical in alleging that the mortgage guaranty insurers had reinsurance arrangements with the defendant banks' captive insurance subsidiaries under which payments were made in violation of the anti-kickback and fee splitting prohibitions of Sections 8(a) and 8(b) of RESPA. Ten of the twelve suits have been dismissed. A class has not been certified in either remaining suit. Those two remaining suits seeking unspecified damages, costs, fees and the return of the allegedly improper payments were settled with an agreement to make nominal payments. Ba has been dismissed with prejudice and White is awaiting the Court's decision.

On October 9, 2014, Intellectual Ventures I LLC and Intellectual Ventures II LLC (collectively, "IV") served a complaint naming as defendants Old Republic National Title Insurance Company, Old Republic Title Insurance Group, Inc., Old Republic Insurance Company and Old Republic General Insurance Group, Inc. (collectively, "Old Republic")(Intellectual Ventures I LLC et al. v. Old Republic General Insurance Group, Inc. et al.). The lawsuit was brought in the United States District Court for the Western District of Pennsylvania. IV alleged that Old Republic has infringed three patents and sought damages, costs, expenses, and pre-judgment and post-judgment interest for the alleged infringement, in addition to injunctive relief. On October 14, 2014, Old Republic filed a motion to dismiss each count of the complaint on the grounds that the patents fail to meet the patentability test established by the United States Supreme Court in *Alice Corp. Pty. Ltd. v. CLS Bank*, 134 S.Ct. 2347 (2014). The Court granted Old Republic's motion to dismiss on all three patents on September 25, 2015. Concurrently, Old Republic filed inter partes review petitions challenging validity of the patents before the United States Patent & Trademark Office ("USPTO") in late September and early October, 2015. In late October, 2015, IV filed notice of its appeal of the District Court's dismissal of its claims. On March 7, 2017, the United States Court of Appeal for the Federal Circuit affirmed the District Court's dismissal. Subsequently, the Patent Trial and Appeal Board ("PTAB") of the USPTO issued a series of Orders finding in favor of Old Republic's challenges to the three patents. The time for IV to appeal the decisions of the Federal Circuit and the PTAB expired in June, 2017.

On January 20, 2015, Intellectual Ventures II LLC filed two complaints in the United States District Court for the Eastern District of Texas, naming as defendants Great West Casualty Company and BITCO General Insurance Corporation and BITCO National Insurance Company. (Intellectual Ventures II LLC v. Great West Casualty Company) and (Intellectual Ventures II LLC v. BITCO General Insurance Corporation et al.) The plaintiff alleges a single patent infringement and seeks damages, costs, expenses, and pre-judgment and post-judgment interest in addition to injunctive relief. On April 9, 2015, plaintiff amended each complaint to allege a second patent infringement claim. The District Court set a trial date in September, 2016. In August and September, 2015, Great West and BITCO filed inter partes review petitions challenging the validity of claims under the patents before the PTAB. Both petitions were accepted for review. On May 11, 2016, the parties filed a stipulation of dismissal on one of the patent infringement claims in the District Court. On June 29, 2016, IV disclaimed all claims it asserted against Great West and BITCO on that patent and, accordingly, the inter partes review was terminated by the PTAB. With respect to the remaining single patent infringement claim, on May 12, 2016, the District Court issued a stay on the suit until such time as the PTAB issues its ruling on the inter partes review. On January 17, 2017, the PTAB issued its ruling, finding all but one claim under the patent to be unpatentable. Great West and BITCO filed a Request for Rehearing on January 26, 2017 on the remaining claim and such request was denied on May 5, 2017. IV appealed the PTAB ruling on its patent on March 20, 2017. On June 6, 2017, Great West and BITCO filed a Cross Appeal. Additionally, on February 6, 2017, noting that a separate inter partes review for all claims under the patent, including the single claim remaining in the BITCO and Great West lawsuits, is ongoing between IV and another party, the District Court extended the stay until January 20, 2018.

On July 5, 2016, Ocwen Loan Servicing, LLC and Homeward Residential, Inc. (collectively, "Ocwen") filed an amendment to an initial complaint against Republic Mortgage Insurance Company and Republic Mortgage Insurance Company of North Carolina (collectively, "RMIC"). The suit, which is captioned Ocwen et al. v. RMIC et al., is pending in the General Court of Justice, Superior Court Division for Forsyth County, North Carolina. The amendment for the first time identifies specific mortgage insurance certificates as to which Ocwen alleges breaches of contract, bad faith and violations of certain fair claims settlement practices laws and seeks declaratory relief in regard to certain claims handling practices on future claims. RMIC believes the suit is without merit and intends to defend vigorously.

Under GAAP, an estimated loss is accrued only if the loss is probable and reasonably estimable. The Company and its subsidiaries have defended and intend to continue defending vigorously against each of the aforementioned actions. The Company does not believe it probable that any of these actions will have a material adverse effect on its consolidated financial position, results of operations, or cash flows, though there can be no assurance in those regards. The Company has made an estimate of its potential liability under certain of these lawsuits and the counterclaim, all of which seek unquantified damages, attorneys' fees, and expenses. Because of the uncertainty of the ultimate outcomes of the aforementioned disputes, additional costs may arise in future periods beyond the Company's current reserves. It is also unclear what effect, if any, the run-off operations of RMIC and its limited capital will have in the actions against it.

8. Debt:

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

	June 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
3.75% Convertible Senior Notes due 2018	\$ 548.6	\$ 699.7	\$ 547.8	\$ 689.5
4.875% Senior Notes due 2024	395.9	429.0	395.6	417.4
3.875% Senior Notes due 2026	544.8	550.8	544.6	531.9
ESSOP debt with an average yield of 4.39% and 3.98%, respectively	4.2	4.2	8.1	8.1
Other miscellaneous debt with an average yield of 2.3% and 1.9%, respectively	32.4	32.5	32.4	32.5
Total debt	\$1,526.1	\$1,716.3	\$1,528.7	\$1,679.7

On August 26, 2016, the Company completed a public offering of \$550.0 aggregate principal amount of Senior Notes. The notes bear interest at a rate of 3.875% per year and mature on August 26, 2026.

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

The Company completed a public offering of \$550.0 aggregate principal amount of Convertible Senior Notes in early March, 2011. The notes bear interest at a rate of 3.75% per year, mature on March 15, 2018, and are convertible at any time prior to maturity by the holder into 64,3407 shares (subject to periodic adjustment under certain circumstances) of common stock per one thousand dollar note.

The Company's 3.75% Convertible Senior Notes, 4.875% Senior Notes, and 3.875% Senior Notes ("the Notes") contain provisions defining certain events of default, among them a court ordered proceeding due to the insolvency of a Significant Subsidiary. The Notes define Significant Subsidiary in accordance with the paragraph (w) of Rule 1-02 of the SEC's Regulation S-X. The Company's flagship mortgage guaranty insurance carrier, RMIC, qualifies as a Significant Subsidiary for purposes of the Notes. If RMIC were to become statutorily impaired, its insolvency could trigger a receivership proceeding which, in turn could ultimately result in an event of default. If this were to occur, the outstanding principal of the Notes could become immediately due and payable. Management believes the Final Order by the North Carolina Department of Insurance to RMIC has precluded such an event of default from occurring in the foreseeable future. Moreover, RMIC was statutorily solvent at June 30, 2017 and management has every expectation that its solvent state is likely to prevail. RMIC is expected to be an increasingly less significant subsidiary over time as its in force business declines.

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

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

	Carrying Value	Fair Value	Level 2
--	----------------	------------	---------

	Level	Level
	1	3

Financial Liabilities:

Debt:

June 30, 2017	\$1,526.1	\$1,716.3	\$-1,679.6	\$36.7
December 31, 2016	\$1,528.7	\$1,679.7	\$-1,639.0	\$40.6

9. Income Taxes:

Tax positions taken or expected to be taken in a tax return by the Company are recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. To the best of management's knowledge, there are no tax uncertainties that are expected to result in significant increases or decreases to unrecognized tax benefits within the next twelve month period. The Company views its income tax exposures as primarily consisting of timing differences whereby the ultimate deductibility of a taxable amount is highly certain but the timing of its deductibility is uncertain. Such differences relate principally to the timing of deductions for loss and premium reserves. As in prior examinations, the Internal Revenue Service ("IRS") could assert that claim reserve deductions were overstated thereby reducing the Company's statutory taxable income in any particular year. The Company believes that it establishes its reserves fairly and consistently at each balance sheet date, and that it would succeed in defending its tax position in these regards. Because of the impact of deferred tax accounting, the possible accelerated payment of tax to the IRS would not necessarily affect the annual effective tax rate. The Company classifies interest and penalties as income tax expense in the consolidated statement of income. The IRS has audited the Company's consolidated Federal income tax returns through year-end 2013.

