



OLD REPUBLIC INTERNATIONAL CORPORATION

Managing for the long run

Our 90th Year

2013

*Annual Report
Form 10-K
Proxy Statement*

About Us

Our **MISSION** is to provide quality insurance security and related services to businesses, individuals, and public institutions and be a dependable long-term steward of the trust our policyholders and shareholders place in us.

Old Republic traces its beginnings to 1923, although several acquired subsidiaries began operations much earlier. The Company is one of America's 50 largest shareholder-owned insurance businesses. It is primarily a commercial lines underwriter serving the insurance needs of a large number of organizations, including many of America's leading industrial and financial services institutions. Its subsidiaries actively market, underwrite, and provide risk management services for a wide variety of coverages, mostly in the general and title insurance fields. A long-term interest in the mortgage guaranty and consumer credit insurance lines has devolved into a run-off operating mode in recent years.

For the beneficiaries of their insurance products and services, Old Republic's insurance subsidiaries provide quality assurance of the promises they make. For employees, the Company offers an environment of success in which they can pursue personal goals of professional and economic achievement in the context of our **MISSION's** business objectives.

Old Republic's record as a long-term investment compares very favorably within American industry. The Company's performance reflects an entrepreneurial spirit, a necessary long-term orientation in the management of its business, and a corporate structure that promotes accountability and encourages the taking of prudent business risks. For the 25 years ended in 2013, the Company's total market return, with dividends reinvested, has grown at a compounded annual rate of 12.0 percent per share. For the same period, the total market return, with dividends reinvested, for the S&P 500 Index has grown at a 10.3 percent annual compound rate. During those years, Old Republic's shareholders' equity account, inclusive of cash dividends, has risen at an average annual rate of 10.0 percent per share, and the regular cash dividend has grown at a 9.7 percent annual compound rate. According to the most recent edition of *Mergent's Dividend Achievers*, Old Republic is one of just 100 qualifying companies, out of thousands considered, that have posted at least 25 consecutive years of annual dividend growth.

Managing for the Long Run.

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	Form 10K Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, including:
	Item 1 – Business Discussion
	Item 1A – Discussion of Risk Factors
	Item 1B through Item 6
	Item 7 – Management Analysis of Financial Position and Results of Operations
	Item 8 – Financial Statements and Footnote Disclosures
	– Report of Independent Registered Public Accounting Firm
	– Management's Responsibility for Financial Statements
	Item 9A – Discussion of Management's Controls and Procedures
	Notice of Annual Meeting of Shareholders and Proxy Statement

This document is not intended to represent a solicitation or offer to buy or sell the Corporation's securities.

Old Republic International Corporation
Financial Highlights (\$ in Millions, Except Per Share Data)

Consolidated Data, Years Ended December 31:

	2013	2012	% Change
Total revenues	\$ 5,442.7	\$ 4,970.1	9.5%
Pretax income (loss)	672.9	(128.5)	N/M
Net operating income (loss): Total	351.6	(99.7)	N/M
Per share-diluted	1.25	(.39)	N/M
Net income (loss): Total	447.8	(68.6)	N/M
Per share-diluted	1.57	(.27)	N/M
Operating cash flow	686.7	532.0	29.1
Assets, December 31	16,534.4	16,226.8	1.9
Common shareholders' equity, December 31: Total	3,775.0	3,596.2	5.0
Per share.....	14.64	14.03	4.3
Cash dividends per share	\$.72	\$.71	1.4%

Segments of Business Results:

Years Ended December 31:	Revenues			Pretax Income (Loss)		
	2013	2012	% Change	2013	2012	% Change
General Insurance	\$ 2,849.9	\$ 2,699.4	5.6%	\$ 288.3	\$ 261.0	10.5%
Title Insurance	2,025.6	1,707.1	18.7	124.3	73.8	68.2
Corporate & Other	65.6	68.3	-4.1	2.1	(2.7)	175.8
Subtotal	4,941.1	4,474.9	10.4	414.7	332.1	24.9
RFIG run-off business.....	353.4	447.3	-21.0	110.0	(508.6)	121.6
Subtotal	5,294.5	4,922.2	7.6	524.8	(176.4)	N/M
Realized Gains (Losses).....	148.1	47.8	209.3	148.1	47.8	209.3%
Consolidated	\$ 5,442.7	\$ 4,970.1	9.5%	\$ 672.9	\$ (128.5)	N/M

Common Share Statistics

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net operating income (loss): Basic	\$ 1.37	\$ (.39)	\$ (.86)	\$ (.16)	\$ (.67)	\$ (.81)	\$.98	\$ 1.96	\$ 2.22	\$ 1.77
Diluted.....	1.25	(.39)	(.86)	(.16)	(.67)	(.81)	.97	1.94	2.19	1.75
Net income (loss): Basic	1.74	(.27)	(.55)	.13	(.42)	(2.41)	1.18	2.01	2.40	1.91
Diluted.....	1.57	(.27)	(.55)	.13	(.42)	(2.41)	1.17	1.99	2.37	1.89
Book value	14.64	14.03	14.76	16.16	16.49	15.91	19.71	18.91	17.53	16.94
Cash dividends paid (a)72	.71	.70	.69	.68	.67	.63	.59	1.31	.40
Closing price	\$ 17.27	\$ 10.65	\$ 9.27	\$ 13.63	\$ 10.04	\$ 11.92	\$ 15.41	\$ 23.28	\$ 21.01	\$ 20.24
Ratio of closing price to:										
Book value.....	1.2x	.8x	.6x	.8x	.6x	.7 x	.8x	1.2x	1.2x	1.2x
Net operating income (loss): Diluted...	13.8x	N/M	N/M	N/M	N/M	N/M	15.9x	12.0x	9.6x	11.6x
Net return on beginning equity (b)	12.5%	(1.8)%	(3.4)%	.8%	(2.6)%	(12.3)%	6.2%	11.6%	14.3%	12.2%

(a) A special cash dividend of \$.80 per share was paid in December 2005.

(b) Represents net income less preferred dividend requirements as a percentage of common shareholders' equity at the beginning of the year.

N/M = not meaningful

**SENIOR EXECUTIVE MANAGEMENT
(as of December 31, 2013)**

Charles S. Boone
Senior Vice President -
Investments
and Treasurer

James A. Kellogg
Executive Vice
Chairman

Spencer LeRoy III
Senior Vice President,
Secretary, and
General Counsel

Karl W. Mueller
Senior Vice President
and Chief Financial
Officer

R. Scott Rager
President and Chief
Operating Officer;
Senior Vice President -
General Insurance;
President -
Old Republic General
Insurance Companies

Craig R. Smiddy
Executive Vice President
and Chief Operating Officer -
Old Republic General
Insurance Companies

Rande K. Yeager
Senior Vice President -
Title Insurance;
Chairman and Chief
Executive Officer -
Old Republic Title
Insurance Companies

Aldo C. Zucaro
Chairman of the
Board and
Chief Executive
Officer

**BOARD OF DIRECTORS
(as of December 31, 2013)**

Harrington Bischof
President
Pandora Capital
Corporation

Jimmy A. Dew
Vice Chairman (Retired)
Republic Mortgage
Insurance Company

John M. Dixon
Partner (Retired)
Chapman and Cutler
Attorneys, Chicago, IL

James C. Hellauer
Owner
James C. Hellauer and
Associates

Leo E. Knight, Jr.
Chairman and Chief
Executive Officer (Retired)
National City
Mortgage Company

Arnold L. Steiner
President (Retired)
Steiner Bank,
Birmingham, AL

Fredricka Taubitz
Executive Vice President and
Chief Financial Officer
(Retired) Zenith National
Insurance Corporation

Charles F. Titterton
Insurance Group
Director (Retired)
Standard & Poor's
Corporation

Dennis P. Van Mieghem
Partner (Retired)
KPMG LLP
Accountants

Steven R. Walker
Partner (Retired)
Leland, Parachini, Steinberg,
Matzger & Melnick, LLP
Attorneys, San Francisco, CA

Aldo C. Zucaro
Chairman of the Board and
Chief Executive Officer

Management Letter

2013: Profitability Regained

After six lean and challenging years, Old Republic posted a substantial operating profit in 2013. The greatest catalyst to the turnaround was that our run-off mortgage guaranty line returned to profitability. The line seems poised to deliver a faster recovery and more positive operating results than originally anticipated. As the table below also shows, continuing improvements in our Title segment provided a significant boost to Old Republic's consolidated profitability. General Insurance—our largest business measured by committed capital—also contributed to the advance with its moderate earnings gain.

Income Statement Summary (\$ in millions except per share data)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues:					
General insurance	\$2,849.9	\$2,699.4	\$2,488.6	\$1,986.9	\$1,931.1
Title insurance	2,025.6	1,707.1	1,391.8	1,238.8	914.1
Corporate and other	65.6	68.3	84.8	91.2	84.3
Subtotal	4,941.1	4,474.9	3,965.3	3,317.0	2,929.6
RFIG run-off business	353.4	447.3	564.6	676.5	867.6
Total	\$5,294.5	\$4,922.2	\$4,529.9	\$3,993.5	\$3,797.2
Pretax operating income (loss):					
General insurance	\$288.3	\$261.0	\$353.9	\$316.7	\$311.4
Title insurance	124.3	73.8	36.2	9.4	2.1
Corporate and other	2.1	(2.7)	(14.6)	(2.8)	4.0
Subtotal	414.7	332.1	375.5	323.2	317.7
RFIG run-off business	110.0	(508.6)	(727.8)	(404.8)	(597.7)
Subtotal	524.8	(176.4)	(352.2)	(81.5)	(279.9)
Income taxes (credits) on operations	173.2	(76.6)	(133.7)	(40.8)	(122.7)
Net operating income (loss)	351.6	(99.7)	(218.5)	(40.6)	(157.2)
Realized investment gains (losses) from actual transactions, net of taxes (credits)	96.2	31.2	110.7	71.6	10.3
Net income (loss) from consummated transactions	447.8	(68.5)	(107.8)	30.9	(146.8)
Investment gains (losses) from mark-to-market adjustments, net of deferred taxes (credits)	-	(0.1)	(32.6)	(0.8)	47.7
Net income (loss)	\$447.8	\$(68.6)	\$(140.5)	\$30.1	\$(99.1)
Net income (loss) per share:					
Net operating income (loss)	\$1.25	\$(0.39)	\$(0.86)	\$(0.16)	\$(0.67)
Actual realized investment gains (losses)	0.32	0.12	0.44	0.29	0.04
Sub-total	1.57	(0.27)	(0.42)	0.13	(0.63)
Mark-to-market gains (losses)	-	-	(0.13)	-	0.21
Total	\$1.57	\$(0.27)	\$(0.55)	\$0.13	\$(0.42)

Managing Old Republic's insurance business for the long run has always required a clear, unwavering focus on underwriting profitability over industry cycles. While income from invested shareholders' capital and underwriting cash flows is important, that does not alter our focus. Moreover, the past several years' much reduced investment yields have underlined the primacy of a disciplined approach for successfully managing insurance risk over the long run.

The following table shows the basic components of consolidated operating income and the impact of significant swings in underwriting profitability. During the last five years, investment income steadily declined. Lower yields were obtained on ORI's quality portfolio of fixed income and equity securities, which led to a falling contribution to pretax income.

Components of Pretax Operating Income (\$ in millions)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Income (loss) from underwriting and related services:					
All lines other than RFIG run-off business	\$154.5	\$65.9	\$114.8	\$54.6	\$43.2
RFIG run-off business	73.1	(542.7)	(768.3)	(483.2)	(682.4)
Total	<u>227.7</u>	<u>(476.8)</u>	<u>(653.4)</u>	<u>(428.6)</u>	<u>(639.3)</u>
Net investment income	318.7	336.5	364.6	379.0	383.5
Interest and other charges	(21.6)	(36.2)	(63.4)	(32.0)	(24.2)
Consolidated pretax operating income (loss)	<u>\$524.8</u>	<u>\$(176.4)</u>	<u>\$(352.2)</u>	<u>\$(81.5)</u>	<u>\$(279.9)</u>
Composite underwriting ratio:					
All lines other than RFIG run-off business	96.3%	98.1%	96.4%	97.5%	97.9%
RFIG run-off business	76.9	232.2	252.6	182.3	189.1
All coverages	<u>95.0%</u>	<u>110.4%</u>	<u>115.8%</u>	<u>111.4%</u>	<u>118.5%</u>

Moderate Improvement in General Insurance Results

Old Republic's General Insurance business—which offers a wide range of mostly commercial property and liability insurance coverages—turned in moderate top-line and earnings growth. The next table compares the major earnings components in recent years.

General Insurance Group (\$ in millions)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net premiums earned	\$2,513.7	\$2,324.4	\$2,109.4	\$1,694.2	\$1,661.1
Net investment income	249.6	264.9	270.5	260.1	258.9
Other income	86.5	110.0	108.7	32.5	11.0
Net revenues	<u>2,849.9</u>	<u>2,699.4</u>	<u>2,488.6</u>	<u>1,986.9</u>	<u>1,931.1</u>
Benefits, claims and related settlement expense	1,849.4	1,696.0	1,460.0	1,149.3	1,145.5
Sales & general expenses	681.1	708.4	641.3	492.9	452.8
Interest & other charges	30.9	33.9	33.3	27.8	21.3
Total expenses	<u>2,561.6</u>	<u>2,438.4</u>	<u>2,134.7</u>	<u>1,670.1</u>	<u>1,619.7</u>
Pretax operating income (loss)	<u>\$288.3</u>	<u>\$261.0</u>	<u>\$353.9</u>	<u>\$316.7</u>	<u>\$311.4</u>
Underwriting gain (loss)	<u>\$69.5</u>	<u>\$30.0</u>	<u>\$116.8</u>	<u>\$84.5</u>	<u>\$73.8</u>
Composite ratio	<u>97.3%</u>	<u>98.7%</u>	<u>94.4%</u>	<u>94.7%</u>	<u>95.6%</u>

Consolidated General Insurance earned premiums rose 8.1% last year, compared to 10.2% growth in 2012. Most of the improvement stemmed from commercial automobile (trucking), workers' compensation, and general liability coverages. Earned premiums from these lines were nearly 79% of the total in 2013, about the same as the previous year. Premiums for all other types of insurance also rose by approximately 8%. The combination of a generally improving rate environment for most coverages and the slowly strengthening pace of U.S. economic activity were major contributors to these improvements.

The overall income from underwriting and related insurance services more than doubled, to \$69.5 million in 2013. This arose mostly from a small group of coverages accounting for just 21% of total earned premiums. The composite underwriting ratio was slightly lower than in 2012. The claims portion of this ratio remained at relatively high levels, as workers' compensation and general liability loss costs reflected greater than expected severity. Moreover, favorable development of prior years' reserves was much more limited in 2013. A decline in the expense portion of the ratio provided a partial offset to the higher claim ratio. The lower expense ratio was mostly due to the absence of charges—approximating 2 percentage points—that were fully

expensed in 2012. The charges stemmed from a 2012 adoption of Financial Accounting Standards Board guidance for calculating deferred policy acquisition costs.

General Insurance net investment income of \$249.6 million reflected a continued decline, lessening its contribution to operating margins. While General Insurance operating cash flow was positive and added to the invested asset base, market yields on new securities investments were restrained throughout the year, as they were in every other business segment.

For 2014, we expect that General Insurance performance should continue to reflect recent favorable trends in both top and bottom lines.

Title Insurance Earnings Beat Expectations

After the moderate operating losses incurred during the initial years of the Great Recession, our Title Insurance business started on the road to recovery and has progressed steadily since then. In 2013, the segment posted the second highest operating profit of its 107-year history. The table below shows the numerical indications of this achievement.

