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OLD REPUBLIC INTERNATIONAL CORP
Form 10-Q
July 31, 2015

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

FORM 10-Q

Quarterly report pursuant to section 13 or 15(d) of the Security Exchange Act of 1934
for the quarterly period ended: June 30, 2015 or

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

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

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

60601
(Zip Code)

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Class

Shares Outstanding
June 30, 2015

Common Stock / \$1 par value

261,306,701

There are 47 pages in this report

OLD REPUBLIC INTERNATIONAL CORPORATION

Report on Form 10-Q / June 30, 2015

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

	(Unaudited) June 30, 2015	December 31, 2014
Assets		
Investments:		
Available for sale:		
Fixed maturity securities (at fair value) (amortized cost: \$8,196.4 and \$8,126.5)	\$8,431.5	\$8,417.2
Equity securities (at fair value) (cost: \$1,767.8 and \$1,726.5)	1,956.1	2,011.7
Short-term investments (at fair value which approximates cost)	654.2	609.4
Miscellaneous investments	25.1	24.7
Total	11,067.1	11,063.2
Held to maturity:		
Fixed maturity securities (at amortized cost) (fair value: \$61.1 and \$-)	62.4	—
Other investments	3.8	5.5
Total investments	11,133.4	11,068.8
Other Assets:		
Cash	128.1	136.7
Securities and indebtedness of related parties	24.3	17.7
Accrued investment income	87.2	86.1
Accounts and notes receivable	1,405.2	1,287.6
Federal income tax recoverable: Current	16.6	29.2
Deferred	83.5	37.0
Prepaid federal income taxes	63.3	45.7
Reinsurance balances and funds held	151.1	148.7
Reinsurance recoverable: Paid losses	68.0	66.9
Policy and claim reserves	3,391.2	3,355.6
Deferred policy acquisition costs	250.8	230.8
Sundry assets	473.8	476.8
Total Other Assets	6,143.6	5,919.3
Total Assets	\$17,277.0	\$16,988.1
Liabilities, Preferred Stock, and Common Shareholders' Equity		
Liabilities:		
Losses, claims, and settlement expenses	\$9,131.6	\$9,122.0
Unearned premiums	1,800.6	1,627.7
Other policyholders' benefits and funds	200.9	205.0
Total policy liabilities and accruals	11,133.1	10,954.7
Commissions, expenses, fees, and taxes	425.6	454.6
Reinsurance balances and funds	578.1	473.8
Debt	961.7	965.0
Sundry liabilities	240.9	215.8
Commitments and contingent liabilities		
Total Liabilities	13,339.5	13,064.0
Preferred Stock (1)	—	—
Common Shareholders' Equity:		
Common stock (1)	261.3	260.9
Additional paid-in capital	686.6	681.6

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Retained earnings	2,816.4	2,706.7
Accumulated other comprehensive income	187.9	292.3
Unallocated ESSOP shares (at cost)	(14.8	) (17.6
Total Common Shareholders' Equity	3,937.4	3,924.0
Total Liabilities, Preferred Stock and Common Shareholders' Equity	\$17,277.0	\$16,988.1

At June 30, 2015 and December 31, 2014, there were 75,000,000 shares of \$0.01 par value preferred stock authorized, of which no shares were outstanding. As of the same dates, there were 500,000,000 shares of common (1) stock, \$1.00 par value, authorized, of which 261,306,701 and 260,946,810 were issued as of June 30, 2015 and December 31, 2014, respectively. At June 30, 2015 and December 31, 2014, there were 100,000,000 shares of Class B Common Stock, \$1.00 par value, authorized, of which no shares were issued.

See accompanying Notes to Consolidated Financial Statements.

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

	Quarters Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Revenues:				
Net premiums earned	\$1,158.2	\$1,075.4	\$2,261.2	\$2,132.6
Title, escrow, and other fees	115.2	97.2	206.7	172.6
Total premiums and fees	1,273.5	1,172.6	2,467.9	2,305.3
Net investment income	93.1	85.4	184.6	168.2
Other income	26.5	25.8	52.0	49.6
Total operating revenues	1,393.3	1,283.9	2,704.6	2,523.3
Realized investment gains (losses):				
From sales and fair value adjustments	16.6	49.9	35.5	241.2
From impairments	—	—	—	—
Total realized investment gains (losses)	16.6	49.9	35.5	241.2
Total revenues	1,410.0	1,333.9	2,740.2	2,764.5
Benefits, Claims and Expenses:				
Benefits, claims and settlement expenses	604.4	651.7	1,169.2	1,207.8
Dividends to policyholders	3.6	3.4	9.0	7.4
Underwriting, acquisition, and other expenses	639.7	573.5	1,235.5	1,141.3
Interest and other charges	10.2	5.5	20.7	11.2
Total expenses	1,258.1	1,234.2	2,434.6	2,367.8
Income before income taxes (credits)	151.8	99.6	305.6	396.6
Income Taxes (Credits):				
Current	46.4	31.7	95.4	137.7
Deferred	3.3	1.8	4.6	(1.6)
Total	49.7	33.5	100.0	136.0
Net Income	\$102.0	\$66.1	\$205.5	\$260.5
Net Income Per Share:				
Basic	\$.39	\$.26	\$.79	\$1.01
Diluted	\$.36	\$.24	\$.72	\$.91
Average shares outstanding:				
Basic	259,468,711	258,379,076	259,371,887	258,282,459
Diluted	295,987,501	295,051,774	295,852,949	294,902,279
Dividends Per Common Share:				
Cash	\$.1850	\$.1825	\$.3700	\$.3650

See accompanying Notes to Consolidated Financial Statements.