OLD REPUBLIC INTERNATIONAL CORPORATION
MANAGEMENT ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS
Six Months Ended June 30, 2017 and 2016
(\$ 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 .4% of consolidated operating revenues for the six months ended June 30, 2017 and .8% 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, many of which require additional financial statement disclosures and provide related application guidance. Recent guidance issued by the FASB is summarized further in Note 1 of 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 in Old Republic's 2016 Annual Report on Form 10-K.

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

In addition to income arising from Old Republic's basic underwriting and related services functions, significant investment income is earned from invested funds generated by those functions and from shareholders' capital. Investment management aims for stability of income from interest and dividends, protection of capital, and 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 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 relatively level operating earnings for this year's second quarter, while those of the year's first half rose modestly compared to the same period of 2016. For each of these periods, operating earnings were most positively effected by greater profits in Old Republic's Title Insurance Group. As the table immediately below indicates, realized net investment gains enhanced consolidated pretax and net income to different degrees in each of the periods reported upon.

Financial Highlights

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Operating revenues:				
General insurance	\$876.7	\$845.8	\$1,725.7	\$1,670.5
Title insurance	565.0	533.8	1,092.8	1,017.5
Corporate and other	12.0	7.2	24.0	14.5
Subtotal	1,453.8	1,386.9	2,842.6	2,702.6
RFIG run-off business	38.3	48.5	79.4	102.3
Total	\$1,492.1	\$1,435.5	\$2,922.1	\$2,804.9
Pretax operating income (loss):				
General insurance	\$62.7	\$80.0	\$156.4	\$167.1
Title insurance	65.0	44.6	105.5	66.0
Corporate and other	4.8	3.0	5.9	4.9
Subtotal	132.6	127.7	267.9	238.2
RFIG run-off business	6.8	14.3	21.3	42.0
Total	139.4	142.1	289.3	280.3
Realized investment gains (losses):				
From sales	6.8	6.6	21.7	50.8
From impairments	—	—	—	—
Net realized investment gains (losses)	6.8	6.6	21.7	50.8
Consolidated pretax income (loss)	146.3	148.8	311.0	331.1
Income taxes (credits)	44.6	47.7	96.2	107.1
Net income (loss)	\$101.6	\$101.0	\$214.7	\$224.0
Components of diluted earnings per share:				
Net operating income (loss):				
General insurance	\$0.15	\$0.19	\$0.37	\$0.39
Title insurance	0.14	0.10	0.23	0.15
Corporate and other	0.03	0.02	0.05	0.04
Subtotal	0.32	0.31	0.65	0.58
RFIG run-off business	0.02	0.03	0.05	0.09
Total	0.34	0.34	0.70	0.67
Net realized investment gains (losses)	0.01	0.01	0.04	0.11
Net income (loss)	\$0.35	\$0.35	\$0.74	\$0.78
Cash dividends paid per share	\$0.1900	\$0.1875	\$0.3800	\$0.3750
Ending book value per share			\$17.85	\$16.89

The preceding table shows both operating and net income to highlight the effects of realized investment gains or losses on period-to-period earnings comparisons. Management uses operating income, a non-GAAP financial measure, to evaluate and better explain operating performance, believing that the measure enhances an understanding

of Old Republic's core business results. Operating income, however, does not replace net income determined in accordance with GAAP as a measure of total profitability.

The recognition of realized investment gains or losses can be highly discretionary due to such factors as the timing of individual securities sales, the recording of estimated losses from write-downs of impaired securities, tax-planning considerations, and changes in investment management judgments regarding the direction of securities markets or the future prospects of individual investees or industry sectors. In recent years, asset management operations have to a large extent been oriented toward an enhancement of income from interest and dividends to counter a perniciously low yield environment. The strategy has led to a minimization of non-income producing or low-yielding securities. Proceeds from such securities' sales and maturities, as well as newly investable funds have largely been directed to purchases of higher yielding common shares of American companies with distinguished long-term records of earnings and dividend growth. More recently the Company has allotted greater investable funds to tax exempt issues which generally provide pretax yields lower than those of fully taxable corporate or U.S. Government fixed maturity securities but tend to generate better post-tax yields.

General Insurance Results - The table below shows the major elements effecting this segment's performance for each of periods reported upon.

	General Insurance Group					
	Quarters Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	2017	2016	Change
Net premiums earned	\$769.5	\$741.8	3.7 %	\$1,512.3	\$1,460.8	3.5 %
Net investment income	79.1	77.7	1.8	157.9	156.3	1.0
Other income	28.0	26.2	7.0	55.4	53.3	3.9
Operating revenues	876.7	845.8	3.6	1,725.7	1,670.5	3.3
Benefits and claim costs	573.0	532.3	7.6	1,100.7	1,057.2	4.1
Sales and general expenses	225.2	218.9	2.9	437.1	417.9	4.6
Interest and other costs	15.7	14.5	8.1	31.4	28.1	11.5
Total operating expenses	814.0	765.8	6.3	1,569.3	1,503.3	4.4
Pretax operating income (loss)(*)	\$62.7	\$80.0	(21.7)%	\$156.4	\$167.1	(6.4)%
Benefit and claim ratio	74.5 %	71.8%	72.8%	72.4%		
Expense ratio	25.6	26.0	25.2	25.0		
Composite underwriting ratio	100.1 %	97.8%	98.0%	97.4%		

(*) In connection with the run-off mortgage guaranty ("MI") and consumer credit indemnity ("CCI") combination, \$12.1 and \$16.6 of pretax operating losses for the second quarter and first half of 2017, and \$15.2 and \$21.2 of pretax operating losses for the second quarter and first half of 2016, respectively, are retained by certain general insurance companies pursuant to various quota share and stop loss reinsurance agreements. All of these amounts, however, have been reclassified such that 100% of the CCI run-off business is reported in the RFIG run-off segment.

Positive general insurance earned premiums trends for 2017 were unevenly distributed among various insurance coverages and sources of business. Gains continued to be registered most prominently in commercial automobile (trucking), national accounts, home and auto warranty, and in a new underwriting facility established in early 2015. On the other hand, premium growth continued to be constrained by low volume in a large account contractors book of business faced with a particularly competitive market place, and by reduced opportunities in the gas and oil energy services field.

Net investment income growth slowed in both periods of 2017 as the yield environment continued to exhibit low returns on both fixed maturity and high quality equity securities.

The ratio of claims and related settlement costs to earned premiums rose for 2017 in comparison with the same periods of 2016. While current year claim provisions reflected moderate year-over-year declines, the ratios were driven up by unfavorable developments of prior years' reserves of 2.4 and 1.9 percentage points in this year's second quarter and first half, respectively. By contrast, the ratios were effected by (0.7) and (0.2) percentage point reductions stemming from favorable reserve developments in last year's second quarter and first half, respectively. 2017's unfavorable developments were concentrated in the Company's largest insurance coverages of workers' compensation, commercial automobile (trucking), and general liability. This year's expense ratio was slightly elevated when compared with its expected long-term range of 23 percent to 25 percent. The combination of premium, claim, and expense trends were most responsible for the reduction in general insurance underwriting and pretax operating income.

Quarterly and even annual claim provisions and the trends they display may not be particularly meaningful in Old Republic's long-term liability insurance mix of business. Absent significant economic and insurance industry dislocations in the foreseeable future, it is anticipated that reported claim ratios can be expected to range within targeted averages in the high 60 percent to low 70 percent levels. The current mix of business should result in expense

ratios within the aforementioned range.

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Title Insurance Results - Pretax operating income for this year's interim periods improved as both revenues and claim costs extended the favorable trends of recent years.

	Title Insurance Group					
	Quarters Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	2017	2016	Change
Net premiums and fees earned	\$555.6	\$524.5	5.9 %	\$1,073.6	\$998.7	7.5 %
Net investment income	9.2	8.9	2.9	18.7	18.0	3.9
Other income	0.1	0.3	(62.1)	0.4	0.7	(44.0)
Operating revenues	565.0	533.8	5.8	1,092.8	1,017.5	7.4
Claim costs	11.2	26.8	(58.1)	22.2	51.2	(56.5)
Sales and general expenses	486.6	460.4	5.7	960.7	896.1	7.2
Interest and other costs	2.0	1.9	5.9	4.2	4.0	6.3
Total operating expenses	499.9	489.2	2.2	987.3	951.4	3.8
Pretax operating income (loss)	\$65.0	\$44.6	45.6 %	\$105.5	\$66.0	59.7 %
Claim ratio	2.0 %	5.1 %	2.1 %	5.1 %		
Expense ratio	87.6	87.7	89.4	89.7		
Composite underwriting ratio	89.6%	92.8%	91.5%	94.8%		

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.

On the expense side of the ledger, claim costs were lower in the face of declining claims activity since the Great Recession years. Favorable developments of reserves established in prior years reduced the claim ratio by 2.1 and 2.0 percentage points in this year's second quarter and first half, respectively. The claim ratio for last year's related periods was unaffected by such developments. The operating expense ratio for the periods reported upon remained generally aligned with premiums and fees levels.