Title Insurance Group (\$ in millions)					
	2013	2012	2011	2010	2009
Premiums & fees earned	\$1,996.1	\$1,677.4	\$1,362.4	\$1,211.0	\$888.4
Net investment income	26.6	27.3	27.3	26.5	25.2
Other income	2.8	2.3	1.9	1.2	0.4
Net revenues	<u>2,025.6</u>	<u>1,707.1</u>	<u>1,391.8</u>	<u>1,238.8</u>	<u>914.1</u>
Claims and claim expenses	134.0	120.8	105.7	96.8	70.3
Sales & general expenses	1,759.7	1,504.7	1,244.5	1,127.3	834.0
Interest & other charges	7.4	7.5	5.3	5.1	7.5
Total expenses	<u>1,901.3</u>	<u>1,633.2</u>	<u>1,355.5</u>	<u>1,229.4</u>	<u>911.9</u>
Pretax operating income (loss)	<u>\$124.3</u>	<u>\$73.8</u>	<u>\$36.2</u>	<u>\$9.4</u>	<u>\$2.1</u>
Underwriting gain (loss)	<u>\$105.1</u>	<u>\$54.1</u>	<u>\$14.1</u>	<u>(\$12.0)</u>	<u>(\$15.4)</u>
Composite ratio	<u>94.7%</u>	<u>96.8%</u>	<u>99.0%</u>	<u>101.0%</u>	<u>101.7%</u>

Despite a mid-year 2013 contraction in industry-wide refinance activity, the title segment set a new top-line record: with premiums and fees advancing 19% year-over-year. Premiums from our agency network led the way, with a 27% increase, while company direct premium volume gained 12%. Market share grew for the seventh-straight year. Our title segment now accounts for about 15% of industry volume. This achievement represents a near-tripling of the business in under seven years. It is a testament to our managers' strategic vision to invest in additional people resources and infrastructure during some of the most trying years of the Great Recession.

Title Insurance profit benefitted from improved margins, driven by slightly lower claims and expense ratios. As a result, the composite underwriting ratio dropped by some 200 basis points to 94.7% from 96.8% in 2012.

2014 Title Insurance performance will most likely be affected by a slowdown in real estate transactions. Respected forecasters indicate that home prices should rise moderately, mortgage rates should increase slightly, and refinance activity should continue to slow while the purchase market remains relatively vibrant. The confluence of these factors should lead to a reasonably profitable transition year for a fully established, extremely well-funded title business that can grow successfully over cycles.

RFIG Run-Off Business Surprises on the Upside

In 2013, the overall RFIG run-off operations surprised with unanticipated profitability. Mortgage Guaranty (MI)—the largest portion of the run-off—produced all of the profit. The much smaller Consumer Credit Indemnity (CCI) product line registered a small offsetting operating loss. The following table reflects the separate and composite RFIG results for the five most recent years.

RFIG Run-off Business (\$ in millions)

	2013	2012	2011	2010	2009
A. Prior to reclassification/ Excluding CCI run-off business:					
Net premiums earned	\$286.7	\$368.0	\$444.9	\$498.8	\$644.5
Net investment income	36.4	36.2	59.2	84.9	92.0
Claim costs	173.2	797.5	1,057.1	766.2	1,134.1
Pretax operating income (loss)	<u>\$126.3</u>	<u>(\$433.6)</u>	<u>(\$678.1)</u>	<u>(\$260.8)</u>	<u>(\$486.4)</u>
Claim ratio	60.4%	216.7%	237.6%	153.6%	176.0%
Expense ratio	8.2	10.4	23.9	14.4	12.6
Composite ratio	<u>68.6%</u>	<u>227.1%</u>	<u>261.5%</u>	<u>168.0%</u>	<u>188.6%</u>
B. CCI run-off business reclassification*:					
Net premiums earned	\$29.8	\$42.4	\$58.3	\$87.9	\$121.4
Net investment income	0.4	0.1	-	-	-
Claim costs	44.5	112.8	102.9	225.4	225.7
Pretax operating income (loss)	<u>(\$16.2)</u>	<u>(\$74.9)</u>	<u>(\$49.6)</u>	<u>(\$143.9)</u>	<u>(\$111.2)</u>
Claim ratio	149.4%	265.7%	176.5%	256.4%	185.9%
Expense ratio	6.6	11.0	8.7	7.4	5.8
Composite ratio	<u>156.0%</u>	<u>276.7%</u>	<u>185.2%</u>	<u>263.8%</u>	<u>191.7%</u>
C. After reclassification/Total MI and CCI business run-off:					
Net premiums earned	\$316.5	\$410.5	\$503.2	\$586.8	\$765.9
Net investment income	36.8	36.3	59.3	85.0	92.0
Claim costs	217.7	910.4	1,160.1	991.7	1,359.8
Pretax operating income (loss)	<u>\$110.0</u>	<u>(\$508.6)</u>	<u>(\$727.8)</u>	<u>(\$404.8)</u>	<u>(\$597.7)</u>
Claim ratio	68.8%	221.8%	230.5%	169.0%	177.5%
Expense ratio	8.1	10.4	22.1	13.3	11.6
Composite ratio	<u>76.9%</u>	<u>232.2%</u>	<u>252.6%</u>	<u>182.3%</u>	<u>189.1%</u>

* \$14.0 million and \$70.9 million of pretax operating losses for 2013 and 2012, respectively, are retained by certain General Insurance companies under various quota share and stop loss reinsurance agreements. All of these amounts, however, have been reclassified and are included for segment reporting purposes, so that Table B incorporates 100% of the CCI run-off business results.

Since we stopped writing new business (in 2008 for CCI, and in August 2011 for MI), run-off operations have been managed in the normal course of business. In MI, our two direct underwriting companies have operated under the regulatory supervision of North Carolina, where they are domiciled. Within this regulatory regimen, all necessary insurance underwriting, claims settlement, and general administrative functions have been conducted flawlessly and with great economic efficiency by a professional and committed group of associates. In harmony with regulatory direction, all approved MI claims have been settled for cash to the extent of 60% and held in claim reserves for the remaining 40%. It's expected that this last amount will ultimately be paid out of capital funds remaining after a run-off period extending to year-end 2021, or sooner if circumstances warrant. Our earlier forecasts had indicated that the MI run-off could produce a small profit beginning in 2014 or 2015. Its profitability in 2013 was a welcome surprise.

In 2012, we attempted to establish the entire RFIG operation as a publicly held entity. In 2013, we tried to establish the MI business as a separate, publicly held corporation. The objective was to refinance these entities outside the ORI holding company system. This would allow them to actively pursue new business opportunities while remaining engaged in the run-off of the legacy book. Both plans were terminated for a number of reasons. These included the different desires and expectations of various stakeholders, and the inability to secure appropriate terms of trade. When the second plan was canceled in late March 2014, we reassessed our MI run-off and other objectives in the context of changing circumstances and Old Republic's long-term business interests.

The housing industry, the related mortgage lending markets, the employment situation, and the American economy at large continue to gain strength. In most parts of the nation, these positive factors are reflected in falling mortgage delinquencies, declining foreclosure initiations and backlogs, and rebounding home values. Taken together, these factors are contributing to a gradual improvement in our mortgage guaranty business. This enhances its ability to accelerate the payment of deferred claim obligations. We believe this can happen without relying on external sources of capital.

In light of these changed circumstances, ORI is committed to shore up the regulatory capital of its flagship MI subsidiary with currently available holding company funds. At the same time, the MI subsidiaries are seeking regulatory approval to increase substantially—or possibly restore to 100%—the pay-out on deferred claim obligations and on all legitimate new claim settlements starting in 2014. These actions, and the emerging favorable operating trends, should offer several benefits. These include reducing the significance of our flagship MI subsidiary from balance sheet leverage and liquidity, enterprise risk management, and other financial standpoints. It's important to note that none of these actions signals Old Republic's re-entry into the mortgage guaranty field as a new business producer.

Our CCI business remains in a similar run-off state. Long-tenured managers and other associates are providing a stable environment in which all legitimate claim and other obligations are being fairly resolved.

Capital Allocation for Our Business Model

In the best of times, our MI business alone delivered up to 45% of Old Republic's consolidated bottom line and represented nearly 35% of our shareholders' capital. While significantly smaller, the CCI line also had a positive impact on consolidated results in the early years of the new century. Beginning in mid-2007, these benefits melted away in the firestorm of the Great Recession.

The advent of MI and CCI run-off operations notwithstanding, our core General and Title Insurance businesses remained firmly anchored. As shown in the following table, they are the main capital repositories upon which Old Republic's business will continue to flourish in the years ahead.

Capital Allocation Objectives*								
	Current Long-Term Objectives			Actual Allocations as of December 31,				
				<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General insurance	85.0%	-	90.0%	81.7%	83.1%	79.3%	71.0%	67.6%
Housing								
Title	12.5%	-	15.0%	13.6%	13.2%	11.0%	10.2%	10.2%
RFIG Run-off			0.0%	-0.3%	-1.4%	4.5%	13.4%	17.4%
Life & accident / Other	2.5%	-	2.5%	5.0%	5.1%	5.2%	5.4%	4.8%
				100.0%	100.0%	100.0%	100.0%	100.0%

* Percentages are based on the inclusion of all capital instruments.

Consistent Dividend Stream to Shareholders

Paying regular cash dividends—pegged to Old Republic's long-term growth prospects—has always been an important objective in our stewardship of shareholders' interests. The steady growth of cash dividends over many years has been a significant component of the total market return for our common stock.

Lower consolidated results in the past several years did not constrain our ability to modestly expand the cash dividend rate. The run-off losses notwithstanding, the relative stability of our General Insurance segment in particular enabled a steady stream of funds to Old Republic. This was accomplished without taxing that segment's financial strength. Now, improving results from our Title Insurance business are adding further flexibility for managing the holding company's liquidity needs, as these apply to corporate expenses, debt service, internal capital needs and, of course, paying cash dividends.

State insurance laws regulate the payment of dividends by insurance subsidiaries to their parent holding companies. This following table shows 1) the total amount of annual dividends that could have been paid by our subsidiaries without regulatory approvals, 2) the amount actually paid to the parent holding company, and 3) the latter's actual dividend payments to our shareholders.

Permitted and Actual Dividends (\$ in millions)					
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Maximum dividends payable by subsidiaries	\$350.6	\$361.4	\$306.5	\$341.6	\$245.7
Actual dividends paid by subsidiaries to ORI Parent	205.3	195.0	177.1	181.1	181.5
Actual dividends paid by ORI Parent to the shareholders	\$184.8	\$181.5	\$178.4	\$166.1	\$160.0

The following table indicates the various elements affecting annual changes in the common shareholders' account. Since year-end 2006, book value per share has declined by \$4.27 or 22.6%. All of this decline—and more—is represented by total cash dividend payments of \$4.80. This was achieved despite the several recent years of economic dislocations. We believe this is a testament to the merits of managing a well-capitalized business for the long run. Old Republic has paid cash dividends for 72 consecutive years since 1942, and the normal annual dividend rate has now been raised in each of the past 32 years through 2013.

Shareholders' Account Reconciliation Per Share

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Common shareholders' equity, beginning of year	<u>\$14.03</u>	<u>\$14.76</u>	<u>\$16.16</u>	<u>\$16.49</u>	<u>\$15.91</u>
Changes for the year:					
Net operating income (loss)	<u>1.37</u>	<u>(0.39)</u>	<u>(0.86)</u>	<u>(0.16)</u>	<u>(0.67)</u>
Realized investment gains (losses):					
From securities sales	<u>0.37</u>	<u>0.12</u>	<u>0.44</u>	<u>0.29</u>	<u>0.04</u>
Mark-to-market adjustments	<u>-</u>	<u>-</u>	<u>(0.13)</u>	<u>-</u>	<u>0.21</u>
Subtotal	<u>0.37</u>	<u>0.12</u>	<u>0.31</u>	<u>0.29</u>	<u>0.25</u>
Net unrealized investment gains (losses)	<u>(0.64)</u>	<u>0.29</u>	<u>0.03</u>	<u>0.40</u>	<u>1.59</u>
Total realized and unrealized investment gains (losses)	<u>(0.27)</u>	<u>0.41</u>	<u>0.34</u>	<u>0.69</u>	<u>1.84</u>
Cash dividends paid	<u>(0.72)</u>	<u>(0.71)</u>	<u>(0.70)</u>	<u>(0.69)</u>	<u>(0.68)</u>
Effect of PMA merger	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.19)</u>	<u>-</u>
Other – net	<u>0.23</u>	<u>(0.04)</u>	<u>(0.18)</u>	<u>0.02</u>	<u>0.09</u>
Net change for the year	<u>0.61</u>	<u>(0.73)</u>	<u>(1.40)</u>	<u>(0.33)</u>	<u>0.58</u>
Common shareholders' equity, end of year	<u>\$14.64</u>	<u>\$14.03</u>	<u>\$14.76</u>	<u>\$16.16</u>	<u>\$16.49</u>

Business Outlook: Optimistic

The run-off MI and CCI businesses are stabilizing in harmony with improving fundamentals in the housing and related fields. On this basis alone, Old Republic's consolidated operations should be headed toward much calmer seas. More importantly, our two core segments of General and Title Insurance are well positioned to grow organically and succeed in the best interest of all stakeholders for the long run.

Respectfully submitted on behalf
of the Board of Directors,



Aldo C. Zucaro
Chairman and Chief Executive Officer
Chicago, Illinois
March 20, 2014