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

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net Income As Reported	\$102.0	\$66.1	\$205.5	\$260.5
Other comprehensive income (loss):				
Unrealized gains (losses) on securities:				
Unrealized gains (losses) on securities before reclassifications	(190.4	) 145.0	(116.6	) 251.4
Amounts reclassified as realized investment gains from sales in the statements of income	(16.6	) (49.9	) (35.5	) (241.2
Pretax unrealized gains (losses) on securities	(207.1	) 95.1	(152.2	) 10.1
Deferred income taxes (credits)	(72.4	) 33.2	(53.4	) 3.4
Net unrealized gains (losses) on securities, net of tax	(134.6	) 61.8	(98.7	) 6.7
Defined benefit pension plans:				
Net pension adjustment before reclassifications	—	—	.1	—
Amounts reclassified as underwriting, acquisition, and other expenses in the statements of income	.2	(.4	) .5	(.9
Net adjustment related to defined benefit pension plans	.2	(.4	) .7	(.9
Deferred income taxes (credits)	—	(.1	) .2	(.3
Net adjustment related to defined benefit pension plans, net of tax	.1	(.3	) .4	(.6
Foreign currency translation and other adjustments	1.6	2.2	(6.1	) (1.0
Net adjustments	(132.9	) 63.7	(104.4	) 5.0
Comprehensive Income (Loss)	\$(30.8	) \$129.9	\$101.1	\$265.6

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,	
	2015	2014
Cash flows from operating activities:		
Net income	\$205.5	\$260.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred policy acquisition costs	(19.2)	(23.0)
Premiums and other receivables	(117.5)	(189.5)
Unpaid claims and related items	83.5	147.4
Unearned premiums and other policyholders' liabilities	56.7	95.1
Income taxes	16.9	35.1
Prepaid federal income taxes	(17.5)	(30.9)
Reinsurance balances and funds	103.0	135.7
Realized investment (gains) losses	(35.5)	(241.2)
Accounts payable, accrued expenses and other	27.8	(16.8)
Total	303.7	172.3
Cash flows from investing activities:		
Fixed maturity securities:		
Available for sale:		
Maturities and early calls	323.3	408.3
Sales	115.4	699.0
Sales of:		
Equity securities	90.5	420.2
Other - net	10.1	7.3
Purchases of:		
Fixed maturity securities:		
Available for sale	(524.8)	(679.3)
Held to maturity	(62.6)	—
Equity securities	(103.6)	(748.8)
Other - net	(20.3)	(23.7)
Net decrease (increase) in short-term investments	(43.7)	(165.3)
Other - net	—	(2.8)
Total	(215.7)	(85.1)
Cash flows from financing activities:		
Issuance of common shares	4.1	4.2
Redemption of debentures and notes	(3.3)	(3.0)
Dividends on common shares	(95.7)	(94.1)
Other - net	(1.5)	(1.3)
Total	(96.5)	(94.2)
Increase (decrease) in cash	(8.6)	(6.9)
Cash, beginning of period	136.7	153.3
Cash, end of period	\$128.1	\$146.3

Supplemental cash flow information:

Cash paid (received) during the period for: Interest	\$20.6	\$10.5
Income taxes	\$83.2	\$101.0

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 2014 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 May 2015, the FASB issued guidance requiring additional disclosures about short-duration insurance contracts. The new disclosures, which are required for annual periods beginning after December 31, 2015 and for interim periods beginning after December 31, 2016, are intended to provide additional information about insurance liabilities including the nature, amount, timing, and uncertainty of future cash flows related to those liabilities. Additionally, in May 2014, the FASB issued a comprehensive revenue recognition standard which applies to all entities that have contracts with customers, except for those that fall within the scope of other standards, such as insurance contracts. The Company is currently evaluating the guidance, which will be effective in 2018, to determine the potential impact, if any, 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, 2015	2014	June 30, 2015	2014
Numerator:				
Net income	\$102.0	\$66.1	\$205.5	\$260.5
Numerator for basic earnings per share - income available to common stockholders	102.0	66.1	205.5	260.5
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	\$105.7	\$69.7	\$212.8	\$267.8

Denominator:

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Denominator for basic earnings per share - weighted-average shares (a)	259,468,711	258,379,076	259,371,887	258,282,459
Effect of dilutive securities - stock based compensation awards	930,655	1,166,953	904,422	1,121,857
Effect of dilutive securities - convertible senior notes	35,588,135	35,505,745	35,576,640	35,497,963
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversion of convertible notes (a)	295,987,501	295,051,774	295,852,949	294,902,279
Earnings per share: Basic	\$.39	\$.26	\$.79	\$1.01
Diluted	\$.36	\$.24	\$.72	\$.91
Anti-dilutive common stock equivalents excluded from earning per share computations:				
Stock based compensation awards	5,086,500	6,367,646	6,078,250	6,367,646
Convertible senior notes	—	—	—	—
Total	5,086,500	6,367,646	6,078,250	6,367,646

(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, 2015 and December 31, 2014, substantially all the Company's invested assets were classified as "available for sale."

Fixed maturity securities classified as "held to maturity" are carried at amortized cost while 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. Fair values for fixed maturity securities and equity securities are based on quoted market prices or estimates using values obtained from independent pricing services as applicable.

The Company reviews the status and fair value changes of each of its investments on at least a quarterly basis during the year, and estimates of other-than-temporary impairments ("OTTI") in the portfolio's value are evaluated and established at each quarterly balance sheet date. In reviewing investments for OTTI, the Company, in addition to a security's market price history, considers the totality of such factors as the issuer's operating results, financial condition and liquidity, its ability to access capital markets, credit rating trends, most current audit opinion, industry and securities markets conditions, and analyst expectations to reach its conclusions. Sudden fair value declines caused by such adverse developments as newly emerged or imminent bankruptcy filings, issuer default on significant obligations, or reports of financial accounting developments that bring into question the validity of previously reported earnings or financial condition, are recognized as realized losses as soon as credible publicly available information emerges to confirm such developments. Absent issuer-specific circumstances that would result in a contrary conclusion, any equity security with an unrealized investment loss amounting to a 20% or greater decline for a six month period is considered OTTI. In the event the Company's estimate of OTTI is insufficient at any point in time, future periods' net income (loss) would be adversely affected by the recognition of additional realized or impairment losses, but its financial position would not necessarily be affected adversely inasmuch as such losses, or a portion of them, could have been recognized previously as unrealized losses in shareholders' equity. The Company recognized no OTTI adjustments for the quarters and six months ended June 30, 2015 and 2014.