Please see next page for the continuing report

RFIG Run-off Business Results - As summarized below, overall pretax operating results for this year's interim periods were mostly effected by uniformly higher claim ratios for the aggregated components of this run-off book of business.

RFIG Run-off Business							
Quarter Ended June 30, 2017			Six Months Ended June 30, 2017				
	2017	2016	Change	2017	2016	Change	
A. Mortgage Insurance (MI)							
Net premiums earned	\$29.1	\$38.7	(24.8)%	\$60.5	\$83.1	(27.2)%	
Net investment income	5.0	5.5	(8.5)	10.3	11.2	(8.0)	
Claim costs	10.3	9.3	11.2	21.3	19.9	6.7	
Pretax operating income (loss)	\$19.3	\$29.9	(35.3)%	\$38.7	\$64.0	(39.5)%	
Claim ratio	35.5%	24.0%	35.2%	24.0%			
Expense ratio	15.3	13.0	17.7	12.4			
Composite underwriting ratio	50.8%	37.0%	52.9%	36.4%			
B. Consumer Credit Indemnity (CCI)							
Net premiums earned	\$3.7	\$4.0	(6.2)%	\$7.9	\$7.4	7.2 %	
Net investment income	0.3	0.2	25.6	0.6	0.5	25.1	
Benefits and claim costs	15.9	19.3	(17.5)	24.8	28.8	(14.0)	
Pretax operating income (loss)(*)	\$(12.5)	\$(15.6)	19.7 %	\$(17.4)	\$(21.9)	20.7 %	
Claim ratio	425.8%	484.0%	311.0%	387.5%			
Expense ratio	17.4	12.9	15.5	14.8			
Composite underwriting ratio	443.2%	496.9%	326.5%	402.3%			
C. Total MI and CCI run-off business:							
Net premiums earned	\$32.9	\$42.7	(23.0)%	\$68.4	\$90.5	(24.4)%	
Net investment income	5.3	5.7	(6.9)	10.9	11.7	(6.5)	
Benefits and claim costs	26.3	28.6	(8.2)	46.1	48.8	(5.5)	
Pretax operating income (loss)	\$6.8	\$14.3	(52.2)%	\$21.3	\$42.0	(49.3)%	
Claim ratio	80.0%	67.1%	67.4%	53.9%			
Expense ratio	15.6	13.0	17.5	12.6			
Composite underwriting ratio	95.6%	80.1%	84.9%	66.5%			

(*) In connection with the run-off mortgage guaranty ("MI") and consumer credit indemnity ("CCI") combination, \$12.1 and \$16.6 of pretax operating losses for the second quarter and first half of 2017, and \$15.2 and \$21.2 of pretax operating losses for the second quarter and first half of 2016, respectively, are retained by certain general insurance companies pursuant to various quota share and stop loss reinsurance agreements. All of these amounts, however, have been reclassified such that 100% of the CCI run-off business is reported in the RFIG run-off segment.

Consistent with a run-off operating mode, further declines of earned premiums were posted by the combined MI and CCI lines. MI investment income was also lower as reduced premium volume and on-going claim payments effected downward pressures on the invested asset base.

While the declining premium base led to a higher claim ratio for 2017, reported claim costs for MI were relatively level in comparison to the related periods of 2016. Reductions in the provision for current year losses emanating from a continuing drop in newly reported delinquencies as well as improving cure rates were offset by less favorable reserve developments in 2017. In the latter regard, favorable developments of previously established claim reserves lowered claim ratios by 27.0 and 31.1 percentage points in the second quarter and first half of 2017, respectively. In the same respective periods of 2016, the claim ratio reductions amounted to 41.9 and 40.5 percentage points.

MI operating costs and the expense ratios were negatively impacted in 2017's first half by charges related to the partial termination of a facility lease.

Moderately improved CCI operating performance in 2017 periods resulted mostly from reduced provisions for ongoing litigation costs.

Corporate and Other Operations - The combination of a small life and accident insurance business and the net costs associated with operations of the parent holding company and its internal corporate services subsidiaries usually produce highly variable results. Earnings variations posted by these elements of Old Republic's business stem from volatility inherent to the small scale of the life and accident insurance line, changes in net investment income, and net interest charges pertaining to external and intra-system financing arrangements. The dynamic period-to-period interplay of these various operating elements is summarized in the following table:

	Corporate and Other Operations			
	Quarters Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net premiums earned	\$4.7	\$4.7	\$9.4	\$9.5
Net investment income	7.3	2.4	14.6	5.1
Other income	—	—	—	(0.1)
Operating revenues	12.0	7.2	24.0	14.5
Benefits and claim costs	4.2	4.9	9.2	9.5
Insurance expenses	1.7	2.1	5.5	4.3
Corporate, interest, and other expenses-net	1.3	(2.9)	3.2	(4.3)
Total operating expenses	7.2	4.1	18.0	9.5
Pretax operating income (loss)	\$4.8	\$3.0	\$5.9	\$4.9

Consolidated Results - The consolidated changes and occurrences in Old Republic's segmented business are reflected in the table below.

	ORI Consolidated					
	Quarters Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	2017	2016	Change
Net premiums and fees earned	\$1,362.8	\$1,313.9	3.7 %	\$2,663.9	\$2,559.6	4.1 %
Net investment income	101.0	94.9	6.5	202.3	191.2	5.8
Other income	28.2	26.6	5.9	55.8	53.9	3.5
Operating revenues	1,492.1	1,435.5	3.9	2,922.1	2,804.9	4.2
Benefits and claim costs	614.8	592.8	3.7	1,178.2	1,166.9	1.0
Sales and general expenses	721.7	689.9	4.6	1,422.0	1,336.3	6.4
Interest and other costs	16.0	10.6	51.5	32.5	21.3	52.0
Total operating expenses	1,352.7	1,293.4	4.6	2,632.8	2,524.6	4.3
Pretax operating income (loss)	139.4	142.1	(1.9)	289.3	280.3	3.2
Income taxes (credits)	42.2	45.3	(6.9)	88.6	89.3	(0.7)
Net operating income (loss)	97.1	96.7	0.5	200.6	190.9	5.1
Realized investment gains (losses)	6.8	6.6	2.6	21.7	50.8	(57.3)
Income taxes (credits) on realized investment gains (losses)	2.4	2.3	2.6	7.5	17.8	(57.3)
Net realized investment gains (losses)	4.4	4.3	2.5	14.1	33.0	(57.3)
Net income (loss)	\$101.6	\$101.0	0.5 %	\$214.7	\$224.0	(4.2) %
Benefit and claim ratio	45.1 %	45.1 %	44.2 %	45.6 %		
Expense ratio	50.7	50.3	51.0	49.8		
Composite underwriting ratio	95.8 %	95.4 %	95.2 %	95.4 %		
Consolidated operating cash flow	\$259.0	\$163.8	58.1 %			

In addition to all of the matters previously discussed, 2017 consolidated results were burdened by higher interest expense related to a greater debt level assumed last year. Proceeds from this new debt were invested in fixed maturity and equity securities which have in turn enhanced consolidated net investment income.

Consolidated operating cash flow was additive to investable funds and operating needs in the amount of \$259.0 and \$163.8 for the first six months of 2017 and 2016, respectively. Excluding inherently negative operating cash flows in the MI and CCI run-off business, these amounts would be \$319.9 and \$218.7, respectively.

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The sum-total of Old Republic's segmented results is represented by the following major components of pretax consolidated income:

	Quarters Ended June 30,			Six Months Ended June 30,		
	2017	2016	Change	2017	2016	Change
Pretax operating income:						
Underwriting and related services:						
All segments except RFIG	\$52.9	\$49.2	7.6 %	\$109.0	\$80.0	36.2 %
RFIG run-off	1.4	8.5	(82.9)	10.3	30.3	(65.8)
Subtotal	54.4	57.8	(5.8)	119.4	110.4	8.2
Net investment income	101.0	94.9	6.5	202.3	191.2	5.8
Interest and other costs	(16.0)	(10.6)	51.5	(32.5)	(21.3)	52.0
Total	139.4	142.1	(1.9)	289.3	280.3	3.2
Realized investment gains(losses)	6.8	6.6	2.6	21.7	50.8	(57.3)
Consolidated pretax income	\$146.3	\$148.8	(1.7)%	\$311.0	\$331.1	(6.1)%

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

	June 30,	Dec. 31,	June 30,	% Change	
				June '17 / Dec. '16	June '17 / June '16
Cash and invested assets:					
Available for sale carried at fair value	\$12,156.3	\$12,021.0	\$11,509.5	1.1%	5.6 %
Held to maturity carried at amortized cost	1,071.7	974.8	629.2	9.9%	70.3%
Total per balance sheet	\$13,228.0	\$12,995.8	\$12,138.7	1.8%	9.0 %
Original cost basis of all	\$12,514.4	\$12,360.3	\$11,409.6	1.2%	9.7 %
Shareholders' equity:					
Total	\$4,661.8	\$4,471.6	\$4,378.0	4.3%	6.5 %
Per common share	\$17.85	\$17.20	\$16.89	3.8%	5.7 %