Old Republic International Corporation Ten-Year Financial Summary

(All amounts, except common share data, are expressed in millions)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Financial Position										
Cash and Fixed										
Maturity Securities	\$ 9,990.6	\$ 9,932.4	\$ 9,962.5	\$ 9,663.6	\$ 9,230.9	\$ 8,358.9	\$ 7,900.3	\$ 7,397.9	\$ 6,675.3	\$ 6,405.9
Equity Securities	1,004.2	739.7	580.8	672.4	502.9	350.3	842.1	669.1	552.4	459.0
Other Invested Assets	114.3	128.4	141.7	154.7	145.2	145.8	181.6	163.7	166.3	155.2
Reinsurance Recoverable	3,215.7	3,237.1	3,243.9	3,262.5	2,558.0	2,448.0	2,259.3	2,231.3	2,167.2	1,846.5
Prepaid Federal Income Taxes	-	-	1.0	102.9	221.4	463.4	536.5	468.4	545.7	499.3
Sundry Assets	2,209.4	2,189.1	2,120.3	2,026.5	1,531.4	1,499.4	1,570.6	1,681.6	1,435.9	1,204.7
Total	\$ 16,534.4	\$ 16,226.8	\$ 16,050.4	\$ 15,882.7	\$ 14,190.0	\$ 13,266.0	\$ 13,290.6	\$ 12,612.2	\$ 11,543.2	\$ 10,570.8
Policy Liabilities	\$ 1,695.7	\$ 1,566.3	\$ 1,461.9	\$ 1,424.9	\$ 1,223.4	\$ 1,293.0	\$ 1,372.4	\$ 1,398.1	\$ 1,228.1	\$ 1,079.1
Benefit and Claim Reserves	9,433.5	9,303.3	8,786.6	8,814.6	7,915.0	7,241.3	6,231.1	5,534.7	4,939.8	4,403.5
Sundry Liabilities	1,630.1	1,760.9	2,029.2	1,521.8	1,160.1	991.3	1,145.4	1,310.2	1,351.0	1,222.5
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Shareholders' Equity	3,775.0	3,596.2	3,772.5	4,121.4	3,891.4	3,740.3	4,541.6	4,369.2	4,024.0	3,865.6
Total	\$ 16,534.4	\$ 16,226.8	\$ 16,050.4	\$ 15,882.7	\$ 14,190.0	\$ 13,266.0	\$ 13,290.6	\$ 12,612.2	\$ 11,543.2	\$ 10,570.8
Total Capitalization	\$ 4,344.3	\$ 4,169.1	\$ 4,685.4	\$ 4,596.4	\$ 4,238.2	\$ 3,973.4	\$ 4,605.7	\$ 4,513.5	\$ 4,166.7	\$ 4,008.6
Book Value Per Share (a)	\$ 14.64	\$ 14.03	\$ 14.76	\$ 16.16	\$ 16.49	\$ 15.91	\$ 19.71	\$ 18.91	\$ 17.53	\$ 16.94
Operating Results										
Net Premiums and Fees	\$ 4,885.6	\$ 4,471.0	\$ 4,050.1	\$ 3,573.5	\$ 3,388.9	\$ 3,318.1	\$ 3,601.2	\$ 3,400.5	\$ 3,386.9	\$ 3,116.1
Net Investment Income	318.7	336.5	364.6	379.0	383.5	377.3	379.9	341.6	310.1	290.8
Other Income	90.1	114.5	115.2	41.0	24.8	28.7	39.4	33.0	43.9	36.7
Net Realized Gains (Losses)	148.1	47.8	115.5	109.1	6.3	(486.4)	70.3	19.0	64.9	47.9
Total Revenues	5,442.7	4,970.1	4,645.5	4,102.7	3,803.6	3,237.7	4,091.0	3,794.2	3,805.9	3,491.6
Benefits and Claims	2,238.3	2,765.3	2,764.3	2,278.2	2,609.8	2,722.1	2,171.4	1,540.9	1,466.5	1,308.8
Sales and General Expenses	2,531.3	2,333.3	2,117.8	1,796.8	1,467.4	1,334.8	1,541.1	1,573.1	1,592.0	1,531.9
Total Expenses	4,769.7	5,098.7	4,882.2	4,075.1	4,077.2	4,056.9	3,712.6	3,114.0	3,058.5	2,840.7
Pretax Income (Loss)	672.9	(128.5)	(236.7)	27.6	(273.6)	(819.2)	378.4	680.1	747.3	650.9
Income Taxes (Credits)	225.0	(59.8)	(96.1)	(2.5)	(174.4)	(260.8)	105.9	215.2	195.9	215.9
Net Income (Loss)	\$ 447.8	\$ (68.6)	\$ (140.5)	\$ 30.1	\$ (99.1)	\$ (558.3)	\$ 272.4	\$ 464.8	\$ 551.4	\$ 435.0
Operating Cash Flow (b)	\$ 686.7	\$ 532.0	\$ (94.9)	\$ (282.2)	\$ 532.9	\$ 565.6	\$ 862.5	\$ 1,004.7	\$ 833.6	\$ 775.5
Net Income (Loss) Per Share:(a)										
Basic	\$ 1.74	\$ (.27)	\$ (.55)	\$.13	\$ (.42)	\$ (2.41)	\$ 1.18	\$ 2.01	\$ 2.40	\$ 1.91
Diluted	\$ 1.57	\$ (.27)	\$ (.55)	\$.13	\$ (.42)	\$ (2.41)	\$ 1.17	\$ 1.99	\$ 2.37	\$ 1.89
Revenues By Operating Segment										
General Insurance	\$ 2,849.9	\$ 2,699.4	\$ 2,488.6	\$ 1,986.6	\$ 1,931.1	\$ 2,051.3	\$ 2,243.9	\$ 2,022.0	\$ 1,921.7	\$ 1,728.4
Title Insurance	2,025.6	1,707.1	1,391.8	1,238.8	914.1	681.3	878.5	1,007.3	1,108.6	1,051.8
Corporate & Other (c)	65.6	68.3	84.8	91.2	84.3	96.8	95.6	99.2	98.6	79.3
Subtotal	4,941.1	4,474.9	3,965.3	3,317.0	2,929.6	2,829.4	3,218.1	3,128.6	3,128.9	2,859.6
RFIG Run-off Business	353.4	447.3	564.6	676.5	867.6	894.7	802.4	646.5	612.0	584.0
Subtotal	5,294.5	4,922.2	4,529.9	3,993.5	3,797.2	3,724.2	4,020.6	3,775.2	3,741.0	3,443.7
Realized Gains (Losses)	148.1	47.8	115.5	109.1	6.3	(486.4)	70.3	19.0	64.9	47.9
Total	\$ 5,442.7	\$ 4,970.1	\$ 4,645.5	\$ 4,102.7	\$ 3,803.6	\$ 3,237.7	\$ 4,091.0	\$ 3,794.2	\$ 3,805.9	\$ 3,491.6
Pretax Income (Loss) By Operating Segment										
General Insurance	\$ 288.3	\$ 261.0	\$ 353.9	\$ 316.7	\$ 311.4	\$ 363.0	\$ 413.2	\$ 355.0	\$ 322.9	\$ 303.8
Title Insurance	124.3	73.8	36.2	9.4	2.1	(46.3)	(14.7)	31.0	88.7	62.5
Corporate & Other (c)	2.1	(2.7)	(14.6)	(2.8)	4.0	13.5	15.1	-	(.1)	(17.2)
Subtotal	414.7	332.1	375.5	323.2	317.7	330.2	413.6	386.0	411.5	349.2
RFIG Run-off Business	110.0	(508.6)	(727.8)	(404.8)	(597.7)	(663.0)	(105.5)	275.0	270.9	253.7
Subtotal	524.8	(176.4)	(352.2)	(81.5)	(279.9)	(332.7)	308.0	661.1	682.4	602.9
Realized Gains (Losses)	148.1	47.8	115.5	109.1	6.3	(486.4)	70.3	19.0	64.9	47.9
Total	\$ 672.9	\$ (128.5)	\$ (236.7)	\$ 27.6	\$ (273.6)	\$ (819.2)	\$ 378.4	\$ 680.1	\$ 747.3	\$ 650.9

(a) Retroactive adjustments have been made for all stock dividends and splits declared through December 31, 2013 and for consistent presentation of annual data.

(b) 2006 operating cash flow was enhanced by approximately \$198 resulting from the acquisition of a casualty book of insurance business. 2005 operating cash flow benefited from a non-recurring tax recovery of \$45.9.

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

Old Republic International Corporation

Corporate and Shareholders' Information

Corporate Governance

The financial statements and other information included in this 90th Annual Report to shareholders have been compiled under the overall supervision of Old Republic's Chief Executive Officer and Chief Financial Officer. This report is intended to inform shareholders about Old Republic's most recent operating results and financial position.

To ensure the reliability and integrity of financial statements and other data used in the normal course of business, management of the Company and its subsidiaries employ systems of operational and internal controls deemed to be cost effective and tailored to Old Republic's mode of operations.

The Board of Directors regularly meets four times per annum. Financial and other data provided to the Directors of the Company and its subsidiaries are intended to afford them a current understanding of operating results and major corporate decisions and policies. An Audit Committee, consisting of six independent Directors, meets periodically with representatives of management and of the independent registered public accounting firm retained each year to audit the financial statements. The independent registered public accounting firm has access to the Audit Committee, and the meetings are held with and without management representatives present. The Audit Committee is empowered to oversee the integrity of the Company's financial statements and the Company's compliance with legal and regulatory requirements, the independent qualifications and performance of the Company's internal auditors and independent registered public accounting firm, and the selection of the independent registered public accounting firm. The Board of Directors also has Nominating and Compensation Committees consisting solely of independent Directors, and a six member Executive Committee consisting of five independent Directors and the Chief Executive Officer.

During calendar year 2013, the Company's Chief Executive Officer filed an unqualified Annual CEO Certification, pursuant to the requirements of Section 303A.12(a) of the New York Stock Exchange Listed Company Manual. Additionally, the Company's Chief Executive and Chief Financial Officers each filed with the Company's Annual and Quarterly Reports the Certifications of Disclosure required under Rule 13A-14(a)/15d-14(a) of the Securities and Exchange Commission.

Stock Information

The Company's common stock is traded on the New York Stock Exchange under the symbol of ORI.

	Sales Price Range of Common Stock	Cash Dividends		Sales Price Range of Common Stock	Cash Dividends
1st Quarter '13	\$10.74 - \$12.77	\$.1800	1st Quarter '12	\$8.86 - \$11.21	\$.1775
2nd Quarter '13	12.02 - 14.49	.1800	2nd Quarter '12	8.02 - 10.88	.1775
3rd Quarter '13	12.82 - 15.40	.1800	3rd Quarter '12	7.76 - 9.81	.1775
4th Quarter '13	\$14.40 - \$17.45	\$.1800	4th Quarter '12	\$9.20 - \$11.05	\$.1775

Shareholder Purchase & Reinvestment Plan

The Corporation has a Shareholder Purchase and Reinvestment Plan ("Plan") for the benefit of its common stockholders. The Plan provides a convenient way to purchase shares or increase shareholders' holdings of Old Republic common stock. Pursuant to the Plan, participating shareholders may elect to have all or part of their quarterly cash dividends reinvested in additional shares of Old Republic common stock. Participants may also elect to make optional cash payments as frequently as each month. Such additional cash payments may be for no less than \$100 up to a maximum of \$15,000 each quarter and the amount invested can vary with each payment. The dividends reinvested as well as any optional cash payments will be used to purchase shares of Old Republic's common stock as of each dividend payment date or investment date. The purchase price will be either the average of the high and low trading price for the day on which shares are issued by the Corporation or the market price if purchased on the open market.

Employees of Old Republic and any of its majority-owned subsidiaries and affiliates may purchase shares or make optional cash payments through payroll deductions. To do so, they need only request and sign the appropriate payroll department forms, including thereon the amount they wish to have withheld from each paycheck. The Plan is administered through Wells Fargo Shareowner Services who will send participants a statement showing the shares purchased following each transaction.

To obtain more information about the Plan and on how to enroll in it, contact Wells Fargo Shareowner Services as shown on the following page.

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

FORM 10-K

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

For the fiscal year ended: December 31, 2013 OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(NO FEE REQUIRED)

For the transition period from _____ to _____
Commission File Number: 001-10607

OLD REPUBLIC INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(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
Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock/\$1 par value

Name of Each Exchange on Which Registered
New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes: X/ No:

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes: / No: X

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

Indicate by check mark whether the registrant has submitted electronically 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: X/No:**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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
Non-accelerated filer

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: X**

The aggregate fair value of the registrant's voting Common Stock held by non-affiliates of the registrant (assuming, for purposes of this calculation only, that the registrant's directors and executive officers, the registrant's various employee benefit plans and American Business & Personal Insurance Mutual, Inc. and its subsidiaries are all affiliates of the registrant), based on the closing sale price of the registrant's common stock on June 30, 2013, the last day of the registrant's most recently completed second fiscal quarter, was \$3,046,777,352.

The registrant had 260,468,822 shares of Common Stock outstanding as of January 31, 2014.

Documents incorporated by reference:

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

Title	Part
Proxy statement for the 2014 Annual Meeting of Shareholders Exhibits as specified in exhibit index (page 114)	III, Items 10, 11, 12, 13 and 14 IV, Item 15

There are 115 pages in this report

PART I

Item 1 - Business

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

The insurance business is distinguished from most others in that the prices (premiums) charged for various insurance products are set without certainty of the ultimate benefit and claim costs that will emerge 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 its subsidiaries' long-term obligations to insurance beneficiaries. To achieve these objectives, adherence to certain basic insurance risk management principles is stressed, and asset diversification and quality are emphasized. The underwriting principles encompass:

- Disciplined risk selection, evaluation, and pricing to reduce uncertainty and adverse selection;
- Augmenting the predictability of expected outcomes through insurance of the largest number of homogeneous risks as to each type of coverage;
- Reducing the insurance portfolio risk profile through:
 - diversification and spread of insured risks; and
 - assimilation of uncorrelated asset and liability exposures across economic sectors that tend to offset or counterbalance one another; and
- Effectively managing gross and net limits of liability through appropriate use of reinsurance.

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

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

In late March of 2012, Old Republic combined its General Insurance Group's Consumer Credit Indemnity division with its mortgage guaranty line (RMIC Companies, Inc. or "RMICC") within a business denoted as the Republic Financial Indemnity Group, Inc. run-off segment. The two operations, which offer similar insurance coverages, have been in run-off operating mode since 2008 (CCI) and August 2011 (MI), and are inactive from new business production standpoints. The combination affects the manner in which segmented information is presented herein. Accordingly, the segmented results in this Annual Report show the combination of these coverages as a single run-off book of business within the Company's consolidated operations.

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

Financial Information Relating to Segments of Business (a)

<u>Net Revenues (b)</u>	(\$ in Millions)		
Years Ended December 31:	2013	2012	2011
General	\$ 2,849.9	\$ 2,699.4	\$ 2,488.6
Title	2,025.6	1,707.1	1,391.8
Corporate & Other - net (c)	65.6	68.3	84.8
Subtotal	4,941.1	4,474.9	3,965.3
RFIG Run-off	353.4	447.3	564.6
Subtotal	5,294.5	4,922.2	4,529.9
Consolidated realized investment gains (losses)	148.1	47.8	115.5
Consolidated	<u>\$ 5,442.7</u>	<u>\$ 4,970.1</u>	<u>\$ 4,645.5</u>

<u>Income (Loss) Before Taxes</u>			
Years Ended December 31:	2013	2012	2011
General	\$ 288.3	\$ 261.0	\$ 353.9
Title	124.3	73.8	36.2
Corporate & Other - net (c)	2.1	(2.7)	(14.6)
Subtotal	414.7	332.1	375.5
RFIG Run-off	110.0	(508.6)	(727.8)
Subtotal	524.8	(176.4)	(352.2)
Consolidated realized investment gains (losses)	148.1	47.8	115.5
Consolidated	<u>\$ 672.9</u>	<u>\$ (128.5)</u>	<u>\$ (236.7)</u>

<u>Assets</u>			
As of December 31:	2013	2012	2011
General	\$ 13,276.6	\$ 12,770.2	\$ 12,384.3
Title	1,185.5	1,076.5	956.2
Corporate & Other - net (c)	249.8	328.9	682.2
Subtotal	14,712.0	14,175.6	14,022.8
RFIG Run-off	1,822.3	2,051.1	2,027.6
Consolidated	<u>\$ 16,534.4</u>	<u>\$ 16,226.8</u>	<u>\$ 16,050.4</u>

<u>Shareholders' Equity</u>			
As of December 31:	2013	2012	2011
General (d)	\$ 2,986.3	\$ 2,992.3	\$ 2,952.9
Title (d)	445.2	400.9	323.0
Corporate & Other - net (c)	357.2	259.6	480.2
Subtotal	3,788.8	3,652.9	3,756.3
RFIG Run-off (d)	(13.8)	(56.6)	16.2
Consolidated	<u>\$ 3,775.0</u>	<u>\$ 3,596.2</u>	<u>\$ 3,772.5</u>

- (a) Reference is made to the table in Note 6 of the Notes to Consolidated Financial Statements, incorporated herein by reference, which shows the contribution of each subcategory to the consolidated net revenues and income or loss before income taxes of Old Republic's insurance industry segments.
- (b) Revenues consist of net premiums, fees, net investment and other income earned. Realized investment gains (losses) are shown in total for all groups combined since the investment portfolio is managed as a whole.
- (c) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, a small life and accident insurance operation and consolidation elimination adjustments.
- (d) Shareholders' equity excludes intercompany financing arrangements for the following segments: General - \$585.6, \$489.4, and \$469.4 as of December 31, 2013, 2012, and 2011, respectively; Title - \$143.9, as of December 31, 2013, 2012, and 2011; RFIG Run-off - \$- as of December 31, 2013 and 2012, and \$175.0 as of December 31, 2011.

General Insurance Group

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

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

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

Aviation (1983): Insurance policies protect the value of aircraft hulls and afford liability coverage for acts that result in injury, loss of life, and property damage to passengers and others on the ground or in the air. Old Republic's aviation business does not extend to commercial airlines.

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

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

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

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

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

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

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

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

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

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

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

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

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

Commercial automobile, general liability and workers' compensation insurance are typically produced in tandem for many assureds. For 2013, production of workers' compensation direct insurance premiums accounted for approximately 35.8% of consolidated General Insurance Group direct premiums written, while commercial automobile and general liability direct premium production amounted to approximately 27.9% and 11.6%, respectively, of such consolidated totals.

Approximately 91% of general insurance premiums are produced through independent agency or brokerage channels, while the remaining 9% is obtained through direct production facilities.

Title Insurance Group

Old Republic's flagship title insurance company was founded in Minnesota in 1907. The Title Insurance Group's business consists primarily of the issuance of policies to real estate purchasers and investors based upon searches of the public records, which contain information concerning interests in real property. The policies insure against losses arising out of defects, liens and encumbrances affecting the insured title and not excluded or excepted from the coverage of the policy. For the year ended December 31, 2013, approximately 28% of the Company's consolidated title premium and related fee income stemmed from direct operations (which include branch offices of its title insurers and wholly owned agency and service subsidiaries of the Company), while the remaining 72% emanated from independent title agents and underwritten title companies.

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

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

In connection with its title insurance operations, Old Republic also provides escrow closing and construction disbursement services, as well as real estate information products, national default management services, and services pertaining to real estate transfers and loan transactions.