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, 2015:				
Available for sale:				
U.S. & Canadian Governments	\$1,238.5	\$27.4	\$4.0	\$1,261.9
Corporate	6,957.9	246.8	35.2	7,169.5
	\$8,196.4	\$274.2	\$39.2	\$8,431.5
Held to maturity:				
Tax-exempt	\$62.4	\$—	\$1.2	\$61.1

December 31, 2014:

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Available for sale:

U.S. & Canadian Governments	\$1,116.4	\$31.8	\$2.3	\$1,145.9
Tax-exempt	50.0	1.5	.2	51.4
Corporate	6,960.0	289.6	29.8	7,219.9
	\$8,126.5	\$323.0	\$32.3	\$8,417.2

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	Amortized Cost	Estimated Fair Value
Fixed Maturity Securities Stratified by Contractual Maturity at June 30, 2015:		
Available for sale:		
Due in one year or less	\$817.7	\$828.7
Due after one year through five years	3,347.5	3,512.3
Due after five years through ten years	3,862.4	3,913.8
Due after ten years	168.7	176.6
	\$8,196.4	\$8,431.5
Held to maturity:		
Due in one year or less	\$—	\$—
Due after one year through five years	—	—
Due after five years through ten years	45.0	44.3
Due after ten years	17.3	16.8
	\$62.4	\$61.1

A summary of the Company's equity securities follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity Securities:				
June 30, 2015	\$1,767.8	\$242.3	\$53.9	\$1,956.1
December 31, 2014	\$1,726.5	\$309.1	\$23.9	\$2,011.7

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:

	12 Months or Less		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2015:						
Fixed Maturity Securities:						
U.S. & Canadian Governments	\$255.7	\$3.1	\$78.7	\$.8	\$334.4	\$4.0
Tax-exempt	61.1	1.2	—	—	61.1	1.2
Corporate	1,344.9	28.4	211.9	6.7	1,556.8	35.2
Subtotal	1,661.7	32.8	290.6	7.6	1,952.4	40.5
Equity Securities	463.3	53.9	—	—	463.3	53.9
Total	\$2,125.1	\$86.7	\$290.6	\$7.6	\$2,415.8	\$94.4
December 31, 2014:						
Fixed Maturity Securities:						
U.S. & Canadian Governments	\$47.7	\$—	\$144.9	\$2.2	\$192.6	\$2.3
Tax-exempt	1.6	—	6.7	.1	8.4	.2
Corporate	750.8	18.4	505.8	11.3	1,256.6	29.8
Subtotal	800.2	18.6	657.5	13.7	1,457.7	32.3

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Equity Securities	384.1	23.9	—	—	384.1	23.9
Total	\$1,184.3	\$42.6	\$657.5	\$13.7	\$1,841.8	\$56.3

At June 30, 2015, the Company held 397 fixed maturity and 19 equity securities in an unrealized loss position, representing 24.0% (as to fixed maturities) and 20.7% (as to equity securities) of the total number of such issues it held. At December 31, 2014, the Company held 322 fixed maturity and 11 equity securities in an unrealized loss position, representing 18.8% (as to fixed maturities) and 11.7% (as to equity securities) of the total number of such issues it held. Of the securities in an unrealized loss position, 53 and 117 fixed maturity securities had been in a continuous unrealized loss position for more than 12 months as of June 30, 2015 and December 31, 2014, respectively. The unrealized losses on these securities are primarily deemed to reflect changes in the interest rate environment. As part of its assessment of other-than-temporary impairments, the Company considers its intent to continue to hold, and the likelihood that it will not be required to sell investment securities in an unrealized loss position until cost recovery, principally on the basis of its asset and liability maturity matching procedures.

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

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

Level 1 securities include U.S. and Canadian Treasury notes, publicly traded common stocks, the quoted net asset value ("NAV") mutual funds, and most short-term investments in highly liquid money market instruments. Level 2 securities generally include corporate bonds, municipal bonds, and certain U.S. and Canadian government agency securities. Securities classified within Level 3 include non-publicly traded bonds, short-term investments, and equity securities. There were no significant changes in the fair value of assets measured with the use of significant unobservable inputs as of June 30, 2015 and December 31, 2014.

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

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
As of June 30, 2015:				
Available for sale:				
Fixed maturity securities:				
U.S. & Canadian Governments	\$540.9	\$721.0	\$—	\$1,261.9
Corporate	—	7,159.0	10.5	7,169.5
Equity securities	1,954.2	—	1.9	1,956.1
Short-term investments	650.6	—	3.6	654.2
Held to maturity:				
Fixed maturity securities:				
Tax-exempt	\$—	\$61.1	\$—	\$61.1
As of December 31, 2014:				
Available for sale:				
Fixed maturity securities:				
U.S. & Canadian Governments	\$472.0	\$673.8	\$—	\$1,145.9
Tax-exempt	—	51.4	—	51.4
Corporate	—	7,209.4	10.5	7,219.9
Equity securities	2,009.8	—	1.9	2,011.7
Short-term investments	\$605.8	\$—	\$3.6	\$609.4

There were no transfers between Levels 1, 2 or 3 during the quarter ended June 30, 2015.

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, 2015, the Company and its subsidiaries had no non-income producing fixed maturity securities.