Composition of shareholders' equity per share:

Equity before items below	\$16.41	\$15.96	\$15.40	2.8%	6.6 %
Unrealized investment gains (losses) and other	1.44	1.24	1.49		

accumulated comprehensive income (loss)					
Total	\$17.85	\$17.20	\$16.89	3.8%	5.7 %

Segmented composition
of
shareholders' equity
per share:

Excluding run-off segment	\$16.48	\$15.93	\$15.70	3.5%	5.0 %
RFIG run-off segment	1.37	1.27	1.19		
Consolidated total	\$17.85	\$17.20	\$16.89	3.8%	5.7 %

Old Republic's invested assets are managed 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 June 30, 2017, the consolidated investment portfolio reflected an allocation of approximately 75 percent to fixed-maturity and short-term investments, and 25 percent to equities. Investments in high quality, dividend-paying equity securities have been singularly emphasized since 2013, and 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			
	Quarter Ended June 30, 2017	Six Months Ended June 30, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2016
Beginning balance	\$ 17.62	\$ 17.20	\$ 15.02	\$ 15.02
Changes in shareholders' equity:				
Net operating income (loss)	0.37	0.77	0.74	1.62
Net realized investment gains (losses):				
From sales	0.02	0.05	0.13	0.19
From impairments	—	—	—	(0.01)
Subtotal	0.02	0.05	0.13	0.18
Net unrealized investment gains (losses)	0.02	0.18	1.35	1.12
Total realized and unrealized investment gains (losses)	0.04	0.23	1.48	1.30
Cash dividends	(0.1900)	(0.3800)	(0.3750)	(0.7500)
Stock issuance, foreign exchange, and other transactions	0.01	0.03	0.03	0.01
Net change	0.23	0.65	1.87	2.18
Ending balance	\$ 17.85	\$ 17.85	\$ 16.89	\$ 17.20
Percentage change for the period	1.3 %	3.8 %	12.5 %	14.5 %

Capitalization - The following table indicates that Old Republic's capitalization has risen since June 30, 2016 due to the issuance of additional debt and growing equity in the shareholders' account.

	Capitalization		
	June 30, 2017	December 31, 2016	June 30, 2016
Debt:			
3.75% Convertible Senior Notes due 2018	\$ 548.6	\$ 547.8	\$ 546.9
4.875% Senior Notes due 2024	395.9	395.6	395.4
3.875% Senior Notes due 2026	544.8	544.6	—
ESSOP debt with an average yield of 4.4%	4.2	8.1	8.1
Other miscellaneous debt with an average yield of 2.3%	32.4	32.4	32.4
Total debt	1,526.1	1,528.7	982.9
Common shareholders' equity	4,661.8	4,471.6	4,378.0
Total capitalization	\$ 6,187.9	\$ 6,000.4	\$ 5,361.0
Capitalization ratios:			
Debt	24.7 %	25.5 %	18.3 %
Common shareholders' equity	75.3	74.5	81.7
Total	100.0 %	100.0 %	100.0 %

DETAILED MANAGEMENT ANALYSIS

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

FINANCIAL ACCOUNTING AND REPORTING POLICIES

The Company's annual and interim financial statements incorporate a large number and types of estimates relative to matters which are highly uncertain at the time the estimates are made. The estimation process required of an insurance enterprise 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 fixed maturity and equity investments; b) the valuation of deferred income tax assets; c) the establishment and recoverability of deferred acquisition costs; d) the recoverability of reinsured paid and/or outstanding losses; and e) the establishment of reserves for losses and loss adjustment expenses. The major assumptions and methods used in setting these estimates are discussed in the Company's 2016 Annual Report on Form 10-K.

FINANCIAL POSITION

The Company's financial position at June 30, 2017 reflected increases in assets, liabilities, and common shareholders' equity of 4.1%, 4.1%, and 4.3%, respectively, when compared to the immediately preceding year-end. Cash and invested assets represented 68.3% and 69.9% of consolidated assets as of June 30, 2017 and December 31, 2016, respectively. As of June 30, 2017, the cash, accrued investment income, and invested asset base rose by 1.8% to \$13,228.0.

Investments - During the first six months of 2017 and 2016, the Company committed the majority of investable funds to short to intermediate-term fixed maturity securities and higher yielding publicly traded large capitalization common shares. At both June 30, 2017 and 2016, 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 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 June 30, 2017, 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 bond and equity portfolios would negatively affect the common shareholders' equity account at any point in time, but would not necessarily result in the recognition of realized investment losses. The Company reviews the status and fair value changes of each of its investments on at least a quarterly basis during the year, and estimates of other-than-temporary impairments in the portfolio's value are evaluated and established at each quarterly balance sheet date. In reviewing investments for other-than-temporary impairment, the Company, in addition to a security's market price history, considers the totality of such factors as the issuer's operating results, financial condition and liquidity, its ability to access capital markets, credit rating trends, most current audit opinion, industry and securities markets conditions, and analyst expectations to reach its conclusions. Sudden fair value declines caused by such adverse developments as newly emerged or imminent bankruptcy filings, issuer default on significant obligations, or reports of financial accounting developments that bring into question the validity of 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. 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 is considered other-than-temporarily-impaired. In the event the Company's estimate of other-than-temporary impairments is insufficient at any point in time, future periods' net income (loss) would be affected adversely by the recognition of additional realized or impairment losses, but its financial condition would not necessarily be affected adversely inasmuch as such losses, or a portion of them, could have been recognized previously as unrealized losses in shareholders' equity.

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

Credit Quality Ratings of Fixed Maturity Securities (a)

	June 30, 2017	December 31, 2016
Aaa	20.5 %	20.1 %
Aa	12.7	12.1
A	30.8	30.9
Baa	29.1	28.9
Total investment grade	93.1	92.0
All other (b)	6.9	8.0
Total	100.0 %	100.0 %

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

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

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

June 30, 2017	Amortized Cost	Gross Unrealized Losses
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Fixed
Maturity
Securities by
Industry
Concentration:

Energy	\$ 172.8	\$ 7.6
Basic Industry	22.5	.5
Technology	10.7	.1
Other (includes 4 industry groups)	16.4	—
Total	\$ 222.5	(c)\$ 8.4

(c) Represents 2.5% of the total fixed maturity securities portfolio.

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

June 30, 2017	Amortized Cost	Gross Unrealized Losses
Fixed Maturity Securities by Industry Concentration:		
Municipal	\$ 474.6	\$ 7.6
Utilities	213.6	2.3
U.S. Governments & Agencies	461.6	2.0
Industrials	95.1	.8
Other (includes 16 industry groups)	714.4	6.8
Total	\$ 1,959.4	(d)\$ 19.5

(d) Represents 21.8% of the total fixed maturity securities portfolio.

Gross Unrealized Losses Stratified
by Industry Concentration for
Equity Securities

June 30, 2017	Cost	Gross Unrealized Losses
Equity Securities by Industry Concentration:		
Energy	\$351.9	\$ 35.0
Health Care	59.4	2.4
Insurance	4.9	.4
Other (includes 4 industry groups)	86.5	.3
Total	\$502.8(e)	\$ 38.3 (f)

(e) Represents 19.1% of the total equity securities portfolio.

(f) Represents 1.5% of the cost of the total equity securities portfolio, while gross unrealized gains represent 22.0% of the portfolio.

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

June 30 2017	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	\$319.5	\$ 1.9	\$.6	\$ —
or less				
Due after one year	691.8	93.4	7.8	3.6
through five years				
Due after five years	1,146.9	118.5	18.9	4.3
through ten years				
Due after ten years	23.6	8.5	.6	.4
Total	\$2,181.9	\$ 222.5	\$28.0	\$ 8.4

Gross Unrealized Losses Stratified by
Duration and Amount of Unrealized Losses

June 30, 2017	Amount of Gross Unrealized Losses			Total Gross Unrealized Loss
	Less than 20% of Cost	20% to 50% of Cost	More than 50% of Cost	

Number
of
Months
in Loss
Position:

Fixed
Maturity
Securities:

One to six months	\$18.1	\$	—	—	\$ 18.1
Seven to twelve months	5.2	—	—	—	5.2
More than twelve months	4.5	—	—	—	4.5
Total	\$28.0	\$	—	—	\$ 28.0

Equity
Securities:

One to six months	\$15.1	\$	—	—	\$ 15.1
Seven to twelve months	2.4	—	—	—	2.4
More than twelve months	20.7	—	—	—	20.7
Total	\$38.3	\$	—	—	\$ 38.3

Number
of Issues
in Loss

Position:

Fixed
Maturity
Securities:

One to six months	430	—	—	430	
Seven to twelve months	96	—	—	96	
More than twelve months	31	—	—	31	
Total	557	—	—	557	(g)

Equity
Securities:

One to six months	9	—	—	9	
Seven to twelve months	1	—	—	1	
More than twelve months	2	—	—	2	
Total	12	—	—	12	(g)

(g) At June 30, 2017 the number of issues in an unrealized loss position represent 28.0% as to fixed maturities, and 11.2% as to equity securities of the total number of such issues held by the Company.