Republic Financial Indemnity Group (RFIG) Run-off Business

Old Republic's RFIG run-off business consists of its mortgage guaranty and CCI operations.

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

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

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

Bulk and other insurance was issued on groups of loans to mortgage banking customers through a centralized risk assessment and underwriting department. These groups of loans were priced in the aggregate, on a bid or negotiated basis. Coverage for insurance issued in this manner was provided through primary insurance policies (loan level coverage) or pool insurance policies (aggregate coverage). The Company considers transactions designated as bulk

insurance to be exposed to higher risk (as determined by characteristics such as origination channel, loan amount, credit quality, and extent of loan documentation) than those designated as other insurance.

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

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

As reported in earlier periods, the Company's flagship mortgage guaranty insurance carrier, Republic Mortgage Insurance Company ("RMIC"), had been operating pursuant to a waiver of minimum state regulatory capital requirements since late 2009. This waiver expired on August 31, 2011 and, as a consequence, the underwriting of new policies ceased and the existing book of business was placed in run-off operating mode.

During 2012 the North Carolina Department of Insurance ("NCDOI"), the flagship insurer's main regulator, issued several orders the ultimate effects of which were:

- To place RMIC and its affiliate, Republic Mortgage Insurance Company of North Carolina ("RMICNC") under NCDOI supervision which, among other considerations, requires written approval of the NCDOI Commissioner or its appointed representative for supervision of certain activities and transactions, including the incurrence of any debt or other liabilities, lending of its funds, and termination or entry into new contracts of insurance or reinsurance;
- To approve a Corrective Plan submitted by RMIC pursuant to which all settled claims are to be paid in cash for 60% of the settled amount, with the remaining 40% retained in claim reserves as a Deferred Payment Obligation ("DPO") until a future payment of all or a portion of this 40% is approved by the NCDOI; and
- To execute the DPO-based run-off plan under Old Republic's ownership and NCDOI supervision of RMIC and RMICNC to effect a most economically sound realization of ultimate benefits to policyholders during a sufficiently long future period.

RMIC's evaluation of the potential long-term performance of the run-off book of business is based on various modeling techniques. Of necessity the resulting models take into account actual premium and paid claim experience of prior periods, together with a large number of assumptions and judgments about future outcomes that are highly sensitive to a wide range of estimates. Many of these estimates and underlying assumptions relate to matters over which the Company has no control, including: 1) The conflicted interests, as well as the varying mortgage servicing and foreclosure practices of a large number of insured lending institutions; 2) General economic and industry-specific trends and events; and 3) The evolving or future social and economic policies of the U.S. Government vis-à-vis such critical sectors as the banking, mortgage lending, and housing industries, as well as its policies for resolving the insolvencies and assigning a possible future role to Fannie Mae and Freddie Mac. These matters notwithstanding, RMIC's standard model of forecasted results extending through 2022 continues to reflect ultimate profitability for the book of business.

The indicated positive outcome of the standard model notwithstanding, it is possible that MI operating results could nevertheless be negative in the near term. As long as the run-off under NCDOI supervision remains in place, however, the statutory DPO accounting treatment should mitigate the adverse effect of operating losses on the statutory capital balance. In these circumstances, RMIC's and RMICNC's statutory solvency would be retained and the risk of a regulatory receivership action would be averted. In management's opinion, the DPO Plan under NCDOI supervision should be continued for a sufficiently long period of time to achieve the objectives contemplated by the above referenced NCDOI orders. As of December 31, 2013, the total statutory capital, inclusive of accumulated DPO reserve funds of \$551.5 million held in RFIG's mortgage insurance subsidiaries was approximately \$518.2 million. As of the same date, RFIG's consolidated GAAP capitalization amounted to \$(13.8) million (or a negative capital contribution of approximately 5 cents per Old Republic common share).

On October 24, 2013 the Company announced that its RMICC mortgage guaranty subsidiary expects to raise new funds in the capital markets. Substantially all of this capital would be added to the equity resources of RMICC's three mortgage insurance subsidiaries. The addition of capital should permit these carriers to at once support existing policies in-force, pay off heretofore deferred claim payment obligations with agreed-upon interest, exit their current state of supervision under North Carolina insurance regulations, and resume the underwriting of new business beginning in 2014. While the interest charge on outstanding deferred payment obligations has not been agreed upon, it could be material to the Company's results of operations when it is recorded following approval of the NCDOI and the successful completion of the capital raise. In connection with such a transaction, it is expected that Old Republic would contribute up to \$50.0 million of this new capital. Upon the successful closing of this transaction, RMICC would be deconsolidated and Old Republic's continuing interest in RMICC and the mortgage guaranty business would consist of a non-controlling

equity interest in RMICC. Completion of the transaction cannot be assured and is subject to market conditions and other factors. Moreover, the addition of all new funds to RMICC and its subsidiaries will be contingent on the receipt of certain regulatory approvals. The most essential of these will be required from the North Carolina Department of Insurance, and from Fannie Mae and Freddie Mac with any necessary assent of their FHFA Conservator. See Item 1A - Risk Factors - RFIG Run-off Business.

CCI policies provide limited indemnity coverage to lenders and other financial intermediaries. The coverage is for the risk of non-payment of loan balances by individual buyers and borrowers. Claim costs are typically affected by unemployment, bankruptcy, and other issues leading to failures to pay. During 2008, the Company ceased the underwriting of new policies and the existing book of business was placed in run-off operating mode.

Corporate and Other Operations

Corporate and other operations include the accounts of a small life and accident insurance business as well as those of the parent holding company and several minor corporate services subsidiaries that perform investment management, payroll, administrative and minor marketing services. The life and accident business registered net premium revenues of \$59.6 million, \$58.9 million, and \$74.9 million in 2013, 2012 and 2011, respectively. This business is conducted in both the United States and Canada and consists mostly of limited product offerings sold through financial intermediaries such as automobile dealers, travel agents, and marketing channels that are also utilized in some of Old Republic's general insurance operations. Production of term life insurance, accounting for net premiums earned of \$13.0 million, \$13.3 million, and \$15.1 million in 2013, 2012 and 2011, respectively, was terminated and placed in run off as of year end 2004.

Consolidated Underwriting Statistics

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

	(\$ in Millions)		
Years Ended December 31:	2013	2012	2011
General Insurance Group:			
Overall Experience: (d)			
Net Premiums Earned	\$ 2,513.7	\$ 2,324.4	\$ 2,109.4
Benefits and Claim Ratio	73.6%	73.0%	69.2%
Expense Ratio	23.7	25.7	25.2
Composite Ratio	<u>97.3%</u>	<u>98.7%</u>	<u>94.4%</u>
Experience by Major Coverages:			
Commercial Automobile (Principally Trucking):			
Net Premiums Earned	\$ 824.2	\$ 767.0	\$ 709.0
Benefits and Claim Ratio	<u>76.1%</u>	<u>75.3%</u>	<u>71.9%</u>
Workers' Compensation:			
Net Premiums Earned	\$ 997.1	\$ 924.9	\$ 808.2
Benefits and Claim Ratio	<u>79.6%</u>	<u>78.6%</u>	<u>72.3%</u>
General Liability:			
Net Premiums Earned	\$ 158.4	\$ 145.2	\$ 125.0
Benefits and Claim Ratio	<u>78.5%</u>	<u>63.8%</u>	<u>64.6%</u>
Three Above Coverages Combined:			
Net Premiums Earned	\$ 1,979.9	\$ 1,837.2	\$ 1,642.4
Benefits and Claim Ratio	<u>78.0%</u>	<u>76.1%</u>	<u>71.6%</u>
Financial Indemnity: (a)(d)			
Net Premiums Earned	\$ 95.9	\$ 97.2	\$ 104.4
Benefits and Claim Ratio	<u>21.4%</u>	<u>29.6%</u>	<u>39.2%</u>
Inland Marine and Commercial Multi-Peril:			
Net Premiums Earned	\$ 193.5	\$ 177.2	\$ 163.9
Benefits and Claim Ratio	<u>59.6%</u>	<u>71.6%</u>	<u>70.4%</u>
Home and Automobile Warranty:			
Net Premiums Earned	\$ 187.8	\$ 161.1	\$ 150.7
Benefits and Claim Ratio	<u>70.4%</u>	<u>68.8%</u>	<u>66.3%</u>
Other Coverages: (b)			
Net Premiums Earned	\$ 59.2	\$ 54.6	\$ 49.5
Benefits and Claim Ratio	<u>59.4%</u>	<u>56.1%</u>	<u>52.1%</u>
Title Insurance Group: (c)			
Net Premiums Earned	\$ 1,567.1	\$ 1,250.2	\$ 1,007.9
Combined Net Premiums & Fees Earned	\$ 1,996.1	\$ 1,677.4	\$ 1,362.4
Claim Ratio	6.7%	7.2%	7.8%
Expense Ratio	88.0	89.6	91.2
Composite Ratio	<u>94.7%</u>	<u>96.8%</u>	<u>99.0%</u>
RFIG Run-off Business: (d)			
Net Premiums Earned	\$ 316.5	\$ 410.5	\$ 503.2
Claim Ratio	68.8%	221.8%	230.5%
Expense Ratio	8.1	10.4	22.1
Composite Ratio	<u>76.9%</u>	<u>232.2%</u>	<u>252.6%</u>
All Coverages Consolidated:			
Net Premiums & Fees Earned	\$ 4,885.6	\$ 4,471.0	\$ 4,050.1
Benefits and Claim Ratio	45.8%	61.9%	68.3%
Expense Ratio	49.2	48.5	47.5
Composite Ratio	<u>95.0%</u>	<u>110.4%</u>	<u>115.8%</u>

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

- (a) Consists principally of fidelity, surety, executive indemnity (directors & officers and errors & omissions), and guaranteed asset protection (GAP) coverages.
- (b) Consists principally of aviation and travel accident coverages.
- (c) Title claim, expense, and composite ratios are calculated on the basis of combined net premiums and fees earned.
- (d) Consumer credit indemnity coverages are reported within the RFIG Run-off segment and have been excluded from the General Insurance Group for all periods presented to conform with segment classifications adopted in 2012.

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

	(\$ in Millions)		
Years Ended December 31:	2013	2012	2011
General insurance overall experience:			
Increase (decrease) in net premiums earned	\$ (29.8)	\$ (42.4)	\$ (58.3)
Percentage point increase (decrease) in claim ratio	(.9)%	(3.4)%	(2.9)%
Percentage point increase (decrease) in expense ratio	.2	.2	.4
Percentage point increase (decrease) in composite ratio	<u>(.7)%</u>	<u>(3.2)%</u>	<u>(2.5)%</u>
Financial Indemnity coverages:			
Increase (decrease) in net premiums earned	\$ (29.8)	\$ (42.4)	\$ (58.3)
Percentage point increase (decrease) in claim ratio	<u>(30.3)%</u>	<u>(71.8)%</u>	<u>(49.2)%</u>
RFIG Run-off Business:			
Increase (decrease) in net premiums earned	\$ 29.8	\$ 42.4	\$ 58.3
Percentage point increase (decrease) in claim ratio	8.4 %	5.1 %	(7.1)%
Percentage point increase (decrease) in expense ratio	(.1)	—	(1.8)
Percentage point increase (decrease) in composite ratio	<u>8.3 %</u>	<u>5.1 %</u>	<u>(8.9)%</u>

Net Premiums Earned

General insurance favorable premium trends in workers' compensation, general liability, and several other general insurance coverages were mainly responsible for 2013's revenue growth. The Company's targeted insurance underwriting services in such fields as aviation, construction, energy, home warranty, trucking, and large account risk management provided the main impetus to this growth. Similar trends for worker's compensation and liability insurance lines within the construction, trucking, and large account risk management business were experienced in 2012. The combination of a generally improving rate environment for most coverages and the slowly strengthening pace of U.S. economic activity were major contributing factors in this regard.

Title insurance premiums and fees increased in each of the past three years mostly due to market share gains, steadily improving housing sales and related financing transactions, and a relatively low mortgage interest rate environment.

RFIG Run-off earned premium reflected a further decline throughout 2013 and 2012 due to the natural outcome of a run-off book of business devoid of new premium production since at least 2011. Other adverse factors included the continuation of elevated levels of premium refunds related to claim rescissions and the termination of certain mortgage guaranty pool insurance contracts in 2010. Moreover, mortgage guaranty new business volume prior to August, 2011 was weakened by a downturn in overall mortgage originations, lower industry-wide penetration of the nation's mortgage market, and the continuing effects of more selective underwriting guidelines in place since late 2007.

Claim Ratios

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

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

The overall **general insurance** 2013 claim ratio remained at relatively high levels as workers' compensation and general liability loss costs continued to reflect greater-than-expected severity. Aggregated commercial automobile (trucking), general liability, and workers' compensation coverages were mostly responsible for the 2012 increase though workers' compensation produced the greatest adverse impact. 2011 claim ratios reflect reasonably consistent trends. To a large extent, this major cost factor reflects pricing and risk selection improvements that have been applied since 2001, together with elements of reduced loss severity and frequency. Changes in commercial automobile claim ratios are primarily due to fluctuations in claim frequencies. Loss ratios for workers' compensation and liability insurance may reflect greater variability due to chance events in any one year, changes in loss costs emanating from participation in involuntary markets (i.e. insurance assigned risk pools and associations in which participation is basically mandatory), and added provisions for loss costs not recoverable from assuming reinsurers which may experience financial difficulties from time to time. Additionally, workers' compensation claim costs in particular are affected by a variety of underwriting techniques such as the use of captive reinsurance retentions, retrospective premium plans, and self-insured or deductible insurance programs that are intended to mitigate claim costs over time. Claim ratios for a relatively small book of general liability coverages tend to be highly volatile year to year due to the impact of changes in claim emergence and severity of legacy asbestos and environmental claims exposures.

The Company generally underwrites concurrently workers' compensation, commercial automobile (liability and physical damage), and general liability insurance coverages for a large number of customers. Given this concurrent underwriting approach, an evaluation of trends in premiums, claim and dividend ratios for these individual coverages is more appropriately considered in the aggregate.

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. Claims ratios in the most recent years have trended lower towards more historical levels as the economic downturn and stresses in the housing and related mortgage lending industries, that began in mid-year 2007, continue to slowly subside.

RFIG Run-off - mortgage guaranty claim ratios were significantly lower in 2013, emanating from the combined effects of further drops 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 year-end 2012 claim reserves during 2013. The (favorable) reserve developments accounted for (reductions) of (88.2) percentage points in the reported claim ratio for the year ended December 31, 2013. By contrast, unfavorable developments of year-end 2011 reserves in 2012 raised the latter year's reported claim ratios by 31.6 percentage points. The disparate development patterns in previously established claim reserves are reflective of improving trends in home prices, foreclosure activity, and real estate markets generally.

2012 and prior years' reserve provisions have been impacted by the levels of reported delinquencies emanating from the downturn in the national economy, widespread stress in housing and mortgage finance markets, and high unemployment. Trends in expected and actual claim frequency and severity have been affected to varying degrees by several factors including, but not limited to, significant declines in home prices which limit a troubled borrower's ability to sell the mortgaged property in an amount sufficient to satisfy the remaining debt obligation; more restrictive mortgage lending standards which limit a borrower's ability to refinance the loan; increases in housing supply relative to recent demand; historically high levels of coverage rescissions and claim denials as a result of material misrepresentation in key underwriting information or non-compliance with prescribed underwriting guidelines; and changes in claim settlement costs. The latter are influenced by the amount of unpaid principal outstanding on delinquent loans as well as the rising expenses of settling claims due to higher investigation costs, legal fees, and accumulated interest expenses.

2013 CCI performance was most favorably affected by lower claim provisions resulting from improving delinquency trends and greater than anticipated claim salvage recoveries. 2012 operating performance was impacted by much greater claim costs driven by higher estimates of continuing claim litigation and reduced expectation of salvage recoveries on cumulative claims incurred.