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

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	Quarters Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Investment income from:				
Fixed maturity securities	\$74.0	\$74.2	\$147.6	\$149.7
Equity securities	18.5	11.1	36.3	18.5
Short-term investments	.2	.2	.4	.4
Other sources	1.2	.8	1.9	1.3
Gross investment income	94.0	86.3	186.3	170.1
Investment expenses (a)	.8	.9	1.7	1.8
Net investment income	\$93.1	\$85.4	\$184.6	\$168.2
Realized gains (losses) on:				
Fixed maturity securities:				
Gains	\$4.7	\$8.7	\$8.1	\$21.2
Losses	(.1	) (.1	) (.4	) (.1
Net	4.6	8.6	7.7	21.1
Equity securities:				
Gains	13.6	39.8	29.7	219.6
Losses	(1.6	) (.3	) (1.6	) (.3
Net	12.0	39.4	28.0	219.2
Other long-term investments, net	—	1.7	(.2	) .8
Total realized gains (losses)	16.6	49.9	35.5	241.2
Income taxes (credits)	5.8	17.4	12.4	84.4
Net realized gains (losses)	\$10.8	\$32.4	\$23.1	\$156.8
Changes in unrealized investment gains (losses) on:				
Fixed maturity securities	\$(134.8	) \$74.5	\$(56.0	) \$138.1
Less: Deferred income taxes (credits)	(47.0	) 26.0	(19.6	) 48.2
	(87.7	) 48.4	(36.3	) 89.9
Equity securities & other long-term investments	(72.3	) 20.6	(96.1	) (127.9
Less: Deferred income taxes (credits)	(25.4	) 7.2	(33.7	) (44.7
	(46.9	) 13.4	(62.4	) (83.1
Net changes in unrealized investment gains (losses)	\$(134.6	) \$61.8	\$(98.7	) \$6.7

Investment expenses consist of personnel costs and investment management and custody service fees, as well as (a) interest incurred on funds held of \$- and \$.1 for the quarters ended June 30, 2015 and 2014, and \$.1 and \$.2 for the six months ended June 30, 2015 and 2014, respectively.

4. Pension Plans:

The Company has a single pension plan, the Old Republic International Salaried Employees Retirement Plan (the Old Republic Plan) covering a portion of its work force. Effective December 31, 2013, the benefit levels in the Old Republic Plan were frozen. Under the terms of the freeze, the plan remains closed to new participants and eligible employees retain all of the vested rights as of the effective date of the freeze, but additional benefits do not accrue thereafter. Plan assets are comprised principally of fixed maturity securities, common stocks and short-term investments. Cash contributions of \$1.9 and \$3.7 were made to the pension plan in the second quarter and first half of

2015, respectively, and additional cash contributions of \$4.0 are expected to be made in the remaining portion of calendar year 2015.

5. Information About Segments of Business:

Old Republic is engaged in the single business of insurance underwriting. 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, 2015	2014	June 30, 2015	2014
General Insurance:				
Net premiums earned	\$709.3	\$671.8	\$1,412.7	\$1,328.3
Net investment income and other income	100.7	94.9	200.4	183.8
Total revenues before realized gains or losses	\$810.1	\$766.8	\$1,613.1	\$1,512.1
Income before taxes (credits) and realized investment gains or losses (a)	\$85.1	\$59.7	\$167.1	\$141.6
Income tax expense (credits) on above	\$27.4	\$19.5	\$53.6	\$46.7
Title Insurance:				
Net premiums earned	\$387.4	\$323.8	\$724.3	\$642.2
Title, escrow and other fees	115.2	97.2	206.7	172.6
Sub-total	502.7	421.0	931.0	814.9
Net investment income and other income	8.3	8.1	16.7	16.1
Total revenues before realized gains or losses	\$511.1	\$429.2	\$947.8	\$831.0
Income before taxes (credits) and realized investment gains or losses (a)	\$47.7	\$26.0	\$63.6	\$30.8
Income tax expense (credits) on above	\$16.7	\$9.3	\$22.3	\$11.3
RFIG Run-off Business:				
Net premiums earned	\$56.3	\$64.8	\$114.4	\$130.5
Net investment income and other income	6.3	6.2	12.6	14.5
Total revenues before realized gains or losses	\$62.6	\$71.1	\$127.1	\$145.1
Income before taxes (credits) and realized investment gains or losses	\$(.1)	\$(34.2)	\$35.0	\$(14.6)
Income tax expense (credits) on above	\$(.1)	\$(11.9)	\$12.1	\$(5.1)
Consolidated Revenues:				
Total revenues of above Company segments	\$1,383.9	\$1,267.2	\$2,688.0	\$2,488.3
Other sources (b)	29.5	32.0	57.9	65.5
Consolidated net realized investment gains (losses)	16.6	49.9	35.5	241.2
Consolidation elimination adjustments	(20.1)	(15.2)	(41.3)	(30.5)
Consolidated revenues	\$1,410.0	\$1,333.9	\$2,740.2	\$2,764.5
Consolidated Income Before Taxes (Credits):				
Total income before income taxes (credits) and realized investment gains or losses of above Company segments	\$132.6	\$51.4	\$265.8	\$157.7
Other sources - net (b)	2.5	(1.7)	4.1	(2.3)
Consolidated net realized investment gains (losses)	16.6	49.9	35.5	241.2
Consolidated income before income taxes (credits)	\$151.8	\$99.6	\$305.6	\$396.6
Consolidated Income Tax Expense (Credits):				
Total income tax expense (credits) for above Company segments	\$44.0	\$16.9	\$88.2	\$53.0
Other sources - net (b)	—	(.8)	(.5)	(1.3)

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Income tax expense (credits) on consolidated net realized investment gains (losses)	5.8	17.4	12.4	84.4
Consolidated income tax expense (credits)	\$49.7	\$33.5	\$100.0	\$136.0

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	June 30, 2015	December 31, 2014
Consolidated Assets:		
General Insurance	\$14,602.7	\$14,251.8
Title Insurance	1,242.8	1,243.0
RFIG Run-off Business	1,041.2	1,108.4
Total assets for the above company segments	16,886.9	16,603.3
Other assets (b)	814.6	833.9
Consolidation elimination adjustments	(424.4	) (449.1
Consolidated assets	\$17,277.0	\$16,988.1

(a) 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 - \$10.3 and \$20.4 compared to \$8.1 and \$16.3 for the quarter and six months ended June 30, 2015 and 2014, respectively, and Title - \$2.0 and \$4.0 compared to \$1.9 and \$3.9 for the quarter and six months ended June 30, 2015 and 2014, respectively.

(b) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, and a small life and accident insurance operation. 2015 revenues reflect the transfer of accident insurance business from a life and accident subsidiary to a general insurance affiliate resulting in an \$8.5 and \$18.9 reduction in premiums during the second quarter and first half of 2015, respectively.