The aging of issues with unrealized losses employs balance sheet date fair value comparisons with an issue's original cost. The percentage reduction from such cost reflects the decline as of a specific point in time (June 30, 2017 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

	June 30, 2017	December 31, 2016
Maturity Ranges: Due in one year or less	11.3 %	9.2 %
	43.3	45.0

Due after one year through five years	44.0	43.9	
Due after five years through ten years			
Due after ten years through fifteen years	1.3	1.6	
Due after fifteen years	.1	.3	
Total	100.0 %	100.0	%

Average Maturity in Years	4.8	4.8
Duration (h)	4.2	4.2

Duration is used as a measure of bond price sensitivity to interest rate changes. A duration of 4.2 as of June 30, (h)2017 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 4.2%.

Composition of Unrealized Gains
(Losses)

	June 30, 2017	December 31, 2016
Available for Sale:		
Fixed Maturity Securities:		
Amortized cost	\$7,896.0	\$ 8,019.6
Estimated fair value	8,070.3	8,170.9
Gross unrealized gains	194.7	187.6
Gross unrealized losses	(20.4)	(36.3)
Net unrealized gains (losses)	\$174.3	\$ 151.3

Equity Securities:		
Original cost	\$2,639.1	\$ 2,404.9
Estimated fair value	3,181.1	2,896.1
Gross unrealized gains	580.4	516.2
Gross unrealized losses	(38.3)	(25.0)
Net unrealized gains (losses)	\$542.0	\$ 491.2

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 \$473.3 in dividends from its subsidiaries in 2017 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. At June 30, 2017, the Company's consolidated debt to equity ratio was 32.7%.

The Company's 3.75% Convertible Senior Notes, 4.875% Senior Notes, and 3.875% Senior Notes ("the Notes") contain provisions defining certain events of default, among them a court ordered proceeding due to the insolvency of a Significant Subsidiary. The Notes define Significant Subsidiary in accordance with the paragraph (w) of Rule 1-02 of the SEC's Regulation S-X. The Company's flagship mortgage guaranty insurance carrier, Republic Mortgage Insurance Company, ("RMIC") qualifies as a Significant Subsidiary for purposes of the Notes. If RMIC were to become statutorily impaired, its insolvency could trigger a receivership proceeding which, in turn could ultimately result in an event of default. If this were to occur, the outstanding principal of the Notes could become immediately due and payable. As of June 30, 2017, RMIC was statutorily solvent and management has every expectation that its solvent state is likely to prevail.

See the Company's 2016 Annual Report on Form 10-K, Item 1 - Business for a discussion of regulatory matters affecting RMIC. Management believes these current events have precluded the aforementioned potential for an event of default from occurring in the foreseeable future.

Capitalization - Old Republic's total capitalization of \$6,187.9 at June 30, 2017 consisted of debt of \$1,526.1 and common shareholders' equity of \$4,661.8. Changes in the common shareholders' equity account reflect primarily net income for the period then ended, changes in the fair value of invested assets, and dividend payments.

Old Republic has paid cash dividends to its shareholders without interruption since 1942, and has increased the annual rate in each of the past 36 calendar years. The dividend rate is reviewed and approved by the Board of Directors on a quarterly basis each year. In establishing each year's cash dividend rate the Company does not follow a strict formulaic approach. Rather, it favors a gradual rise in the annual dividend rate that is largely reflective of long-term consolidated operating earnings trends. Accordingly, each year's dividend rate is set judgmentally in consideration of such key factors as the dividend paying capacity of the Company's insurance subsidiaries, the trends in average annual statutory and GAAP earnings for the five to ten most recent calendar years, and management's long-term expectations for the Company's consolidated business and its individual operating subsidiaries.

Under state insurance regulations, the Company's three mortgage guaranty insurance subsidiaries are required to operate at a maximum risk to capital ratio of 25:1 or otherwise hold minimum amounts of capital based on specified formulas. As noted in prior periods' reports, the Company's flagship mortgage guaranty insurance carrier had been operating pursuant to a waiver of minimum state regulatory capital requirements since late 2009. This waiver expired on August 31, 2011. The Company's mortgage insurance subsidiaries therefore discontinued writing new business in all states and limited themselves to servicing the run-off of their existing business. As noted elsewhere herein, RMIC and

RMICNC have been operating pursuant to a Summary Order since January 19, 2012 and December 3, 2012, respectively, and the risk-to-capital ratio considerations are therefore no longer of consequence.

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 28% of 2017 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 72% of consolidated title premium and fee revenues is produced by independent title agents and underwritten title companies. Rather than making estimates that could be subject to significant variance from actual premium and fee production, the Company recognizes revenues from those sources upon receipt. Such receipts can reflect a three to four month lag relative to the effective date of the underlying title policy, and are offset concurrently by production expenses and claim reserve provisions.

The Company's mortgage guaranty premiums primarily stem from monthly installments paid on long-duration, guaranteed renewable insurance policies. Substantially all such premiums are written and earned in the month coverage is effective. With respect to relatively few annual or single premium policies, earned premiums are largely recognized on a pro-rata basis over the terms of the policies. As described more fully in the RFIG Run-off Business' Risk Factors for premium income and long-term claim exposures in the Company's 2016 Annual Report on Form 10-K under Item 1A - Risk Factors, revenue recognition for insured loans is not appropriately matched to the risk exposure and the consequent recognition of both normal and catastrophic loss occurrences.

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

	Earned Premiums and Fees					%
	General	Title	RFIG Run-off	Other	Total	Change from prior period
Years Ended December 31:						
2014	\$2,735.6	\$1,759.2	\$ 255.4	\$60.7	\$4,811.1	(1.5)%
2015	2,894.7	2,045.3	219.9	19.4	5,179.4	7.7
2016	2,936.3	2,206.6	170.0	20.1	5,333.2	3.0
Six Months Ended June 30:						
2016	1,460.8	998.7	90.5	9.5	2,559.6	3.7
2017	1,512.3	1,073.6	68.4	9.4	2,663.9	4.1
Quarters Ended June 30:						
2016	741.8	524.5	42.7	4.7	1,313.9	3.2
2017	\$769.5	\$555.6	\$ 32.9	\$4.7	\$1,362.8	3.7 %

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

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General Insurance Earned Premiums by Type of Coverage

	Commercial Workers Compensation (including trucking)	Automobile and Marine and Property	Financial Indemnity	Inland Marine and Property	General Liability	Other
Years Ended December 31:						
2014	40.6%	31.9 %	3.9 %	7.5 %	6.2 %	9.9 %
2015	39.0	32.1	4.1	7.4	5.9	11.5
2016	36.5	33.7	4.3	7.4	5.6	12.5
Six Months Ended June 30:						
2016	37.5	33.2	4.1	7.3	5.5	12.4
2017	34.6	34.3	4.6	7.5	6.0	13.0
Quarters Ended June 30:						
2016	37.2	32.8	4.1	7.2	5.2	13.5
2017	33.7%	34.7 %	4.5 %	7.6 %	5.8 %	13.7%

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:		
2014	27.1 %	72.9 %
2015	27.2	72.8
2016	27.9	72.1
Six Months Ended June 30:		
2016	28.5	71.5
2017	27.6	72.4
Quarters Ended June 30:		
2016	30.0	70.0
2017	29.4 %	70.6 %

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

Premium and Persistency Trends by Type:	Earned Premiums		Persistency	
	Direct	Net	Traditional Primary	Bulk
Years Ended December 31:				
2014	\$234.6	\$227.6	82.2%	66.9%
2015	201.1	195.9	79.9	56.1
2016	157.1	154.1	77.7	72.8
Six Months Ended June 30:				
2016	84.8	83.1	79.3	63.4
2017	60.8	60.5	77.5%	73.0%
Quarters Ended June 30:				

2016	39.6	38.7
2017	\$29.3	\$29.1

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

While there is no consensus in the marketplace as to the precise definition of "sub-prime", Old Republic generally views loans with credit (FICO) scores less than 620, loans underwritten with reduced levels of documentation and loans with loan to value ratios in excess of 95% as having a higher risk of default. Risk in force concentrations by these attributes are disclosed in the following tables for both traditional primary and bulk production. Premium rates for loans exhibiting greater risk attributes are typically higher in anticipation of potentially greater defaults and claim costs. Additionally, bulk insurance policies, which represent 6.9% of total net risk in force as of June 30, 2017, 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:				
2014	\$ 7,984.8	\$549.6	\$31.8	\$8,566.2
2015	6,414.9	428.2	24.1	6,867.3
2016	4,987.9	359.5	20.5	5,367.9
As of June 30:				
2016	5,697.1	395.5	22.7	6,115.3
2017	\$ 4,421.1	\$330.7	\$19.6	\$4,771.6