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

General Insurance Claim Reserves

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

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

In establishing claim reserves, the possible increase in future loss settlement costs caused by inflation is considered implicitly, along with the many other factors cited above. Reserves are generally set to provide for the ultimate cost of all claims. With regard to workers' compensation reserves, however, the ultimate cost of long-term disability or pension type claims is discounted to present value based on interest rates ranging from 3.5% to 4.0%. The Company, where applicable, uses only such discounted reserves in evaluating the results of its operations, in pricing its products and settling retrospective and reinsured accounts, in evaluating policy terms and experience, and for other general business purposes. Solely to comply with reporting rules mandated by the Securities and Exchange Commission, however, Old Republic has made statistical studies of applicable workers' compensation reserves to obtain estimates of the amounts by which claim and claim adjustment expense reserves, net of reinsurance, have been discounted. These studies have resulted in estimates of such amounts at \$241.4 million, \$230.8 million and \$235.1 million, as of December 31, 2013, 2012 and 2011, respectively. It should be noted, however, that these differences between discounted and non-discounted

(terminal) reserves are fundamentally of an informational nature, and are not indicative of an effect on operating results for any one or series of years for the above noted reasons.

Early in 2001, the Federal Department of Labor revised the Federal Black Lung Program regulations. The revisions basically require a reevaluation of previously settled, denied, or new occupational disease claims in the context of newly devised, more lenient standards when such claims are resubmitted. Following a number of challenges and appeals by the insurance and coal mining industries, the revised regulations were, for the most part, upheld in June, 2002 and are to be applied prospectively. Since the final quarter of 2001, black lung claims filed or refiled pursuant to these revised regulations have increased, though the volume of new claim reports has abated in recent years. In March 2010, federal regulations were revised once again as part of the Patient Protection and Affordability Act that reinstates two provisions that potentially benefit claimants. In response to this most recent legislation and similar to the 2001 change, black lung claims filed or refiled have again increased. The vast majority of claims filed to date against Old Republic pertain to business underwritten through loss sensitive programs that permit the charge of additional or refund of return premiums to wholly or partially offset changes in estimated claim costs, or to business underwritten as a service carrier on behalf of various industry-wide involuntary market (i.e. assigned risk) pools. A much smaller portion pertains to business produced on a traditional risk transfer basis. The Company has established applicable reserves for claims as they have been reported and for claims not as yet reported on the basis of its historical experience as well as assumptions relative to the effect of the revised regulations. Inasmuch as a variety of challenges are likely as the revised regulations are implemented through the actual claim settlement process, the potential impact on reserves, gross and net of reinsurance or retrospective premium adjustments, resulting from such regulations cannot be estimated with reasonable certainty.

Old Republic's reserve estimates also include provisions for indemnity and settlement costs for various asbestosis and environmental impairment ("A&E") claims that have been filed in the normal course of business against a number of its insurance subsidiaries. Many such claims relate to policies issued prior to 1985, including many issued during a short period between 1981 and 1982 pursuant to an agency agreement canceled in 1982. Over the years, the Company's property and liability insurance subsidiaries have typically issued general liability insurance policies with face amounts ranging between \$1.0 million and \$2.0 million and rarely exceeding \$10.0 million. Such policies have, in turn, been subject to reinsurance cessions which have typically reduced the subsidiaries' net retentions to \$.5 million or less as to each claim. Old Republic's exposure to A&E claims cannot, however, be calculated by conventional insurance reserving methods for a variety of reasons, including: a) the absence of statistically valid data inasmuch as such claims typically involve long reporting delays and very often uncertainty as to the number and identity of insureds against whom such claims have arisen or will arise; and b) the litigation history of such or similar claims for insurance industry members which has produced inconsistent court decisions with regard to such questions as to when an alleged loss occurred, which policies provide coverage, how a loss is to be allocated among potentially responsible insureds and/or their insurance carriers, how policy coverage exclusions are to be interpreted, what types of environmental impairment or toxic tort claims are covered, when the insurer's duty to defend is triggered, how policy limits are to be calculated, and whether clean-up costs constitute property damage. Over time, the Executive Branch and/or the Congress of the United States have proposed or considered changes in the legislation and rules affecting the determination of liability for environmental and asbestosis claims. As of December 31, 2013, however, there is no solid evidence to suggest that possible future changes might mitigate or reduce some or all of these claim exposures. Because of the above issues and uncertainties, estimation of reserves for losses and allocated loss adjustment expenses for A&E claims in particular is much more difficult or impossible to quantify with a high degree of precision. Accordingly, no representation can be made that the Company's reserves for such claims and related costs will not prove to be overstated or understated in the future. At December 31, 2013 and 2012, Old Republic's aggregate indemnity and loss adjustment expense reserves specifically identified with A&E exposures amounted to approximately \$159.7 million and \$147.1 million gross, respectively, and \$121.3 million and \$119.4 million net of reinsurance, respectively. Based on average annual claims payments during the five most recent calendar years, such reserves represented 5.5 years (gross) and 7.8 years (net of reinsurance) as of December 31, 2013 and 4.7 years (gross) and 7.6 years (net of reinsurance) as of December 31, 2012. The survival ratios are presented on a pro forma basis (unaudited) as if PMA had been consolidated with ORI for all periods. Fluctuations in this ratio between years can be caused by the inconsistent pay out patterns associated with these types of claims. For the five years ended December 31, 2013, incurred A&E claim and related loss settlement costs have averaged .3% of average annual General Insurance Group claims and related settlement costs.

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

The following table shows the evolving redundancies or deficiencies for reserves established as of December 31, of each of the years 2003 through 2013.

	(\$ in Millions)										
(a) As of December 31(6)(7):	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
(b) Liability (1) for unpaid claims and claim adjustment expenses(2):	\$ 4,197	\$ 3,936	\$ 3,769	\$ 3,779	\$ 3,229	\$ 3,222	\$ 3,175	\$ 2,924	\$ 2,414	\$ 2,182	\$ 1,964
(c) Paid (cumulative) as of (3):											
One year later	—%	23.3%	25.3%	25.1%	26.5%	27.9%	28.9%	25.5%	15.8%	25.8%	24.8%
Two years later	—	—	40.4	41.0	39.3	41.5	43.5	41.4	32.5	34.3	39.5
Three years later	—	—	—	50.8	48.4	50.4	51.9	51.4	44.2	45.2	44.7
Four years later	—	—	—	—	55.5	56.4	57.9	57.0	51.9	52.4	51.2
Five years later	—	—	—	—	—	62.2	62.5	61.5	55.9	57.8	56.2
Six years later	—	—	—	—	—	—	66.6	65.3	59.7	60.5	60.5
Seven years later	—	—	—	—	—	—	—	68.4	63.1	63.5	62.4
Eight years later	—	—	—	—	—	—	—	—	65.7	66.3	65.3
Nine years later	—	—	—	—	—	—	—	—	—	68.5	67.8
Ten years later	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	69.6%
(d) Liability reestimated (i.e., cumulative payments plus reestimated ending liability)											
As of (4):											
One year later	—%	99.0%	99.5%	96.1%	97.6%	98.2%	97.4%	96.2%	95.2%	97.6%	97.2%
Two years later	—	—	98.5	96.3	94.6	95.1	94.9	94.3	92.3	94.8	97.0
Three years later	—	—	—	95.5	93.3	93.1	92.5	92.4	90.4	93.3	95.6
Four years later	—	—	—	—	91.8	91.8	90.9	90.2	88.4	92.2	95.7
Five years later	—	—	—	—	—	91.1	89.9	89.0	87.3	91.6	95.6
Six years later	—	—	—	—	—	—	89.3	87.7	86.6	91.1	95.5
Seven years later	—	—	—	—	—	—	—	87.5	85.6	90.5	95.5
Eight years later	—	—	—	—	—	—	—	—	85.3	89.9	95.6
Nine years later	—	—	—	—	—	—	—	—	—	89.8	95.3
Ten years later	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	95.0%
(e) Redundancy (deficiency)(5) for each year-end	—%	1.0%	1.5%	4.5%	8.2%	8.9%	10.7%	12.5%	14.7%	10.2%	5.0%
Average redundancy (deficiency) for all year-ends	7.2%										

- (1) Amounts are reported net of reinsurance.
- (2) Excluding unallocated loss adjustment expense reserves.
- (3) Percent of most recent reestimated liability (line d). Decreases in paid loss percentages may at times reflect the reassumption by the Company of certain previously ceded loss reserves from assuming reinsurers through commutations of then existing reserves.
- (4) Percent of beginning liability (line b) for unpaid claims and claim adjustment expenses.
- (5) Beginning liability less the most current liability reestimated (line d) as a percent of beginning liability (line b).
- (6) Historical data in the above table excludes amounts pertaining to PMA whose merger with Old Republic became effective October 1, 2010. Such PMA reserves have therefore been reflected from December 31, 2010 forward.
- (7) Consumer credit indemnity coverages have been fully retained in this historical table for all years presented. In connection with the previously noted MI/CCI combination, certain General Insurance Group companies retain losses pursuant to various quota share and stop loss reinsurance agreements.

In reviewing the preceding tabular data, it should be noted that prior periods' loss payment and development trends may not be repeated in the future due to the large variety of factors influencing the reserving and settlement processes outlined herein above. The reserve redundancies or deficiencies shown for all years are not necessarily indicative of the effect on reported results of any one or series of years since cumulative retrospective premium and commission adjustments employed in various parts of the Company's business may partially offset such effects. (See "Consolidated Underwriting Statistics" above, and "Reserves, Reinsurance, and Retrospective Adjustments" elsewhere herein).

The following table shows an analysis of changes in aggregate reserves for the Company's property and liability insurance claims and allocated claim adjustment expenses for each of the years shown:

	(\$ in Millions)										
Years Ended December 31: (1)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
(a) Beginning net reserves	\$3,936	\$3,769	\$3,779	\$3,819	* \$3,222	\$3,175	\$2,924	\$2,414	\$2,182	\$1,964	\$1,802
Incurring claims and claim expenses:											
(b) Current year provision	1,762	1,652	1,582	1,351	1,343	1,452	1,490	1,295	1,191	1,070	893
(c) Change in prior years' provision	(40)	(19)	(149)	(76)	(56)	(83)	(110)	(116)	(52)	(55)	(25)
(d) Total incurred	1,722	1,632	1,432	1,275	1,287	1,369	1,379	1,179	1,138	1,014	868
Claim payments on:											
(e) Current years' events	552	524	537	529	460	502	476	342	402	332	277
(f) Prior years' events	907	941	905	786	818	820	652	326	504	463	428
(g) Total payments	1,460	1,465	1,442	1,315	1,279	1,323	1,128	668	907	796	706
(h) Ending net reserves (a + d - g)	4,197	3,936	3,769	3,779	3,229	3,222	3,175	2,924	2,414	2,182	1,964
(i) Unallocated loss adjustment expense reserves	202	183	137	149	104	104	103	97	92	87	83
(j) Reinsurance recoverable on claims reserves	2,801	2,787	2,827	2,825	2,046	2,020	1,976	1,929	1,894	1,632	1,515
(k) Gross claims reserves (h + i + j)	\$7,201	\$6,907	\$6,733	\$6,753	\$5,380	\$5,346	\$5,256	\$4,951	\$4,401	\$3,902	\$3,562

(*) Includes reserves acquired through the PMA merger.

(1) Consumer credit indemnity coverages have been fully retained in this historical table for all years presented. For segment reporting purposes, \$66.2 million, \$70.2 million, and \$31.2 million of ending net reserves reported in the above table are reported as part of the RFIG Run-off Business segment as of December 31, 2013, 2012, and 2011, respectively. In connection with the previously noted MI/CCI combination, certain General Insurance Group companies retain losses pursuant to various quota share and stop loss reinsurance agreements.

(b) Investments. In common with other insurance organizations, Old Republic invests most capital and operating funds in income producing securities. Investments must comply with applicable insurance laws and regulations which prescribe the nature, form, quality, and relative amounts of investments which may be made by insurance companies. Generally, these laws and regulations permit insurance companies to invest within varying limitations in state, municipal and federal government obligations, corporate debt, preferred and common stocks, certain types of real estate, and first mortgage loans. For many years, Old Republic's investment policy has therefore been to acquire and retain primarily investment grade, publicly traded, fixed maturity securities. The investment policy is also influenced by the terms of the insurance coverages written, by its expectations as to the timing of claim and benefit payments, and by income tax considerations. As a consequence of all these factors, the Company's invested assets are managed in consideration of enterprise-wide risk management objectives intended to assure solid funding of its subsidiaries' long-term obligations to insurance policyholders and other beneficiaries, as well as evaluations of their long-term effect on stability of capital accounts. Accordingly, the investment portfolio contains no significant insurance risk-correlated asset exposures to real estate, mortgage-backed securities, collateralized debt obligations ("CDO's"), derivatives, junk bonds, hybrid securities, or illiquid private equity investments. In a similar vein, the Company does not engage in hedging or securities lending transactions, nor does it invest in securities whose values are predicated on non-regulated financial instruments exhibiting amorphous or unfunded counter-party risk attributes.

Management considers investment grade securities to be those rated by major credit rating agencies that fall within the top four rating categories, or securities which are not rated but have characteristics similar to securities so rated. The Company had no bond or note investments in default as to principal and/or interest at December 31, 2013 and 2012. The status and fair value changes of each investment is reviewed on at least a quarterly basis, and estimates of other-than-temporary impairments in the portfolio's value are evaluated and established at each balance sheet date. Substantially all of the Company's invested assets as of December 31, 2013 have been classified as "available for sale" pursuant to the existing investment policy.

The Company's investment policies are not designed to maximize or emphasize the realization of investment gains. The combination of gains and losses from sales or impairments of securities are reflected as realized gains and losses in the income statement. Dispositions of securities result principally from scheduled maturities of bonds and notes and sales of fixed income and equity securities available for sale. Dispositions of securities at a realized gain or loss reflect such factors as ongoing assessments of issuers' business prospects, rotation among industry sectors, changes in credit quality, and tax planning considerations.

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

Consolidated Investments			
(\$ in Millions)			
December 31:	2013	2012	
Available for Sale			
Fixed Maturity Securities:			
U.S. & Canadian Governments	\$ 1,161.1	\$ 1,216.8	
Tax-Exempt	171.3	392.2	
Corporate	7,379.8	6,957.1	
	<u>8,712.3</u>	<u>8,566.2</u>	
Equity Securities	1,004.2	739.7	
Short-term Investments	1,124.8	1,264.9	
Miscellaneous Investments	21.6	29.6	
Total available for sale	<u>10,863.1</u>	<u>10,600.5</u>	
Other Investments	5.3	8.2	
Total Investments	<u>\$ 10,868.5</u>	<u>\$ 10,608.8</u>	

Sources of Consolidated Investment Income			
(\$ in Millions)			
Years Ended December 31:	2013	2012	2011
Fixed Maturity Securities:			
Taxable Interest	\$ 289.0	\$ 303.4	\$ 310.2
Tax-Exempt Interest	9.6	17.5	43.0
	<u>298.7</u>	<u>321.0</u>	<u>353.2</u>
Equity Securities Dividends	21.2	13.1	11.3
Other Investment Income:			
Interest on Short-term Investments	1.1	1.9	1.5
Sundry	2.6	5.4	4.7
	<u>3.7</u>	<u>7.4</u>	<u>6.3</u>
Gross Investment Income	323.7	341.6	370.9
Less: Investment Expenses (a)	4.9	5.1	6.2
Net Investment Income	<u>\$ 318.7</u>	<u>\$ 336.5</u>	<u>\$ 364.6</u>

(a) Investment expenses consist of personnel costs and investment management and custody service fees, as well as interest incurred on funds held of \$1.7 million, \$2.0 million and \$1.9 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The independent credit quality ratings and maturity distribution for Old Republic's consolidated fixed maturity investments, excluding short-term investments, at the end of the last two years are shown in the following tables. These investments, \$8.7 billion and \$8.5 billion at December 31, 2013 and 2012, respectively, represented approximately 53% of consolidated assets and 68% of consolidated liabilities as of both dates.