The material increases in mortgage guaranty insurance claims and loss payments that began in 2007 gradually depleted Republic Mortgage Insurance Company's ("RMIC") statutory capital base and forced it to discontinue writing new business. The insurance laws of 16 jurisdictions, including RMIC's and its affiliate company, Republic Mortgage Insurance Company of North Carolina's ("RMICNC") domiciliary state of North Carolina, require a mortgage insurer to maintain a minimum amount of statutory capital relative to risk in force (or a similar measure) in order to continue to write new business. The formulations currently allow for a maximum risk-to-capital ratio of 25 to 1, or alternatively stated, a "minimum policyholder position" ("MPP") of one-twenty-fifth of the total risk in force. The failure to maintain the prescribed minimum capital level in a particular state generally requires a mortgage insurer to immediately stop writing new business until it reestablishes the required level of capital or receives a waiver of the requirement from a state's insurance regulatory authority. RMIC breached the minimum capital requirement during the third quarter of 2010. RMIC had previously requested and, subsequently received waivers or forbearance of the minimum policyholder position requirements from the regulatory authorities in substantially all affected states. Following several brief extensions, the waiver from its domiciliary state of North Carolina expired on August 31, 2011, and RMIC and its affiliate company, RMICNC, discontinued writing new business in all states and limited themselves to servicing the run-off of their existing business. They were placed under the North Carolina Department of Insurance's ("NCDOI") administrative supervision the following year and 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.

6. Commitments and Contingent Liabilities:

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

A certified class action lawsuit is pending against the Company's principal title insurance subsidiary, Old Republic National Title Insurance Company ("ORNTIC"), in a federal district court in Pennsylvania (Markocki et al. v. ORNTIC, U.S. District Court, Eastern District, Pennsylvania, filed June 8, 2006). The plaintiffs allege that ORNTIC failed to give consumers reissue and/or refinance credits on the premiums charged for title insurance covering mortgage refinancing transactions, as required by filed rate schedules. The suit also alleges violations of the federal Real Estate Settlement Procedures Act ("RESPA"). ORNTIC challenged the certification of the consumer protection class and the RESPA class based on more recent case precedents. On May 28, 2015, the consumer protection class was decertified and ORNTIC's motion for summary judgment on the RESPA claim was granted and that claim was dismissed. The individual consumer protection claim alleged against ORNTIC remains.

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. No trial date has been set.

On December 31, 2009, two of the Company's mortgage insurance subsidiaries, Republic Mortgage Insurance Company and Republic Mortgage Insurance Company of North Carolina (together "RMIC") filed a Complaint for Declaratory Judgment in the Supreme Court of the State of New York, County of New York, against Countrywide Financial Corporation, Countrywide Home Loans, Inc., The Bank of New York Mellon Trust Company, N.A., BAC Home Loans Servicing, LP, and Bank of America N.A. as successor in interest to Countrywide Bank, N.A. (together "Countrywide")(Republic Mortgage Insurance Company, et al v. Countrywide Financial Corporation, et al). The suit relates to five mortgage insurance master policies (the "Policies") issued by RMIC to Countrywide or to the Bank of New York Mellon Trust Company as co-trustee for trusts containing securitized mortgage loans that were originated or purchased by Countrywide. RMIC has rescinded its mortgage insurance coverage on over 1,500 of the loans originally covered under the Policies based upon material misrepresentations of the borrowers in their loan applications or the negligence of Countrywide in its loan underwriting practices or procedures. Each of the coverage rescissions occurred after a borrower had defaulted and RMIC reviewed the claim and loan file submitted by Countrywide. The suit seeks the Court's review and interpretation of the Policies' incontestability provisions and its validation of RMIC's investigation procedures with respect to the claims and underlying loan files.

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

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

On May 16, 2013, Bank of America, N.A. ("B of A") filed a demand for arbitration with the American Arbitration Association against both Republic Mortgage Insurance Company and Republic Mortgage Insurance Company of

North Carolina (together, "RMIC") under the arbitration provisions of the RMIC Master Policy of mortgage guaranty insurance issued to B of A. The demand relates to RMIC's denials of certain claims and rescissions of coverage as to other claims. B of A alleges RMIC's actions were in breach of contract, in breach of RMIC's duty of good faith and fair dealing and in bad faith. The allegations are substantially similar to those raised by B of A's affiliates, Countrywide Financial Corporation and Countrywide Home Loans, Inc. in their arbitration demand against RMIC. B of A is a plaintiff in that proceeding as well, in its capacity as successor in interest to Countrywide Bank, N.A. B of A's demand requests a declaratory judgment with respect to the interpretation of certain policy provisions, B of A's compliance with certain terms and conditions of the policy, and the propriety of certain coverage positions and claims administration procedures of RMIC. The demand also seeks unspecified money damages, punitive, compensatory and consequential damages, interest, attorneys' fees and costs. The arbitration is proceeding.

On August 26, 2014, Bank of America, N.A. ("B of A") filed suit against both Republic Mortgage Insurance Company and Republic Mortgage Insurance Company of North Carolina (together, "RMIC") in the General Court of Justice, Superior Court Division for Mecklenburg County, North Carolina. The complaint arises in connection with a RMIC bulk mortgage guaranty insurance policy issued to B of A and several RMIC traditional primary mortgage guaranty insurance policies issued to correspondent lenders from whom B of A acquired loans or servicing rights on loans for which certificates of insurance were issued under such policies. The complaint relates to RMIC's denials and curtailments of certain claims and rescissions and cancellations of coverage as to other claims. B of A alleges RMIC's actions were in breach of contract, in breach of RMIC's duty of good faith and fair dealing and in bad faith. The allegations are substantially similar to those asserted by B of A in the May 16, 2013 American Arbitration Association arbitration demand against RMIC, and relate to loans that were dismissed from that proceeding. B of A's demand requests a declaratory judgment with respect to the interpretation of certain policy provisions, B of A's compliance with certain terms and conditions of the policy, and the propriety of certain coverage positions and claims administration procedures of RMIC. The demand also seeks money damages, punitive, compensatory and consequential damages, interest, attorneys' fees and costs.