Analysis of Risk in Force

Risk in Force Distribution By FICO Scores:	FICO less than 620	FICO 620 to 680	FICO Greater than 680	Unscored/ Unavailable
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Traditional Primary:

As of December 31:				
2014	6.6 %	28.5 %	64.0 %	.9 %
2015	6.8	29.3	63.0	.9
2016	7.2	30.5	61.5	.8
As of June 30:				
2016	7.0	29.8	62.5	.7
2017	7.3 %	30.9 %	61.0 %	.8 %

Bulk(a):

As of December 31:				
2014	26.1 %	33.1 %	40.7 %	.1 %
2015	28.4	32.2	39.2	.2
2016	29.9	32.0	38.0	.1
As of June 30:				
2016	29.0	32.0	38.8	.2
2017	30.7 %	31.9 %	37.2 %	.2 %

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
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Traditional Primary(b):

As of December 31:				
2014	3.9 %	34.2 %	31.5 %	30.4 %
2015	3.8	33.5	30.9	31.8
2016	3.8	32.1	30.6	33.5
As of June 30:				
2016	3.8	33.0	30.8	32.4
2017	3.9 %	31.5 %	30.6 %	34.0 %

Bulk(a):

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As of December 31:

2014	52.5%	25.8%	11.1%	10.6%
2015	48.3	28.0	11.9	11.8
2016	46.5	29.0	12.3	12.2

As of June 30:

2016	47.5	28.4	11.9	12.2
2017	46.0%	29.2%	12.8%	12.0%

(a) Bulk pool risk in-force, which represented 12.8% of total bulk risk in-force at June 30, 2017 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:										
2014	7.8%	7.3%	5.7%	5.3%	4.9%	4.8%	4.3%	4.0%	3.4%	3.0%
2015	7.1	7.5	5.9	5.5	4.9	4.7	4.3	4.2	3.4	3.4
2016	6.4	7.8	6.0	5.8	4.8	4.6	4.4	4.4	3.6	3.8
As of June 30:										
2016	6.7	7.6	5.9	5.7	4.9	4.6	4.3	4.3	3.5	3.6
2017	6.1%	7.9%	6.0%	6.0%	4.8%	4.5%	4.3%	4.6%	3.7%	4.0%

Bulk (a)

	TX	FL	GA	IL	CA	AZ	PA	NJ	OH	NY
As of December 31:										
2014	5.3%	9.3%	4.6%	4.0%	13.0%	2.7%	3.5%	4.4%	4.0%	7.6%
2015	5.1	8.9	4.7	4.0	12.8	2.8	3.6	4.4	4.2	7.4
2016	5.3	8.6	4.9	4.2	12.4	2.9	3.7	4.1	4.2	7.4
As of June 30:										
2016	5.1	8.7	4.8	4.1	12.6	2.8	3.7	4.3	4.2	7.5
2017	5.2%	8.6%	5.0%	4.3%	12.6%	2.9%	3.7%	3.8%	4.3%	7.5%

Risk in Force Distribution By Level of Documentation:

Traditional Primary:

	Full Documentation	Reduced Documentation
As of December 31:		
2014	92.7	7.3
2015	92.6	7.4
2016	92.4	7.6
As of June 30:		
2016	92.5	7.5
2017	92.3	7.7

Bulk (a):

As of December 31:		
2014	62.3	37.7
2015	66.6	33.4
2016	68.0	32.0
As of June 30:		
2016	67.3	32.7
2017	68.4	31.6

(a) Bulk pool risk in-force, which represented 12.8% of total bulk risk in-force at June 30, 2017, has been allocated pro-rata based on insurance in-force.

Risk in Force Distribution By Loan Type:	Fixed Rate & ARMs with Resets >=5 Years	ARMs with Resets <5 years
Traditional Primary:		
As of December 31:		
2014	97.2 %	2.8 %
2015	97.3	2.7
2016	97.2	2.8
As of June 30:		
2016	97.2	2.8
2017	97.2 %	2.8 %
Bulk (a):		
As of December 31:		
2014	72.4 %	27.6 %
2015	71.8	28.2
2016	71.3	28.7
As of June 30:		
2016	71.5	28.5
2017	70.7 %	29.3 %

(a) Bulk pool risk in-force, which represented 12.8% of total bulk risk in-force at June 30, 2017, has been allocated pro-rata based on insurance in-force.

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

	Net CCI Earned Premiums	Risk in Force
Years Ended December 31:		
2014	\$ 27.7	\$858.5
2015	23.9	776.9
2016	15.8	699.7
Six Months Ended June 30:		
2016	7.4	739.5
2017	7.9	\$650.2
Quarters Ended June 30:		

2016	4.0
2017	\$ 3.7

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.

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	Invested Assets at Cost				Total	Fair	Invested
	General	Title	RFIG Run-off	Corporate and Other		Value Adjust- ment	Assets at Fair Value (a)
As of December 31:							
2015	\$8,667.4	\$1,010.5	\$792.0	\$562.3	\$11,032.4	\$193.0	\$11,225.5
2016	9,255.8	1,100.2	685.3	1,073.6	12,115.1	642.5	12,757.7
As of June 30:							
2016	8,908.6	1,011.1	737.4	490.9	11,148.0	731.4	11,879.4
2017	\$9,324.1	\$1,069.3	\$607.9	\$1,221.9	\$12,223.5	\$716.7	\$12,940.2

(a) The June 30, 2017 and December 31, 2016 amounts include \$1,077.4 and \$947.4, respectively, (fair value) fixed maturity securities classified as held to maturity which are reported and reflected herein at amortized cost of \$1,071.7 and \$974.8, respectively.

Years Ended	Net Investment Income				Total	Yield at	
	General	Title	RFIG Run-off	Corporate and Other		Cost	Fair Value
December 31:							
2014	\$278.8	\$29.9	\$27.5	\$9.2	\$345.5	3.33%	3.15%
2015	312.1	34.0	25.1	17.2	388.6	3.61	3.49
2016	312.1	36.2	23.2	15.4	387.0	3.34	3.23
Six Months Ended							
June 30:							
2016	156.3	18.0	11.7	5.1	191.2	3.45	3.31
2017	157.9	18.7	10.9	14.6	202.3	3.32	3.15
Quarters Ended							
June 30:							
2016	77.7	8.9	5.7	2.4	94.9	3.40	3.23
2017	\$79.1	\$9.2	\$5.3	\$7.3	\$101.0	3.31%	3.13%

Revenues: Net Realized Gains (Losses)

The Company's investment policies are not designed to maximize or emphasize the realization of investment gains. Rather, these policies aim for a stable source of income from interest and dividends, protection of capital, and the providing of sufficient liquidity to meet insurance underwriting and other obligations as they become payable in the future. Dispositions of fixed maturity securities generally arise from scheduled maturities and early calls; for the first six months of 2017 and 2016, 56.3% and 75.5%, respectively, of all such dispositions resulted from these occurrences. Dispositions of securities at a realized gain or loss reflect such factors as ongoing assessments of issuers' business prospects, allocation to industry sectors, changes in credit quality, and tax planning considerations. Additionally, the amount of net realized gains and losses registered in any one accounting period are affected by the aforementioned assessments of securities' values for other-than-temporary impairment. As a result of the interaction of all these factors and considerations, net realized investment gains or losses can vary significantly from period-to-period, and, in the Company's view, are not indicative of any particular trend or result in the basics of its insurance business.

The following table reflects the composition of net realized gains or losses for the periods shown. Gains realized in 2014 reflect sales of non-income producing or low yielding securities, the proceeds of which have largely been reinvested in higher yielding common shares of U.S. companies with distinguished long-term records of earnings and

dividend growth.