Credit Quality Ratings of Fixed Maturity Securities (b)		
December 31:	2013	2012
	(% of total portfolio)	
Aaa	13.9%	15.2%
Aa	9.4	11.5
A	35.9	34.2
Baa	39.7	38.4
Total investment grade	<u>98.9</u>	<u>99.3</u>
All other (c)	1.1	.7
Total	<u>100.0%</u>	<u>100.0%</u>

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

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

Age Distribution of Fixed Maturity Securities

December 31:	2013	2012
	(% of total portfolio)	
Maturity Ranges:		
Due in one year or less	9.3%	15.7%
Due after one year through five years	46.7	41.6
Due after five years through ten years	41.8	40.1
Due after ten years through fifteen years	1.2	1.0
Due after fifteen years	1.0	1.6
	<u>100.0%</u>	<u>100.0%</u>
Average Maturity in Years	<u>4.8</u>	<u>4.7</u>

(c) Marketing. Commercial automobile (trucking), workers' compensation and general liability insurance underwritten for business enterprises and public entities is marketed primarily through independent insurance agents and brokers with the assistance of Old Republic's trained sales, underwriting, actuarial, and loss control personnel. The remaining property and liability commercial insurance written by Old Republic is obtained through insurance agents or brokers who are independent contractors and generally represent other insurance companies, and by direct sales. No single source accounted for over 10% of Old Republic's premium volume in 2013.

A substantial portion of the Company's title insurance business is referred to it by title insurance agents, builders, lending institutions, real estate developers, realtors, and lawyers. Title insurance and related real estate settlement products are sold through 254 Company offices and through agencies and underwritten title companies in the District of Columbia and all 50 states. The issuing agents are authorized to issue commitments and title insurance policies based on their own search and examination, or on the basis of abstracts and opinions of approved attorneys. Policies are also issued through independent title companies (not themselves title insurers) pursuant to underwriting agreements. These agreements generally provide that the agency or underwritten company may cause title policies of the Company to be issued, and the latter is responsible under such policies for any payments to the insured. Typically, the agency or underwritten title company deducts the major portion of the title insurance charge to the customer as its commission for services. During 2013, approximately 72% of title insurance premiums and fees were accounted for by policies issued by agents and underwritten title companies.

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

As previously noted, the Company's flagship mortgage guaranty insurance carrier had been operating pursuant to a waiver of minimum state regulatory capital requirements since late 2009. This waiver expired on August 31, 2011. As a consequence, underwriting of new policies ceased and the existing book of business was placed in run-off operating mode. Prior to August 31, 2011, traditional primary mortgage insurance was marketed principally through a direct sales force which called on mortgage bankers, brokers, commercial banks, savings institutions and other mortgage originators. No sales commissions or other forms of remuneration were paid to the lending institutions or others for the procurement or development of business.

The personal contacts, relationships, reputations, and intellectual capital of Old Republic's key executives are a vital element in obtaining and retaining much of its business. Many of the Company's customers produce large amounts of premiums and therefore warrant substantial levels of top executive attention and involvement. In this respect, Old Republic's mode of operation is similar to that of professional reinsurers and commercial insurance brokers, and relies on the marketing, underwriting, and management skills of relatively few key people for large parts of its business.

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

At least one Old Republic general insurance subsidiary is licensed to do business in each of the 50 states, the District of Columbia, Puerto Rico, Virgin Islands, Guam, and each of the Canadian provinces; title insurance operations are licensed to do business in 50 states, the District of Columbia and Guam; mortgage insurance subsidiaries are licensed in 50 states and the District of Columbia. Consolidated direct premium volume distributed among the various geographical regions shown was as follows for the past three years:

Geographical Distribution of Consolidated Direct Premiums Written

	2013	2012	2011
United States:			
Northeast	12.4%	12.7%	11.9%
Mid-Atlantic	9.9	10.7	11.2
Southeast	19.3	18.8	19.2
Southwest	11.4	11.1	11.4
East North Central	11.9	12.0	11.7
West North Central	10.8	10.6	11.1
Mountain	7.4	7.0	7.2
Western	14.8	14.8	13.6
Foreign (Principally Canada)	2.1	2.3	2.7
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(d) Reserves, Reinsurance, and Retrospective Adjustments. Old Republic's insurance subsidiaries establish reserves for unearned premiums, reported claims, claims incurred but not reported, and claim adjustment expenses, as required in the circumstances. Such reserves are based on regulatory accounting requirements and generally accepted accounting principles. In accordance with insurance industry practices, claim reserves are based on estimates of the amounts that will be paid over a period of time and changes in such estimates are reflected in the financial statements of the periods during which they occur. See "General Insurance Claim Reserves" herein.

To maintain premium production within its capacity and limit maximum losses and risks for which it might become liable under its policies, Old Republic, as is the practice in the insurance industry, 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. Although the ceding of insurance does not generally discharge an insurer from its direct liability to a policyholder, it is industry practice to establish the reinsured part of risks as the liability of the reinsurer. Old Republic also employs retrospective premium adjustments and risk sharing arrangements for parts of its business in order to minimize losses for which it might become liable under its insurance policies, and to afford its customers or producers a degree of participation in the risks and rewards associated with such business. Under retrospective arrangements, Old Republic collects additional premiums if losses are greater than originally anticipated and refunds a portion of original premiums if loss costs are lower. Pursuant to risk sharing arrangements, the Company adjusts production costs or premiums retroactively to likewise reflect deviations from originally expected loss costs. The amount of premium, production costs and other retrospective adjustments which may be made is either limited or unlimited depending on the Company's evaluation of risks and related contractual arrangements. To the extent that any reinsurance companies, retrospectively rated risks, or producers might be unable to meet their obligations under existing reinsurance, retrospective insurance and production agreements, Old Republic would be liable for the defaulted amounts. In these regards, however, the Company generally protects itself by withholding funds, by securing indemnity agreements, by obtaining surety bonds, or by otherwise collateralizing such obligations through irrevocable letters of credit, cash, or securities.

The following table displays the Company's General Insurance liabilities reinsured by its ten largest reinsurers as of December 31, 2013.

Major General Insurance Balances Due from Reinsurers

Reinsurer	A.M. Best Rating	(\$ in Millions)		Total Exposure to Reinsurer	% of Total Consolidated Reinsured Liabilities
		Reinsurance Recoverable on Paid Claims	on Claim Reserves		
Munich Re America, Inc.	A+	\$ 7.1	\$ 775.9	\$ 783.0	27.7%
Swiss Reinsurance America Corporation	A+	5.2	246.2	251.4	8.9
Hannover Ruckversicherungs	A+	—	112.0	112.1	4.0
Trabaja Reinsurance Company	Unrated	1.9	102.5	104.5	3.7
National WC Reinsurance Pool	Unrated	2.0	97.7	99.8	3.5
General Reinsurance Corporation	A++	1.8	94.9	96.7	3.4
Westport Insurance Corporation	A+	.7	61.3	62.0	2.2
Muenchener Ruckversicherungs	A+	1.3	51.8	53.1	1.9
School Boards Insurance Co of PA, Inc.	B+	—	52.6	52.6	1.9
Transatlantic Reinsurance Company	A	2.4	45.6	48.0	1.7
Total		<u>\$ 22.7</u>	<u>\$ 1,640.9</u>	<u>\$ 1,663.6</u>	<u>58.8%</u>

The RFIG Run-off mortgage guaranty operation's total claim exposure to its largest reinsurer, AAMBG Reinsurance, Inc., was \$10.5 million, which represented .4% of total consolidated reinsured liabilities as of December 31, 2013. Reinsured liabilities of the Title Insurance Group and small life and accident insurance operations are not material.

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

Old Republic's reinsurance practices with respect to portions of its business also result from its desire to bring its sponsoring organizations and customers into some degree of joint venture or risk sharing relationship. The Company may, in exchange for a ceding commission, reinsure up to 100% of the underwriting risk, and the premium applicable to such risk, to insurers owned by or affiliated with lending institutions, financial and other intermediaries, and commercial institutions generally whose customers are insured by Old Republic, or individual customers who have formed captive insurance companies. The ceding commissions received compensate Old Republic for performing the direct insurer's functions of underwriting, actuarial, claim settlement, loss control, legal, reinsurance, and administrative services to comply with local and federal regulations, and for providing appropriate risk management services.

Remaining portions of Old Republic's business are reinsured in most instances with independent insurance or reinsurance companies pursuant to excess of loss agreements. Except as noted in the following paragraph, reinsurance protection on property and liability coverages generally limits the net loss on most individual claims to a maximum of: \$5.2 million for workers' compensation; \$3.5 million for commercial auto liability; \$3.5 million for general liability; \$8.0 million for executive protection (directors & officers and errors & omissions); \$2.0 million for aviation; and \$4.0 million for property coverages. Title insurance risk assumptions are generally limited to a maximum of \$500.0 million as to any one policy. The vast majority of title policies issued, however, carry exposures of less than \$1.0 million. Roughly 10% of the mortgage guaranty traditional primary insurance in force is subject to lender sponsored captive reinsurance arrangements structured primarily on an excess of loss basis. All bulk and other mortgage guaranty insurance risk in force is retained. Exclusive of reinsurance, the average direct primary mortgage guaranty exposure is (in whole dollars) \$38,697 per insured loan.

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

As a result of the September 11, 2001 terrorist attack on America, the reinsurance industry eliminated coverage from substantially all contracts for claims arising from acts of terrorism. Primary insurers like the Company thus became fully exposed to such claims. Late in 2002, the Terrorism Risk Insurance Act of 2002 (the "TRIA") was signed into law, immediately establishing a temporary federal reinsurance program administered by the Secretary of the Treasury. The program applied to insured commercial property and casualty losses resulting from an act of terrorism, as defined in the TRIA. Congress extended and modified the program in late 2005 through the Terrorism Risk Insurance Revision and Extension Act of 2005 (the "TRIREA"). TRIREA expired on December 31, 2007. Congress enacted a revised program in December 2007 through the Terrorism Risk Insurance Program Reauthorization Act of 2007 (the "TRIPRA"), a seven year extension through December 31, 2014. The TRIA automatically voided all policy exclusions which were in effect for terrorism related losses and obligated insurers to offer terrorism coverage with most commercial property and casualty insurance lines. The TRIREA revised the definition of "property and casualty insurance" to exclude commercial automobile, burglary and theft, surety, professional liability and farm owner's multi-peril insurance. TRIPRA did not make any further changes to the definition of property and casualty insurance, however, it does include domestic acts of terrorism within the scope of the program. Although insurers are permitted to charge an additional premium for terrorism coverage, insureds may reject the coverage. Under TRIPRA, the program's protection is not triggered for losses arising from an act of terrorism until the industry first suffers losses of \$100 billion in the aggregate during any one year. Once the program trigger is met, the program will pay 85% of an insurer's terrorism losses that exceed that individual insurer's deductible. The insurer's deductible is 20% of direct earned premium on property and casualty insurance. Insurers may reinsure that portion of the risk they retain under the program. Effective January 1, 2008, the Company reinsured limits of \$198.0 million excess of \$2.0 million for claims arising from certain acts of terrorism for casualty clash coverage and catastrophe workers' compensation liability insurance coverage.

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

For certain types of coverages, including loan credit indemnity and mortgage guaranty insurance, the Company has historically competed in varying degrees with the Federal Housing Administration ("FHA") and the Veterans Administration ("VA"). In recent years, the FHA's market share of insured mortgages has increased significantly, mostly due to the more restrictive underwriting guidelines and premium rate increases imposed by private mortgage insurers. Mortgage insurance companies also compete by providing contract underwriting services to lenders, enabling the latter to improve the efficiency of their operations by outsourcing all or part of their mortgage loan underwriting processes. As already noted, the Company ceased underwriting new mortgage guaranty insurance effective August 31, 2011.

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

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

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

(g) Employees. As of December 31, 2013, Old Republic and its subsidiaries employed approximately 7,900 persons on a full time basis. A majority of eligible full time employees participate in various pension plans (which are in run-off status) or other plans which provide benefits payable upon retirement. Eligible employees are also covered by hospitalization and major medical insurance, group life insurance, and various savings, profit sharing, and deferred compensation plans. The Company considers its employee relations to be good.

(h) Website access. The Company files various reports with the U.S. Securities and Exchange Commission ("SEC"), including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. The Company's filings are available for viewing and/or copying at the SEC's Public Reference Room located at 450 Fifth Street, NW., Washington, DC 20549. Information regarding the operation of the Public Reference Room can be obtained by calling 1-800-SEC-0330. The Company's reports are also available by visiting the SEC's internet website (<http://www.sec.gov>) and accessing its EDGAR database to view or print copies of the electronic versions of the Company's reports. Additionally, the Company's reports can be obtained, free of charge, by visiting its internet website (<http://www.oldrepublic.com>), selecting *Investors* then *SEC Filings* to view or print copies of the electronic versions of the Company's reports. The contents of the Company's internet website are not intended to be, nor should they be considered incorporated by reference in any of the reports the Company files with the SEC.

Item 1A - Risk Factors

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

Parent Company

Dividend Dependence and Liquidity

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

Capitalization

Apart from dividends and interest on intercompany financing arrangements from its subsidiaries, the Company has access to various capital and liquidity resources including holding company investments and the debt and equity capital markets. At December 31, 2013, the Company's consolidated debt to equity ratio was 15.1%. Management believes that this level of financial leverage is sufficiently conservative that the Company would have additional borrowing capacity to meet some possible future capital or liquidity needs. The availability of all such capital sources cannot, however, be assured and its cost could be significant at the time capital is raised.

Convertible Senior Notes

Old Republic's 3.75% Convertible Senior Notes ("the Notes") contain provisions defining certain events of default, among them a court ordered proceeding due to the insolvency of a Significant Subsidiary. The Notes define Significant Subsidiary in accordance with 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. 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 is expected to be increasingly less significant as its run-off book extinguishes itself. While Old Republic believes that it will have access to the capital markets to recapitalize RMIC's subsidiaries or otherwise mitigate an event of default under the Notes, there is no assurance that it would be able to do so under stressful capital market conditions.

Risk Factors Common to the Company and its Insurance Subsidiaries

Investment Risks

The Company's investment portfolio consists primarily of highly rated debt obligations. Its investments are subject to market-wide risks and fluctuations, as well as to risks inherent in particular securities. Changing and unprecedented market conditions could materially impact the future valuation of securities in its investment portfolio, which may cause the Company to impair, in the future, some portion of those securities. Volatility or illiquidity in the markets in which the Company holds positions may cause certain other-than-temporary impairments within its portfolio, which could have a significant adverse effect on the Company's liquidity, financial condition and operating results.

Income from the Company's investment portfolio is one of its primary sources of cash flow to support the Company's operations and claim payments. If the Company improperly structures its investments to meet those future liabilities or has unexpected losses, including losses resulting from the forced liquidation of investments before their maturity the Company may be unable to meet those obligations. The Company's investments and investment policies are subject to state insurance laws, which results in its portfolio being predominantly limited to highly rated fixed income securities. Interest rates on its fixed income securities are near historical lows. If interest rates rise above the rates on the Company's fixed income securities, the market value of the Company's investment portfolio would decrease. Any significant decrease in the value of the Company's investment portfolio would adversely impact its financial condition.

In addition, compared to historical averages, interest rates and investment yields on highly rated investments have generally declined, which has the effect of limiting the investment income the Company can generate. The Company

depends on its investments as a source of revenue, and a prolonged period of low investment yields would have an adverse impact on its revenues and could potentially adversely affect its operating results.

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

Excessive Losses and Loss Expenses

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

Inadequate Reserves

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

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

Inadequate Pricing

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

Liquidity Risk

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

Regulatory Environment

The Company's insurance businesses are subject to extensive governmental regulation under state laws in the U.S. and the laws of each of the few other jurisdictions outside the U.S. in which they operate. These regulations relate to such matters as licensing requirements, types of insurance products that may be sold, premium rates, marketing practices, capital and surplus requirements, investment limitations, underwriting limitations, dividend payment limitations, transactions with affiliates, accounting practices, taxation and other matters. While most of the regulation is at the state level in the U.S., the federal government has increasingly expressed an interest in regulating the insurance business and has injected itself through the Graham-Leach-Bliley Act, the Patriot Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2009. Moreover, changes in the Internal Revenue Code and other regulations bear directly on the costs of conducting an insurance business through increased compliance expenses.