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

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.

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

7. Debt:

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

	June 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
3.75% Convertible Senior Notes due 2018	\$550.0	\$635.5	\$550.0	\$640.7
4.875% Senior Notes due 2024	400.0	414.9	400.0	418.9
ESSOP debt with an average yield of 3.68% and 3.66%, respectively	11.7	11.7	15.0	15.0
Total debt	\$961.7	\$1,062.3	\$965.0	\$1,074.7

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

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

The Company's 3.75% Convertible Senior Notes and 4.875% Senior Notes ("the Notes") contain provisions defining certain events of default, among them a court ordered proceeding due to the insolvency of a Significant Subsidiary. The Notes define Significant Subsidiary in accordance with the paragraph (w) of Rule 1-02 of the SEC's Regulation S-X. The Company's flagship mortgage guaranty insurance carrier, RMIC qualifies as a Significant Subsidiary for purposes of the Notes. If RMIC were to become statutorily impaired, its insolvency could trigger a receivership proceeding which, in turn could ultimately result in an event of default. If this were to occur, the outstanding principal of the Notes could become immediately due and payable. Management believes the Final Order by the North Carolina Department of Insurance to RMIC has precluded such an event of default from occurring in the foreseeable future. Moreover, RMIC was statutorily solvent at June 30, 2015 and is expected to be an increasingly less significant subsidiary with the payment of the DPO balances and as its run-off book extinguishes itself.

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

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

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial Liabilities:					
Debt:					
June 30, 2015	\$961.7	\$1,062.3	\$—	\$1,050.5	\$11.7
December 31, 2014	\$965.0	\$1,074.7	\$—	\$1,059.7	\$15.0

8. Income Taxes:

Tax positions taken or expected to be taken in a tax return by the Company are recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. To the best of management's knowledge, there are no tax uncertainties that are expected to result in significant increases or decreases to unrecognized tax benefits within the next twelve month period. The Company views its income tax exposures as primarily consisting of timing differences whereby the ultimate deductibility of a taxable amount is highly certain but the timing of its deductibility is uncertain. Such differences relate principally to the timing of deductions for loss and premium reserves. As in prior examinations, the Internal Revenue Service ("IRS") could assert that claim reserve deductions were overstated thereby reducing the Company's statutory taxable income in any particular year. The Company believes that it establishes its reserves fairly and consistently at each balance sheet date, and that it would succeed in defending its tax position in these regards. Because of the impact of deferred tax accounting, the possible accelerated payment of tax to the IRS would not necessarily affect the annual effective tax rate. The Company classifies interest and penalties as income tax expense in the consolidated statement of income. The IRS is currently examining the Company's 2011 through 2013 consolidated Federal income tax returns, including amendments, relative to claims for recovery of income taxes previously paid.

OLD REPUBLIC INTERNATIONAL CORPORATION
MANAGEMENT ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS
Six Months Ended June 30, 2015 and 2014
(\$ in Millions, Except Share Data)
OVERVIEW

This management analysis of financial position and results of operations pertains to the consolidated accounts of Old Republic International Corporation ("Old Republic", "ORI", or "the Company"). The Company conducts its operations through three major regulatory segments, namely, its General (property and liability), Title, and the RFIG (mortgage guaranty and consumer credit indemnity) Run-off Business. A small life and accident insurance business, accounting for .4% of consolidated operating revenues for the six months ended June 30, 2015 and 1.2% of consolidated assets as of that date, is included within the corporate and other caption of this report.

The consolidated accounts are presented in conformity with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") of accounting principles generally accepted in the United States of America ("GAAP"). As a publicly held company, Old Republic utilizes GAAP largely to comply with the financial reporting requirements of the Securities and Exchange Commission ("SEC"). From time to time the FASB and the SEC issue various releases, most of which require additional financial statement disclosures and provide related application guidance.

As a state regulated financial institution vested with the public interest, however, business of the Company's insurance subsidiaries is managed pursuant to the laws, regulations, and accounting practices of the various states in the U.S. and those of a small number of other jurisdictions outside the U.S. in which they operate. In comparison with GAAP, the statutory accounting practices reflect greater conservatism and comparability among insurers, and are intended to address the primary financial security interests of policyholders and their beneficiaries. Additionally, these practices also affect a significant number of important factors such as product pricing, risk bearing capacity and capital adequacy, the determination of Federal income taxes payable currently among ORI's tax-consolidated entities, and the upstreaming of dividends by insurance subsidiaries to the parent holding company. The major differences between these statutory financial accounting practices and GAAP are summarized in Note 1(a) to the consolidated financial statements included in Old Republic's 2014 Annual Report on Form 10-K.

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

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

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

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

EXECUTIVE SUMMARY

Net operating income for this year's second quarter and first half exceeded our expectations. The results were bolstered by much improved underwriting performance in the Company's general insurance business and by continued strength of its title insurance operations. The RFIG run-off segment also posted better year-over-year results partly due to less burdensome litigation claim expense provisions than experienced in the same periods of 2014. This year's consolidated net income was comparatively lower as the unusually high level of realized investment gains recognized in the first half of 2014 were not repeated in this year's second quarter and year-to-date periods.

The major components of consolidated results and related data are summarized in the following table.