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Years Ended	Realized Gains (Losses) on Disposition of Securities			Impairment Losses on Securities			Net realized gains (losses)
	Equity Fixed maturity securities	and miscel- aneous investments	Total	Equity Fixed maturity securities	and miscel- aneous investments	Total	
December 31:							
2014	\$27.0	\$ 245.2	\$ 272.3	\$ —	\$ —	\$ —	\$ 272.3
2015	16.3	75.0	91.3	—	—	—	91.3
2016	7.8	69.9	77.8	(4.9)	—	(4.9)	72.8
Six Months Ended							
June 30:							
2016	6.3	44.5	50.8	—	—	—	50.8
2017	9.5	12.1	21.7	—	—	—	21.7
Quarters Ended							
June 30:							
2016	4.0	2.6	6.6	—	—	—	6.6
2017	\$6.8	\$ —	\$ 6.8	\$ —	\$ —	\$ —	\$ 6.8

Expenses: Benefits and Claims

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

The following table shows a breakdown of gross and net of reinsurance claim reserve estimates for major types of insurance coverages as of June 30, 2017 and December 31, 2016:

	Claim and Loss Adjustment Expense Reserves			
	June 30, 2017		December 31, 2016	
	Gross	Net	Gross	Net
Workers' compensation	\$4,672.0	\$2,949.8	\$4,587.0	\$2,883.3
General liability	1,078.0	548.4	1,064.0	550.3
Commercial automobile (mostly trucking)	1,478.8	1,141.0	1,380.8	1,090.8
Other coverages	804.8	553.5	769.5	539.3
Unallocated loss adjustment expense reserves	218.7	193.8	206.9	186.0
	8,252.3	5,386.7	8,008.3	5,249.9

Total general insurance reserves					
Title	591.0	591.0	602.0	602.0	
RFIG Run-off	522.0	522.0	574.0	574.0	
Life and accident	21.1	13.7	21.5	13.8	
Total claim and loss adjustment expense reserves	\$9,386.6	\$6,513.5	\$9,206.0	\$6,439.8	
Asbestosis and environmental claim reserves included in the above general insurance reserves:					
Amount	\$122.1	\$97.3	\$121.2	\$97.1	
% of total general insurance reserves	1.5	% 1.8	% 1.5	% 1.9	%

The Company's reserve for loss and loss adjustment expenses represents the accumulation of estimates of ultimate losses payable, including IBNR 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

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 lines or classes of commercial insurance; it has negligible exposure to personal lines 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 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%.

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 auto 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 loss ratios. Such expected loss ratios typically reflect currently estimated loss 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 loss 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 loss 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.

	June 30, 2017	June 30, 2016	December 31, 2016	December 31, 2015
Estimated reduction in beginning reserve	\$ 29.6	\$ 47.5	\$ 47.5	\$ 79.3
Total incurred claims and settlement expenses reduced (increased) by changes in estimated rescissions:				
Current year	3.2	4.6	8.3	18.8
Prior year	(1.9)	(5.3)	(24.8)	(17.6)
Sub-total	1.3	(.7)	(16.5)	1.2
Estimated rescission reduction in paid claims	(6.4)	(9.8)	(1.4)	(33.0)
Estimated reduction in ending reserve	\$ 24.5	\$ 37.0	\$ 29.6	\$ 47.5

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 the Company's 2016 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 periods shown.

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	Six Months Ended	
	June 30,	
	2017	2016
Gross reserves at beginning of period	\$9,206.0	\$9,120.2
Less: reinsurance losses recoverable	2,766.1	2,732.5
Net reserves at beginning of period:		
General Insurance	5,249.9	5,053.1
Title Insurance	602.0	580.8
RFIG Run-off	574.0	736.7
Other	13.8	16.9
Sub-total	6,439.8	6,387.6
Incurred claims and claim adjustment expenses:		
Provisions for insured events of the current year:		
General Insurance	1,061.7	1,051.0
Title Insurance	44.3	51.2
RFIG Run-off (a)	67.6	86.1
Other	11.4	12.2
Sub-total	1,185.1	1,200.7
Change in provision for insured events of prior years:		
General Insurance	28.8	(3.6)
Title Insurance	(22.0)	—
RFIG Run-off (a)	(21.4)	(37.2)
Other	(1.8)	(1.5)
Sub-total	(16.5)	(42.5)
Total incurred claims and claim adjustment expenses (a)	1,168.6	1,158.1
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year:		
General Insurance	276.4	266.4
Title Insurance	1.4	.9
RFIG Run-off (b)	.9	1.3
Other	6.4	7.4
Sub-total	285.3	276.2
Claims and claim adjustment expenses attributable to insured events of prior years:		
General Insurance	677.3	705.9
Title Insurance	31.8	31.5
RFIG Run-off (b)	97.1	131.4
Other	3.2	6.1
Sub-total	809.6	875.1
Total payments (b)	1,094.9	1,151.3
Amount of reserves for unpaid claims and claim adjustment expenses at the end of each period, net of reinsurance losses recoverable: (c)		
General Insurance	5,386.7	5,128.1
Title Insurance	591.0	599.5
RFIG Run-off	522.0	652.7
Other	13.7	13.9
Sub-total	6,513.5	6,394.4
Reinsurance losses recoverable	2,873.0	2,732.2

Gross reserves at end of period	\$9,386.6	\$9,126.6
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In common with all other insurance lines, 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, (a) 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 claims denials of \$3.2 and \$4.6 for the year-to-date periods ended June 30, 2017 and 2016, respectively. The provision for insured events of prior years for the periods shown in the table was (increased) reduced by estimated coverage rescissions and claims denials of \$(1.9) and \$(5.3), 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.

(b) Rescissions reduced the Company's paid losses by an estimated \$(6.4) and \$(9.8) for the year-to-date periods ended June 30, 2017 and 2016, respectively.

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

	June 30, 2017	June 30, 2016	December 31, 2016
General Insurance	\$2,560.7	\$2,442.8	\$ 2,431.2
Title Insurance	519.0	526.7	517.5
RFIG Run-off	221.8	203.6	206.3
Other	5.3	5.0	5.4
Total	\$3,306.9	\$3,178.2	\$ 3,160.5

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:

	General	Title	RFIG Run-off	Consolidated
Years Ended December 31:				
2014	77.9 %	5.2%	97.2 %	52.3 %
2015	74.1	4.9	88.0	47.5
2016	73.0	3.8	60.4	44.0
Six Months Ended June 30:				
2016	72.4	5.1	53.9	45.6
2017	72.8	2.1	67.4	44.2
Quarters Ended June 30:				
2016	71.8	5.1	67.1	45.1
2017	74.5 %	2.0%	80.0 %	45.1 %

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

Years Ended	General Insurance Claim Ratios by Type of Coverage							
	All Coverage	Commercial (mostly trucking)	Automobile	Workers' Compensation	Financial Indemnity	Inland Marine and Property	General Liability	Other
December 31:								
2014	77.9%	74.0 %	89.2 %	25.6 %	65.7 %	88.2 %	67.8%	
2015	74.1	77.8	80.7	39.1	57.0	76.8	60.4	
2016	73.0	79.4	76.1	45.5	60.9	77.5	62.2	
Six Months Ended June 30:								
2016	72.4	79.4	75.3	46.8	59.1	75.1	61.5	

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2017	72.8	81.1	76.5	61.2	56.5	65.9	58.8
Quarters Ended							
June 30:							
2016	71.8	78.4	76.2	46.6	60.5	52.4	59.3
2017	74.5%	79.8	% 77.4	% 60.2	% 60.5	% 75.4	% 59.8%

The general insurance claim ratio rose for 2017 in comparison with the same periods of 2016. The overall claims ratio for the past three years remained at relatively high levels as workers' compensation and general liability loss costs continued to reflect greater-than-expected severity. For the 2016 and 2015, commercial automobile insurance experienced greater frequency and severity of claims while workers' compensation and general liability insurance loss costs subsided somewhat from 2014's higher levels. Claims are a major cost factor and changes in them reflect continually evolving pricing and risk selection together with changes in loss severity and frequency.

During the three most recent calendar years, the general insurance group experienced unfavorable developments of prior year loss reserves. The effect was to increase the claim ratio by .3, 1.5 and 3.9 percentage points in 2016, 2015

and 2014, respectively. During 2016, 2015 and 2014, the General Insurance Group experienced unfavorable developments of previously established reserves for accidents or events which occurred in 2014 and prior years in particular. These adverse developments were concentrated in workers' compensation and general liability case reserves and resulted from settlements or reserve additions exceeding the previously established indemnity and/or allocated loss adjustment expense provisions. During 2017, the group experienced unfavorable developments of prior years' reserves of 2.4 and 1.9 percentage points in this year's second quarter and first half, respectively. By contrast, the ratios were effected by .7 and .2 percentage point reductions stemming from favorable reserve developments in last year's second quarter and first half, respectively. 2017's unfavorable developments were concentrated in the Company's largest insurance coverages of workers' compensation, commercial automobile (trucking), and general liability.

Unfavorable 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 survival ratios stood at 5.1 years (gross) and 7.0 years (net of reinsurance) as of June 30, 2017 and 4.3 years (gross) and 6.3 years (net of reinsurance) as of December 31, 2016. 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 .4% of general insurance group net incurred losses for the five years ended December 31, 2016.

Title insurance loss ratios have remained in the single digits for a number of years due to a continuation of favorable trends in claims frequency and severity. Favorable developments of reserves established in prior years reduced the claim ratio by 2.1 and 2.0 percentage points in this year's second quarter and first half, respectively. The claim ratio for last year's related periods was unaffected by such developments.