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

Competition

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

Exposure to Independent Rating Downgrades

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

Financial Institutions Risk

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

Risk Management

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

Legal Risks

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

Acquisition Integration Risk

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

Attracting and Retaining Qualified Employees

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

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

General Insurance Group

Catastrophic Losses

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

Following the September 11, 2001 terrorist attack, the reinsurance industry eliminated coverage from substantially all reinsurance contracts for claims arising from acts of terrorism. As discussed elsewhere in this report, the U.S. Congress subsequently passed TRIA, TRIREA, and TRIPRA legislation that required primary insurers to offer coverage for certified acts of terrorism under most commercial property and casualty insurance policies. Although these programs established a temporary federal reinsurance program through December 31, 2014, primary insurers like the Company's general insurance subsidiaries retain significant exposure for terrorist act-related losses.

Long-Tailed Losses

Coverage for general liability is considered long-tailed coverage. Written in most cases on an "occurrence" basis, it often takes longer for covered claims to be reported and become known, adjusted and settled than it does for property claims, for example, which are generally considered short-tailed. The extremely long-tailed aspect of such claims as pollution, asbestos, silicosis, manganism (welding rod fume exposure), black lung, lead paint and other toxic tort claims, coupled with uncertain and sometimes variable judicial rulings on coverage and policy allocation issues and the possibility of legislative actions, makes reserving for these exposures highly uncertain. While the Company believes that it has reasonably estimated its liabilities for such exposures to date, and that its exposures are relatively modest, there is a risk of materially adverse developments in both known and as-yet-unknown claims.

Workers' Compensation Coverage

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

Reinsurance

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

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

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

Insureds as Credit Risks

A significant amount of Old Republic's liability and workers' compensation business, particularly for large commercial insureds, is written on the basis of risk sharing underwriting methods utilizing large deductibles, captive insurance risk retentions, or other arrangements whereby the insureds effectively retain and fund varying and at times significant amounts of their losses. Their financial strength and ability to pay are carefully evaluated as part of the underwriting process and monitored periodically thereafter, and their retained exposures are estimated and collateralized based on pertinent credit analysis and evaluation. Because the Company is primarily liable for losses incurred under its policies, the possible failure or inability of insureds to honor their retained liability represents a credit risk. Any subsequently developing shortage in the amount of collateral held would also be a risk, as would the failure or inability of a bank to honor a letter of credit issued as collateral. These risk factors could have a materially adverse impact on the Company's results of operations and financial condition.

Guaranty Funds and Residual Markets

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

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

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

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

Prior Approval of Rates

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

Title Insurance Group

Housing and Mortgage Lending Markets

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

Competition

Business comes to title insurers primarily by referral from real estate agents, lenders, developers and other settlement providers. The sources of business lead to a great deal of competition among title insurers. Although the top four title insurance companies during 2013 accounted for about 86% of industry-wide premium volume, there are numerous smaller companies representing the remainder at the regional and local levels. The smaller companies are an ever-present competitive risk in the regional and local markets where their business connections can give them a competitive edge. Moreover, there is always competition among the major companies for key employees, especially those engaged in business production. Among the four largest national title insurers, the Company's title insurance subsidiaries rely upon independent agencies to produce most of their business, whereas the other title insurers rely more on owned agencies. Independent agencies can direct business to any title insurer, whereas owned agencies will only direct business to their parent or affiliated title insurers. The Company's title subsidiaries are therefore more vulnerable to a loss of business than are the other largest title companies.

Regulation and Litigation

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

From time to time the Company's title insurance subsidiaries are named as defendants or are otherwise involved in various legal proceedings, including class actions and other litigation, disputes with third parties, and proceedings or civil investigations brought by regulatory agencies. Any resulting adverse judgments, settlements, fines, penalties or other rulings could have, directly or indirectly, a material adverse effect on the Company's financial condition, results of operations or business reputation. Litigation or other disputes between the Company's mortgage insurance subsidiaries and insured mortgage lenders could also have an adverse effect on the Company's title insurance subsidiaries if, as a result, the lenders threatened to or discontinued accepting title insurance or title related services from the Company's title insurers.

Other Risks

Inadequate title searches are among the risk factors faced by the entire industry. If a title search is conducted thoroughly and accurately, there should theoretically never be a claim. When the search is less than thorough or complete, title defects can go undetected and claims result.

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

RFIG Run-off Business

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

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

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

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

- To place RMIC and RMICNC under NCDOI supervision which, among other considerations, requires written approval of the NCDOI Commissioner or its appointed representative for supervision of certain activities and transactions, including the incurrence of any debt or other liabilities, lending of its funds, and termination or entry into new contracts of insurance or reinsurance;
- To approve a Corrective Plan submitted by RMIC pursuant to which all settled claims are to be paid in cash for 60% of the settled amount, with the remaining 40% retained in claim reserves as a Deferred Payment Obligation ("DPO") until a future payment of all or a portion of this 40% is approved by the NCDOI; and
- To execute the DPO-based run-off plan under Old Republic's ownership and NCDOI supervision of RMIC and RMICNC to effect a most economically sound realization of ultimate benefits to policyholders during a sufficiently long future period.

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

As long as the run-off under NCDOI supervision remains in place, however, the statutory DPO accounting treatment should mitigate the adverse effect of operating losses on the statutory capital balance. In these circumstances, RMIC's and RMICNC's statutory solvency would be retained and the risk of a regulatory receivership action would be averted.

There can be no assurance that RMIC and RMICNC will emerge from the run-off as solvent companies or that, even if they do, they will be re-approved to write mortgage guaranty insurance on loans purchased by Fannie Mae or Freddie Mac. There can be no assurance that the conditions or the duration of the run-off of their business will remain unchanged or that they will remain under supervision rather than receivership.

On October 24, 2013 the Company announced that its RMIC Companies, Inc. ("RMICC") mortgage guaranty subsidiary expects to raise new funds in the capital markets. Substantially all of this capital would be added to the equity resources of RMICC's three mortgage insurance subsidiaries. The addition of capital should permit these carriers to at once support existing policies in-force, pay off heretofore deferred claim payment obligations with agreed-upon interest, exit their current state of supervision under North Carolina insurance regulations, and resume the underwriting of new business beginning in 2014. While the interest charge on outstanding deferred payment obligations has not been agreed upon, it could be material to the Company's results of operations when it is recorded following approval of the NCDOI and the successful completion of the capital raise. In connection with such a transaction, it is expected that Old Republic would contribute up to \$50.0 million of this new capital. Upon the successful closing of this transaction, RMICC would

be deconsolidated and Old Republic's continuing interest in RMICC and the mortgage guaranty business would consist of a non-controlling equity interest in RMICC. Completion of the transaction cannot be assured and is subject to market conditions and other factors. Moreover, the addition of all new funds to RMICC and its subsidiaries will be contingent on the receipt of certain regulatory approvals. The most essential of these will be required from the North Carolina Department of Insurance, and from Fannie Mae and Freddie Mac with any necessary assent of their FHFA Conservator.

At the state insurance regulatory level, the recapitalization plan represents a proposed change in control of the mortgage insurance subsidiaries under the insurance laws of their respective states of domicile -- North Carolina, Florida and Vermont. As such, it will require the prior approval of the subsidiaries' insurance regulatory authorities in those states. Obtaining their approval will require filing detailed statements disclosing, among other matters, the identity and backgrounds of the proposed new shareholders, the nature and source of consideration for their stock purchases, future plans and financial projections for the insurance subsidiaries, and may also require a formal hearing in each of the states open to the subsidiaries' insureds and other interested parties. The NCDI will need to review RMIC's and RMICNC's recapitalization, release them from supervision and reinstate their authority to write new business. The other states' insurance regulatory authorities that suspended RMIC's and RMICNC's licenses to write new business will likewise have to approve reinstatement of their authority. There can be no assurance that all of the required state insurance regulatory approvals will be obtained promptly or at all.

The GSEs have advised the Company that RMIC and RMICNC will need to file the same applications as new entrants and will be subject to review with respect to their corporate structure, executive management teams, their financial statements, capital and future access to capital, their risk management culture, their policy forms, rescission practices and their operating procedures, among other matters. In the case of RMIC and RMICNC, the GSEs have advised that they will impose additional conditions for applicants seeking to re-establish their eligibility. Those conditions will include paying off all of the DPO's with interest, settling all future valid claims entirely in cash, and maintaining a risk-to-capital ratio of no more than 15:1 on the combined legacy business and newly written business. The GSEs and the FHFA have also advised that they are in the process of revising their eligibility standards for all mortgage insurers. There can be no assurance beforehand that the capital raised and contributed to RMIC and RMICNC will be sufficient to meet the necessary financial strength eligibility requirements of the GSEs, or how long afterwards it might take to receive the necessary approvals.

RMICC's modeled forecasts of future losses could prove to be insufficient before RMIC and RMICNC receive the necessary approvals, resulting in greater DPOs than anticipated. The incurred and paid loss forecasts are dependent on factors that make prediction of their amounts difficult and subject to significant volatility. It is also possible that some of the states or the GSEs could increase their capital requirements before their approvals are received.

Premium Income and Long-Term Claim Exposures

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

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

Inadequate Loss Reserves

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

Fewer Coverage Rescissions

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

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

Item 1B - Unresolved Staff Comments

None

Item 2 - Properties

The principal executive offices of the Company are located in the Old Republic Building in Chicago, Illinois. This Company-owned building contains 151,000 square feet of floor space of which approximately 52% is occupied by Old Republic, and the remainder is leased to others. In addition to its Chicago building, the Company owns two other major office buildings. A subsidiary of the Title Insurance Group partially occupies its owned headquarters building in Minneapolis, Minnesota. This building contains 110,000 square feet of floor space of which approximately 80% is occupied by the Old Republic National Title Insurance Company, and the remainder is leased to others. A subsidiary of the General Insurance Group, PMA, owns its building in Blue Bell, Pennsylvania. This building contains 110,000 square feet of floor space and is entirely owner-occupied. Eight smaller buildings are owned by Old Republic and its subsidiaries in various parts of the nation and are primarily used for its business. The carrying value of all owned buildings and related land at December 31, 2013 was \$60.8 million.

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

Item 3 - Legal Proceedings

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

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

On December 19, 2008, Old Republic Insurance Company and Republic Insured Credit Services, Inc., ("Old Republic") filed suit against Countrywide Bank FSB, Countrywide Home Loans, Inc. ("Countrywide") and Bank of New York Mellon, BNY Mellon Trust of Delaware ("BNYM") in the Circuit Court, Cook County, Illinois (Old Republic Insurance Company, et al. v. Countrywide Bank FSB, et al.) seeking rescission of various credit indemnity policies issued to insure home equity loans and home equity lines of credit which Countrywide had securitized or held for its own account, a declaratory judgment and money damages based upon material misrepresentations either by Countrywide as to the credit characteristics of the loans or by the borrowers in their loan applications. Countrywide filed a counterclaim alleging a breach of contract, bad faith and seeking a declaratory judgment challenging the factual and procedural bases that Old Republic had relied upon to deny or rescind coverage for individual defaulted loans under those policies, as well as unspecified compensatory and punitive damages. The Court ruled that Countrywide does not have standing to counterclaim with respect to the policies insuring the securitized loans because those policies were issued to BNYM. In response, Countrywide and BNYM 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.

On November 3, 2010, Bank of America, N.A. ("B of A") filed suit against Old Republic Insurance Company ("ORIC") in the U.S. District Court for the Western District of North Carolina (Bank of America, N.A. v. Old Republic Insurance Company) alleging breach of contract, breach of the duty of good faith and fair dealing and bad faith with respect to ORIC's handling of certain claims under a policy of credit indemnity insurance issued to B of A. The policy is not related to those issued to Countrywide, which are the subject of the above-noted separate litigation. The B of A suit seeks a declaratory judgment with respect to the interpretation of certain policy terms, B of A's compliance with certain terms and

conditions of the policy, and the propriety of certain positions and procedures taken by ORIC in response to claims filed by B of A. The suit also seeks unspecified money damages, pre and post judgment interest and punitive damages. On January 23, 2012, ORIC filed a counterclaim seeking damages based on B of A's alleged interference with ORIC's subrogation rights.

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 September 26, 2012 a purported national class action suit was filed against Old Republic Home Protection Company in the Superior Court of California for Riverside County. (Friedman v. Old Republic Home Protection Company, Inc.). The suit alleged that the Company operates in breach of its home warranty contracts, in breach of implied covenants of good faith and fair dealing, in violation of various provisions of the California Civil Code and Business and Professions Code and is guilty of false advertising. The stated class period was from November 24, 2004 through the present. The suit sought declaratory relief, injunctive relief, restitution, damages, costs and attorneys' fees in unspecified amounts. The firm representing the plaintiff had previously filed similar suits against the Company, which were unsuccessful. The Company succeeded in having the case removed to the U.S. District Court for the Central District of California on October 24, 2012, and on December 2, 2013 the Court granted the Company's motions to dismiss the Complaint. The plaintiff was allowed to prepare a third amended complaint on one remaining claim.

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

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.

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 is unable to make a reasonable estimate or range of estimates of any potential liability under these lawsuits, the counterclaim and the arbitration, all of which seek unquantified damages, attorneys' fees and expenses. It is also unclear what effect, if any, the run-off of RMIC and depletion of its capital will have in the actions against it.

Item 4 - Mine Safety Disclosures

Not applicable.

PART II

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

The Company's common stock is traded on the New York Stock Exchange under the symbol "ORI". The high and low sales prices as reported on the New York Stock Exchange and cash dividends declared for each quarterly period during the past two years were as follows:

		Sales Price		Cash
		High	Low	Dividends
1st quarter	2012	\$ 11.21	\$ 8.86	\$.1775
2nd quarter	2012	10.88	8.02	.1775
3rd quarter	2012	9.81	7.76	.1775
4th quarter	2012	<u>\$ 11.05</u>	<u>\$ 9.20</u>	<u>\$.1775</u>
1st quarter	2013	\$ 12.77	\$ 10.74	\$.1800
2nd quarter	2013	14.49	12.02	.1800
3rd quarter	2013	15.40	12.82	.1800
4th quarter	2013	<u>\$ 17.45</u>	<u>\$ 14.40</u>	<u>\$.1800</u>

As of January 31, 2014, there were 2,292 registered holders of the Company's Common Stock. See Note 3(c) of the Notes to Consolidated Financial Statements for a description of certain regulatory restrictions on the payment of dividends by Old Republic's insurance subsidiaries.

Comparative Five Year Performance Graphs for Common Stock

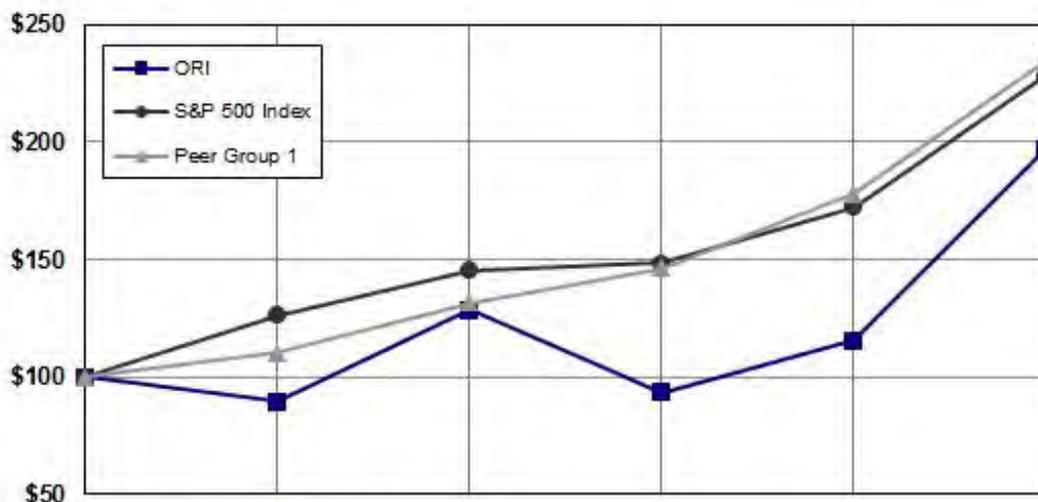
The following tables, prepared on the basis of market and related data furnished by Standard & Poor's Total Return Service, reflect total market return data for the most recent five calendar years ended December 31, 2013. For purposes of the presentation, the information is shown in terms of \$100 invested at the close of trading on the last trading day preceding the first day of the fifth preceding year. The \$100 investment is deemed to have been made either in Old Republic Common Stock, in the S&P 500 Index of common stocks, or in an aggregate of the common shares of the Peer Group of publicly held insurance businesses selected by Old Republic. The cumulative total return assumes reinvestment of cash dividends on a pretax basis. The information utilized to prepare the following tables has been obtained from sources believed to be reliable, but no representation is made that it is accurate or complete in all respects.