Financial Highlights

	Quarters Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Operating revenues:				
General insurance	\$ 810.1	\$ 766.8	\$ 1,613.1	\$ 1,512.1
Title insurance	511.1	429.2	947.8	831.0
Corporate and other	9.4	(a) 16.7	16.5	(a) 34.9
Subtotal	1,330.6	1,212.8	2,577.5	2,378.2
RFIG run-off business	62.6	71.1	127.1	145.1
Total	\$ 1,393.3	\$ 1,283.9	\$ 2,704.6	\$ 2,523.3
Pretax operating income (loss):				
General insurance	\$ 85.1	\$ 59.7	\$ 167.1	\$ 141.6
Title insurance	47.7	26.0	63.6	30.8
Corporate and other	2.5	(1.7)	4.1	(2.3)
Subtotal	135.3	83.9	234.9	170.1
RFIG run-off business	(0.1)	(34.2)	35.0	(14.6)
Total	135.1	49.7	270.0	155.4
Realized investment gains (losses):				
From sales	16.6	49.9	35.5	241.2
From impairments	—	—	—	—
Net realized investment gains (losses)	16.6	49.9	35.5	241.2
Consolidated pretax income (loss)	151.8	99.6	305.6	396.6
Income taxes (credits)	49.7	33.5	100.0	136.0
Net income (loss)	\$ 102.0	\$ 66.1	\$ 205.5	\$ 260.5
Components of diluted earnings per share:				
Net operating income (loss):				
General insurance	\$ 0.19	\$ 0.14	\$ 0.38	\$ 0.32
Title insurance	0.11	0.06	0.14	0.07
Corporate and other	0.02	0.01	0.04	0.02
Subtotal	0.32	0.21	0.56	0.41
RFIG run-off business	—	(0.08)	0.08	(0.03)
Total	0.32	0.13	0.64	0.38
Net realized investment gains (losses)	0.04	0.11	0.08	0.53
Net income (loss)	\$ 0.36	\$ 0.24	\$ 0.72	\$ 0.91
Cash dividends paid per share	\$ 0.1850	\$ 0.1825	\$ 0.3700	\$ 0.3650
Ending book value per share			\$ 15.16	\$ 15.29

(a) Reflects the transfer of accident insurance business from a life and accident subsidiary to a general insurance affiliate resulting in an \$8.5 and \$18.9 reduction in premiums during the second quarter and first half of 2015,

respectively.

The preceding table shows both operating and net income to highlight the effects of realized investment gain or loss recognition on period-to-period earnings comparisons. Management uses net operating income, a non-GAAP financial measure, to evaluate and better explain operating performance, believing that this measure enhances an understanding of Old Republic's core business results. Net operating income, however, does not replace net income determined in accordance with GAAP as a measure of total profitability.

The timing of realized investment gain or loss recognition can be highly discretionary due to such factors as individual securities sales, recording of estimated losses from write-downs of impaired securities, tax-planning considerations, and changes in investment management judgments relative to the direction of securities markets or the future prospects of individual investees or industry sectors. Since 2013, asset management operations have in part been oriented toward an enhancement of income from interest and dividends. To a large extent, this strategy has led to sales of non-income producing or low-yielding securities. Proceeds from these sales have largely been reinvested in higher yielding common shares of American companies with distinguished long-term records of earnings and dividend growth.

General Insurance Results - The table below shows the major elements driving operating performance for the periods reported upon.

	General Insurance Group			Six Months Ended June 30,				
	Quarters Ended June 30,		Change	2015		2014		
	2015	2014			2015		2014	
Net premiums earned	\$ 709.3	\$ 671.8	5.6	% \$ 1,412.7	\$ 1,328.3	6.4	%	
Net investment income	74.7	69.8	7.0		148.5	135.8	9.4	
Benefits and claim costs	520.2	518.9	0.3		1,039.1	996.3	4.3	
Pretax operating income (loss)(*)	\$ 85.1	\$ 59.7	42.5	%	\$ 167.1	\$ 141.6	18.0	%
Claim ratio	73.3	% 77.2	%		73.6	% 75.0	%	
Expense ratio	23.6	23.0			23.5	23.2		
Composite underwriting ratio	96.9	% 100.2	%		97.1	% 98.2	%	

(*) In connection with the run-off mortgage guaranty ("MI") and consumer credit indemnity ("CCI") combination, \$20.5 and \$24.9 of pretax operating losses for the second quarter and first half of 2015, and \$70.8 and \$87.3 of pretax operating losses for the second quarter and first half of 2014, 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.

2015 general insurance operating earnings benefitted from more positive underwriting performance. Earned premium revenues rose for most insurance coverages with production spurred by moderately strong new and renewal business throughout this year's first two quarters.

The gain in earned premiums was accompanied by lower expense provisions for current and prior years' claim occurrences. Loss developments in this year's first half were slightly deficient relative to previously established reserves. Their effect was to add approximately 0.9 and 1.0 percentage points to the claim ratio of the latest quarter and year-to-date periods, respectively. By contrast, unfavorable developments in 2014 added 2.5 and 0.7 percentage points to last year's second quarter and first half claim ratios, respectively. 2015 production and general operating expenses held steady in context of revenue trends. Year-to-date the combination of these favorable factors led to the more positive composite underwriting ratios shown in the above table.

Net investment income advanced by 7.0 and 9.4 percent in this year's second quarter and first half, respectively. In recent quarters this revenue source has trended higher due to the combination of a rising invested asset base and enhanced yields afforded by a high quality common stock portfolio.

Title Insurance Results - Earnings in this year's second quarter and first half continued in a highly positive vein as the comparative table below shows.

	Title Insurance Group			Six Months Ended June 30,				
	Quarters Ended June 30,		Change	2015		2014			Change
	2015	2014			2015		2014	
Net premiums and fees earned	\$ 502.7	\$ 421.0	19.4	% \$ 931.0	\$ 814.9	14.3	%	
Net investment income	7.9	7.4	6.8		15.9	14.5	9.4	
Claim costs	25.1	25.4	(1.4)	48.9	49.2	(0.7)
Pretax operating income (loss)	\$ 47.7	\$ 26.0	83.3	%	\$ 63.6	\$ 30.8	106.6	%
Claim ratio	5.0	% 6.0	%		5.3	% 6.0	%	
Expense ratio	86.7	89.0			89.2	91.4		
Composite underwriting ratio	91.7	% 95.0	%		94.5	% 97.4	%	

The substantial bottom line improvements in this year's first half were attributable to better performance of this segment's basic underwriting and related services functions. Operating results were buoyed by declining claim and operating costs in relation to increased premiums and fees revenues. Stronger housing and commercial property transactions together with continued market share strength led to the significant percentage growth of the revenue stream. Net investment income gained on the strength of greater yields on a slightly larger bond and stock investment portfolio.