The RFIG Run-off mortgage guaranty 2016 claim ratio was less affected by litigation expense provisions that impacted adversely the 2015 claim ratio. Excluding the effects of the litigation expense provisions, the claim ratios continued to decline due to the combined effects of further reductions in newly reported defaults and a rising rate at which previously reported defaults have cured or otherwise been resolved without payment. These factors led to highly favorable developments of prior year-end claim reserves during 2016, 2015, and 2014. Setting aside the aforementioned litigation expense provisions in 2015, these favorable reserve developments accounted for reductions of 39.8, 65.0, and 69.3 percentage points in the reported claim ratio for years ended December 31, 2016, 2015, and 2014, respectively. While the declining premium base led to a higher claim ratio for 2017, reported claim costs for MI were relatively level in comparison to the related periods of 2016. Reductions in the provision for current year losses emanating from a continuing drop in newly reported delinquencies as well as improving cure rates were offset by less favorable reserve developments in 2017. In the latter regard, favorable developments of previously established claim reserves lowered claim ratios by 27.0 and 31.1 percentage points in the second quarter and first half of 2017, respectively. In the same respective periods of 2016, the claim ratio reductions amounted to 41.9 and 40.5 percentage points.

Moderately improved RFIG Run-off CCI operating performance in 2017 periods resulted mostly from reduced provisions for ongoing litigation costs.

Certain mortgage guaranty average claims 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:					
2014	\$45,607	\$44,465	10.93 %	23.01 %	\$ 93.5
2015	45,745	46,669	10.45	26.74	33.0
2016	45,478	48,158	10.53	25.78	1.4
Six Months Ended June 30:					
2016	45,046	46,742	9.84	24.03	9.8
2017	46,978	49,528	9.57 %	23.29 %	6.4
Quarters Ended June 30:					
2016	45,648	49,421			3.4
2017	\$45,461	\$46,884			\$ 3.4

(a) Amounts are in whole dollars.

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

	TX	FL	GA	IL	CA	NC	PA	MD	NJ	VA
As of December 31:										
2014	7.1%	17.6%	8.8%	12.9%	7.3%	8.7%	12.8%	15.6%	25.6%	8.2%
2015	7.7	13.5	8.4	10.8	6.1	8.6	12.2	13.3	25.0	8.5
2016	9.1	11.8	8.7	10.7	6.1	8.3	12.7	12.8	23.5	8.6
As of June 30:										
2016	7.4	12.0	7.7	10.5	5.6	7.8	11.4	12.4	23.4	8.4
2017	8.0%	10.9%	7.8%	9.3 %	5.9%	7.4%	11.0%	11.5%	21.4%	7.8%

Bulk Delinquency Ratios for Top Ten States (b):

	TX	FL	GA	IL	CA	AZ	PA	OH	NJ	NY
As of December 31:										
2014	15.9%	30.0%	16.5%	25.0%	18.1%	13.3%	25.8%	16.0%	46.5%	43.4%
2015	19.0	38.9	17.6	25.7	26.0	22.4	26.9	16.3	59.0	52.1
2016	20.3	33.7	19.6	23.6	29.1	24.4	28.1	14.1	61.0	53.3
As of June 30:										
2016	17.8	33.8	18.2	22.6	23.8	19.1	24.4	13.4	55.3	49.7
2017	18.6%	29.3%	17.6%	18.7%	28.0%	25.7%	23.2%	12.7%	58.2%	47.5%

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

	TX	FL	GA	IL	CA	NC	PA	MD	NJ	NY
As of December 31:										
2014	7.7%	19.5%	9.4%	13.8%	9.9%	9.4%	13.7%	16.1%	28.0%	26.8%
2015	8.3	15.9	8.8	11.5	9.3	9.0	13.0	14.2	27.4	28.4
2016	9.8	13.4	9.1	11.3	9.3	8.5	13.5	13.5	25.6	27.7
As of June 30:										
2016	8.1	14.0	8.3	11.1	8.6	8.2	12.2	12.9	25.7	26.7
2017	8.7%	12.4%	8.3%	9.8 %	9.3%	7.8%	11.7%	12.1%	23.4%	26.0%

(b) As determined by risk in force as of June 30, 2017, these 10 states represent approximately 51.8%, 58.0%, and 51.7%, of traditional primary, bulk, and total risk in force, respectively.

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

Years Ended	CCI Claim Costs		Reported Delinquency		Claim Rescissions and Denials
	Paid Amount	Ratio (a)	Incurred Amount	Ratio (a)	
December 31:					
2014	\$95.7	344.9%	\$137.2	494.4%	2.1 %
2015	35.6	148.8	83.0	346.9	2.1
2016	11.7	74.0	50.0	315.9	2.0
Six Months Ended					
June 30:					
2016	7.0	94.2	28.8	387.5	1.9

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2017	4.7	59.0	24.8	311.0	2.0	%	3.9
Quarters Ended							
June 30:							
2016	3.2	80.3	19.3	484.0			3.5
2017	\$1.9	52.2	% \$15.9	425.8%			\$ 1.9

Percent of net CCI earned premiums. CCI claims 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 claims denials as well as unsubstantiated claim submissions. Certain claim rescissions and denials may from time to time become the subject (a) 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.

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 the Company's 2016 Annual Report on Form 10-K.

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:				
2014	22.9 %	90.4%	9.5 %	47.1 %
2015	23.5	88.3	10.0	48.5
2016	24.8	87.9	12.2	50.6
Six Months Ended June 30:				
2016	25.0	89.7	12.6	49.8
2017	25.2	89.4	17.5	51.0
Quarters Ended June 30:				
2016	26.0	87.7	13.0	50.3
2017	25.6 %	87.6%	15.6 %	50.7 %

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 business 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. Relatively higher general insurance expense ratios in 2016's periods resulted mostly from greater costs incurred for a start-up business, additional litigation cost provisions 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. The 2017 general insurance expense ratios remained relatively flat when compared to the corresponding periods in 2016. The title insurance expense ratio for 2014 rose as operating costs contracted by a relatively lower percentage than the reduction in revenues. Whereas the RFIG Run-off operating expense ratios for the periods shown reflect ongoing cost control geared to a run-off operation, the ratios were negatively impacted in 2017's first half by charges related to the partial termination of a facility lease along with the continued decline in earned premium consistent with a run-off operating mode.

Expenses: Total

The composite underwriting 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:				
2014	100.8%	95.6%	106.7 %	99.4 %
2015	97.6	93.2	98.0	96.0

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2016	97.8	91.7	72.6	94.6		
Six Months Ended June 30:						
2016	97.4	94.8	66.5	95.4		
2017	98.0	91.5	84.9	95.2		
Quarters Ended June 30:						
2016	97.8	92.8	80.1	95.4		
2017	100.1%	89.6%	95.6%	95.8%		

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Expenses: Income Taxes

The effective consolidated income tax rates were 30.5% and 31.0% in the second quarter and first six months of 2017, compared to 32.1% and 32.3% in the second quarter and first six months of 2016, respectively. The rates for each period 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, realized investment gains or losses, underwriting and service income, and judgments about the recoverability of deferred tax assets.

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.

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 the Company's 2016 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.

OLD REPUBLIC INTERNATIONAL CORPORATION

Item 3 - Quantitative and Qualitative Disclosure About Market Risk

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.

Old Republic's market risk exposures at June 30, 2017, have not materially changed from those identified in the Company's 2016 Annual Report on Form 10-K.

Item 4 - Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's principal executive officer and its principal accounting officer have evaluated the Company's disclosure controls and procedures as of the end of the period covered by this quarterly report. Based upon their evaluation, the principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective for the above referenced evaluation period.

Changes in Internal Control

During the three month period ended June 30, 2017, there were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

OLD REPUBLIC INTERNATIONAL CORPORATION
FORM 10-Q
PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

The information contained in Note 6 "Commitments and Contingent Liabilities" of the Notes to Consolidated Financial Statements filed as Part 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A - Risk Factors

There have been no material changes with respect to the risk factors disclosed in the Company's 2016 Annual report on Form 10-K.

Item 6 - Exhibits

(a) Exhibits

- 31.1 Certification by Aldo C. Zucaro, Chief Executive Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification by Karl W. Mueller, Chief Financial Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification by Aldo C. Zucaro, Chief Executive Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema

101.CAL XBRL Taxonomy Extension Calculation Linkbase

101.DEF XBRL Taxonomy Extension Definition Linkbase

101.LAB XBRL Taxonomy Extension Label Linkbase

101.PRE XBRL Taxonomy Extension Presentation Linkbase

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Old Republic International Corporation
(Registrant)

Date: August 4, 2017

/s/ Karl W. Mueller

Karl W. Mueller
Senior Vice President,
Chief Financial Officer, and
Principal Accounting Officer

EXHIBIT INDEX

Exhibit

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