RFIG Run-off Business Results - The following table shows RFIG's comparative results for its mortgage guaranty ("MI") and consumer credit indemnity ("CCI") run-off coverages.

	RFIG Run-off Business Quarters Ended June 30,			Six Months Ended June 30,		
	2015	2014	Change	2015	2014	Change
A. MI:						
Net premiums earned	\$ 50.1	\$ 57.0	(12.1)%	\$ 102.7	\$ 115.8	(11.3)%
Net investment income	6.0	6.0	(0.1)	12.2	14.2	(14.2)
Claim costs	30.5	20.3	50.1	44.1	43.2	1.9
Pretax operating income (loss)	\$ 20.8	\$ 37.1	(43.9)%	\$ 60.9	\$ 74.0	(17.7)%
Claim ratio	60.9	% 35.7	%	42.9	% 37.4	%
Expense ratio	9.6	9.8		9.7	11.0	
Composite underwriting ratio	70.5	% 45.5	%	52.6	% 48.4	%
B. CCI(*):						
Net premiums earned	\$ 6.2	\$ 7.8	(21.2)%	\$ 11.6	\$ 14.7	(20.6)%
Net investment income	0.2	0.1	55.6	0.4	0.2	50.4
Benefits and claim costs	26.8	78.8	(65.9)	36.8	102.3	(64.0)
Pretax operating income (loss)	\$ (21.0)	\$ (71.4)	70.5 %	\$ (25.8)	\$ (88.7)	70.9 %
Claim ratio	N/M	N/M		N/M	N/M	
Expense ratio	9.4	% 7.7	%	9.3	% 9.1	%
Composite underwriting ratio	N/M	N/M		N/M	N/M	
C. Total MI and CCI business run-off:						
Net premiums earned	\$ 56.3	\$ 64.8	(13.2)%	\$ 114.4	\$ 130.5	(12.3)%
Net investment income	6.3	6.2	1.1	12.6	14.5	(13.0)
Benefits and claim costs	57.4	99.2	(42.1)	80.9	145.6	(44.4)%
Pretax operating income (loss)	\$ (0.1)	\$ (34.2)	99.4 %	\$ 35.0	\$ (14.6)	N/M
Claim ratio	101.9	% 152.9	%	70.8	% 111.6	%
Expense ratio	9.6	9.5		9.7	10.8	
Composite underwriting ratio	111.5	% 162.4	%	80.5	% 122.4	%

(*) In connection with the run-off MI and CCI combination, \$20.5 and \$24.9 of pretax operating losses for the second quarter and first half of 2015, and \$70.8 and \$87.3 of pretax operating losses for the second quarter and first half of 2014, 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 and are included for segment reporting purposes such that section (B) in the above table incorporates 100% of the CCI run-off business results.

N/M = Not meaningful

Consistent with a run-off operating mode, the MI and CCI lines have been posting continuing declines in earned premiums for the past several years. Second quarter 2015 MI operating results were constrained by greater provisions for disputed claims in litigation, but nonetheless extended the positive outcomes achieved since 2013's second quarter. The continued declines in reported delinquencies and the higher rates at which previously reported defaults are cured or otherwise resolved without payment, dampened normally occurring claim provisions in the latest quarter. Since year end 2012, these factors have led to favorable development of previously established claim reserves. Setting aside the aforementioned litigation expense provisions, these positive outcomes contributed to a lowering of MI claim ratios by 80.6 and 87.0 percentage points in the second quarters of 2015 and 2014, respectively. For the first half, these ratios were reduced by 80.6 and 105.8 percentage points, respectively.

The CCI run-off portion of RFIG's operations was also negatively impacted by litigation claim expense provisions in this year's second quarter. The additional provision was largely responsible for the much greater CCI loss posted to this year's second quarter compared to the results of the preceding three months of 2015. This year's second quarter loss, however, was much less extensive than that registered in the same period of 2014 when a litigated claim was settled for a greater amount than originally anticipated.

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 services subsidiaries usually produce highly variable results. Earnings variations posted by these relatively minor elements of Old Republic's business stem from volatility inherent to the small scale of life and accident insurance operations, and net interest costs pertaining to external and intra-system financing arrangements. For this year's second quarter and first half, the much lower life & accident premium volume reflects the transfer of accident insurance premiums from a life and accident subsidiary to a general insurance group affiliate; the effect on pretax operating income (loss) was negligible. The 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,		
	2015	2014	Change	2015	2014	Change
Life & accident premiums earned	\$ 5.0	\$ 14.8	(65.9)%	\$ 9.7	\$ 31.5	(69.3)%
Net investment income	4.1	1.9	117.4	7.5	3.2	128.3
Other income	0.1	—	N/M	(0.6)	—	N/M
Benefits and claim costs	5.3	11.5	(54.0)	9.2	23.9	(61.5)
Insurance expenses	1.1	6.4	(82.9)	3.3	14.1	(76.6)
Corporate, interest, and other expenses-net	0.4	0.5	(15.6)	(0.1)	(0.7)	84.8 %
Pretax operating income (loss)	\$ 2.5	\$ (1.7)	242.5 %	\$ 4.1	\$ (2.3)	N/M

Consolidated Results - The combination of all of the above changes and events in Old Republic's business segments contributed to the following consolidated results:

	ORI Consolidated					
	Quarters Ended June 30,			Six Months Ended June 30,		
	2015	2014	Change	2015	2014	Change
Net premiums and fees earned	\$ 1,273.5	\$ 1,172.6	8.6 %	\$ 2,467.9	\$ 2,305.3	7.1 %
Net investment income	93.1	85.4	9.1	184.6	168.2	9.7
Other income	26.5	25.8	2.7	52.0	49.6	4.8
Operating revenues	1,393.3	1,283.9	8.5	2,704.6	2,523.3	7.2
Benefits and claims	608.1	655.1	(7.2)	1,178.3	1,215.2	(3.0)
Sales and general expenses	639.7	573.5	11.6	1,235.5	1,141.3	8.2
Interest and other costs						