Total return data is shown in two tables. The table for Peer Group 1 consists of the following publicly held corporations selected by the Company for its 2008 to 2013 comparison: Ace Limited, American Financial Group, Inc., The Chubb Corporation, Cincinnati Financial Corporation, Fidelity National Financial, Inc., First American Financial Corporation, Markel Corporation, Stewart Information Services Corporation, Travelers Companies, Inc., and XL Group Plc.

The Peer Group 2 table is included for comparative purposes. It consists of the following publicly held corporations selected by the Company for its 2007 to 2012 comparison as included in its 2012 Annual Report on Form 10-K: Ace Limited, American Financial Group, Inc., The Chubb Corporation, Cincinnati Financial Corporation, First American Financial Corporation, Markel Corporation, MGIC Investment Corporation, Stewart Information Services Corporation, Travelers Companies, Inc., and XL Group Plc. Peer Group 2 is comprised of the same companies as in Peer Group 1 except that MGIC Investment Corporation was removed and Fidelity National Financial, Inc. was added to Peer Group 1 for all years presented.

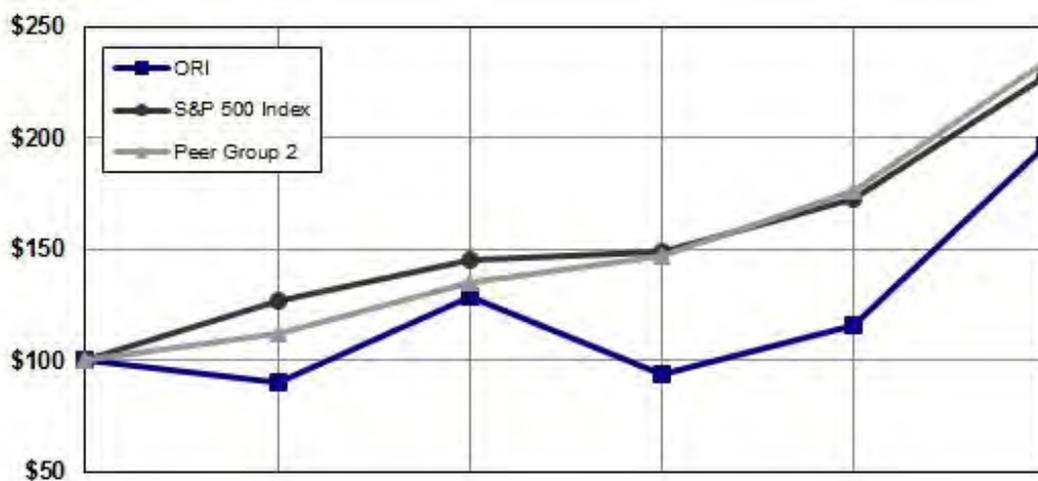
The composition of the Peer Group companies has been approved by the Compensation Committee.

**Comparison of Five Year Total Market Return
 OLD REPUBLIC INTERNATIONAL CORPORATION vs. S&P 500 vs. Peer Group 1
 (For the five years ended December 31, 2013)**



	<u>Dec 08</u>	<u>Dec 09</u>	<u>Dec 10</u>	<u>Dec 11</u>	<u>Dec 12</u>	<u>Dec 13</u>
ORI	\$ 100.00	\$ 89.74	\$ 128.40	\$ 93.34	\$ 115.59	\$ 196.90
S&P 500	100.00	126.46	145.51	148.59	172.37	228.19
Peer Group 1	100.00	110.20	131.75	146.18	177.85	234.79

**Comparison of Five Year Total Market Return
 OLD REPUBLIC INTERNATIONAL CORPORATION vs. S&P 500 vs. Peer Group 2
 (For the five years ended December 31, 2013)**



	<u>Dec 08</u>	<u>Dec 09</u>	<u>Dec 10</u>	<u>Dec 11</u>	<u>Dec 12</u>	<u>Dec 13</u>
ORI	\$ 100.00	\$ 89.74	\$ 128.40	\$ 93.34	\$ 115.59	\$ 196.90
S&P 500	100.00	126.46	145.51	148.59	172.37	228.19
Peer Group 2	100.00	112.03	135.03	147.06	176.53	233.95

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

December 31:	2013	2012	2011	2010	2009
FINANCIAL POSITION:					
Cash and Invested Assets (a)	\$ 11,109.1	\$ 10,800.6	\$ 10,685.2	\$ 10,490.7	\$ 9,879.0
Other Assets	5,425.2	5,426.2	5,365.2	5,391.9	4,310.9
Total Assets	<u>\$ 16,534.4</u>	<u>\$ 16,226.8</u>	<u>\$ 16,050.4</u>	<u>\$ 15,882.7</u>	<u>\$ 14,190.0</u>
Liabilities, Other than Debt	\$ 12,190.1	\$ 12,057.6	\$ 11,365.0	\$ 11,286.2	\$ 9,951.8
Debt	569.2	572.9	912.8	475.0	346.7
Total Liabilities	12,759.4	12,630.6	12,277.8	11,761.3	10,298.6
Preferred Stock	—	—	—	—	—
Common Shareholders' Equity	3,775.0	3,596.2	3,772.5	4,121.4	3,891.4
Total Liabilities and Shareholders' Equity	<u>\$ 16,534.4</u>	<u>\$ 16,226.8</u>	<u>\$ 16,050.4</u>	<u>\$ 15,882.7</u>	<u>\$ 14,190.0</u>
Total Capitalization (b)	<u>\$ 4,344.3</u>	<u>\$ 4,169.1</u>	<u>\$ 4,685.4</u>	<u>\$ 4,596.4</u>	<u>\$ 4,238.2</u>
RESULTS OF OPERATIONS:					
Years Ended December 31:	2013	2012	2011	2010	2009
Net Premiums and Fees Earned	\$ 4,885.6	\$ 4,471.0	\$ 4,050.1	\$ 3,573.5	\$ 3,388.9
Net Investment and Other Income	408.9	451.1	479.8	420.0	408.3
Realized Investment Gains (Losses)	148.1	47.8	115.5	109.1	6.3
Net Revenues	<u>5,442.7</u>	<u>4,970.1</u>	<u>4,645.5</u>	<u>4,102.7</u>	<u>3,803.6</u>
Benefits, Claims, and Settlement Expenses	2,238.3	2,765.3	2,764.3	2,278.2	2,609.8
Underwriting and Other Expenses	2,531.3	2,333.3	2,117.8	1,796.8	1,467.4
Pretax Income (Loss)	<u>672.9</u>	<u>(128.5)</u>	<u>(236.7)</u>	<u>27.6</u>	<u>(273.6)</u>
Income Taxes (Credits)	225.0	(59.8)	(96.1)	(2.5)	(174.4)
Net Income (Loss)	<u>\$ 447.8</u>	<u>\$ (68.6)</u>	<u>\$ (140.5)</u>	<u>\$ 30.1</u>	<u>\$ (99.1)</u>
COMMON SHARE DATA:					
Net Income (Loss):					
Basic	\$ 1.74	\$ (.27)	\$ (.55)	\$.13	\$ (.42)
Diluted	\$ 1.57	\$ (.27)	\$ (.55)	\$.13	\$ (.42)
Dividends: Cash	<u>\$.72</u>	<u>\$.71</u>	<u>\$.70</u>	<u>\$.69</u>	<u>\$.68</u>
Book Value	<u>\$ 14.64</u>	<u>\$ 14.03</u>	<u>\$ 14.76</u>	<u>\$ 16.16</u>	<u>\$ 16.49</u>
Common Shares (thousands):					
Outstanding	<u>257,937</u>	<u>256,392</u>	<u>255,681</u>	<u>255,045</u>	<u>235,995</u>
Average: Basic	<u>257,443</u>	<u>255,812</u>	<u>255,045</u>	<u>241,075</u>	<u>235,657</u>
Diluted	<u>293,684</u>	<u>255,812</u>	<u>255,045</u>	<u>241,327</u>	<u>235,657</u>

(a) Consists of cash, investments and accrued investment income.

(b) Total capitalization consists of debt, preferred stock, and common shareholders' equity.

**Item 7 - Management Analysis of Financial Position and Results of Operations
(\$ in Millions, Except Share Data)**

OVERVIEW

This management analysis of financial position and results of operations pertains to the consolidated accounts of Old Republic International Corporation ("Old Republic" or "the Company"). The Company conducts its operations through three major regulatory segments, namely, its General (property and liability), Title, and the RFIG (mortgage guaranty and consumer credit indemnity) Run-off Business. A small life and accident insurance business, accounting for 1.2% of consolidated operating revenues for the year ended December 31, 2013 and 1.3% of consolidated assets as of that date, is included within the corporate and other caption of this report.

The consolidated accounts are presented in conformity with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") of accounting principles generally accepted in the United States of America ("GAAP"). As a publicly held company, Old Republic utilizes GAAP largely to comply with the financial reporting requirements of the Securities and Exchange Commission ("SEC"). From time to time the FASB and the SEC issue various releases most of which require additional financial statement disclosures and provide related application guidance. Of particular relevance to the Company's financial statements is recent guidance issued by the FASB relative to the calculation of deferred acquisition costs incurred by insurance entities which is discussed further in Note 1(f) of the Notes to Consolidated Financial Statements and amounts reclassified out of other comprehensive income which affects the presentation of the Consolidated Statements of Comprehensive Income.

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

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

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

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

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

EXECUTIVE SUMMARY

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

Financial Highlights

Years Ended December 31:	2013	2012	2011	% Change	
				2013 vs. 2012	2012 vs. 2011
Operating Revenues:					
Excluding run-off business	\$ 4,941.1	\$ 4,474.9	\$ 3,965.3	10.4%	12.9 %
RFIG run-off business	353.4	447.3	564.6	(21.0)	(20.8)
Total	\$ 5,294.5	\$ 4,922.2	\$ 4,529.9	7.6%	8.7 %
Net Operating Income (Loss):					
Excluding run-off business	\$ 280.1	\$ 231.0	\$ 257.5	21.3%	(10.3)%
RFIG run-off business	71.4	(330.8)	(476.1)	121.6	30.5
Total	351.6	(99.7)	(218.5)	N/M	54.3
Realized Investment					
Gains (Losses), net of tax	96.2	31.1	78.0	209.6%	(60.1)
Net Income (Loss):	\$ 447.8	\$ (68.6)	\$ (140.5)	N/M	51.1 %
Components of Net Income (Loss):					
Excluding run-off business	\$ 381.0	\$ 253.1	\$ 280.5	50.5%	(9.8)%
RFIG run-off business	66.8	(321.8)	(421.1)	120.8%	23.6
Total	\$ 447.8	\$ (68.6)	\$ (140.5)	N/M	51.1 %
Diluted Earnings Per Share:					
Net Operating Income (Loss)					
Excluding run-off business	\$ 1.01	\$ 0.90	\$ 1.01	12.2%	(10.9)%
RFIG run-off business	0.24	(1.29)	(1.87)	118.6	31.0
Total	1.25	(0.39)	(0.86)	N/M	54.7
Realized Investment					
Gains (Losses), net of tax	0.32	0.12	0.31	166.7%	(61.3)
Net Income (Loss)	\$ 1.57	\$ (0.27)	\$ (0.55)	N/M	50.9 %
Components of Net Income (Loss):					
Excluding run-off business	\$ 1.35	\$ 0.99	\$ 1.10	36.4%	(10.0)%
RFIG run-off business	0.22	(1.26)	(1.65)	117.5%	23.6
Total	\$ 1.57	\$ (0.27)	\$ (0.55)	N/M	50.9 %
Cash Dividends Per Share	\$ 0.72	\$ 0.71	\$ 0.70	1.4%	1.4 %
Ending Book Value Per Share	\$ 14.64	\$ 14.03	\$ 14.76	4.3%	(4.9)%

N/M = Not meaningful

Consolidated operating results for 2013 were marked by improved underwriting performance in most of Old Republic's active and run-off operations. Year-over-year favorable comparisons were most pronounced in the combined MI and CCI run-off segment which evidenced a further drop in claim costs. The positive momentum in title insurance operations continued on the strength of strong revenue growth associated with relatively lower claim and operating expenses. Old Republic's largest business of general insurance also posted better results for the year as underwriting income benefited from higher premium revenues and lower operating costs. 2012 operating results benefited from substantial improvements in title insurance and much reduced losses in the combined MI and CCI run-off business. General insurance profits, however, dropped measurably as an increase in claim costs, mostly for the workers' compensation coverage, hindered profitability.

In addition to the strong turn-around in 2013 operating earnings, Old Republic's overall performance was enhanced by the realization of substantial investment gains. For 2013 these arose mostly from sales of equity securities, most of which had been impaired in 2008 to much lower levels than their sale price in 2013.

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

Years Ended December 31:	2013	2012	2011	% Change	
				2013 vs. 2012	2012 vs. 2011
Operating revenues:					
General insurance	\$ 2,849.9	\$ 2,699.4	\$ 2,488.6	5.6 %	8.5 %
Title insurance	2,025.6	1,707.1	1,391.8	18.7	22.7
Corporate and other	65.6	68.3	84.8	(4.1)	(19.4)
Subtotal	4,941.1	4,474.9	3,965.3	10.4	12.9
RFIG run-off business	353.4	447.3	564.6	(21.0)	(20.8)
Total	<u>\$ 5,294.5</u>	<u>\$ 4,922.2</u>	<u>\$ 4,529.9</u>	<u>7.6 %</u>	<u>8.7 %</u>
Pretax operating income (loss):					
General insurance	\$ 288.3	\$ 261.0	\$ 353.9	10.5 %	(26.3)%
Title insurance	124.3	73.8	36.2	68.2	103.9
Corporate and other	2.1	(2.7)	(14.6)	175.8	81.1
Subtotal	414.7	332.1	375.5	24.9	(11.5)
RFIG run-off business	110.0	(508.6)	(727.8)	121.6	30.1
Total	524.8	(176.4)	(352.2)	N/M	49.9
Realized investment gains (losses):					
From sales	148.1	48.1	165.8		
From impairments	—	(0.2)	(50.2)		
Net realized investment gains (losses)	148.1	47.8	115.5	209.3	(58.6)
Consolidated pretax income (loss)					
	672.9	(128.5)	(236.7)	N/M	45.7
Income taxes (credits)	225.0	(59.8)	(96.1)	N/M	37.7
Net income (loss)					
	<u>\$ 447.8</u>	<u>\$ (68.6)</u>	<u>\$ (140.5)</u>	<u>N/M</u>	<u>51.1 %</u>
Consolidated underwriting ratio:					
Including RFIG run-off business					
Benefits and claim ratio	45.8%	61.9%	68.3%	(26.0)%	(9.4)%
Expense ratio	49.2	48.5	47.5	1.4	2.1
Composite ratio	<u>95.0%</u>	<u>110.4%</u>	<u>115.8%</u>	<u>(13.9)%</u>	<u>(4.7)%</u>
Excluding RFIG run-off business					
Benefits and claim ratio	44.2%	45.7%	45.2%	(3.3)%	1.1 %
Expense ratio	52.1	52.4	51.2	(0.6)	2.3
Composite ratio	<u>96.3%</u>	<u>98.1%</u>	<u>96.4%</u>	<u>(1.8)%</u>	<u>1.8 %</u>
Components of diluted earnings per share:					
Net operating income (loss):					
General insurance	\$ 0.67	\$ 0.72	\$ 0.95		
Title insurance	0.28	0.18	0.10		
Corporate and other	0.06	—	(0.04)		
Subtotal	1.01	0.90	1.01		
RFIG run-off business	0.24	(1.29)	(1.87)		
Total	1.25	(0.39)	(0.86)		
Net realized investment gains (losses)	0.32	0.12	0.31		
Net income (loss)	<u>\$ 1.57</u>	<u>\$ (0.27)</u>	<u>\$ (0.55)</u>		
Cash dividends paid per share					
	<u>\$ 0.72</u>	<u>\$ 0.71</u>	<u>\$ 0.70</u>		

The preceding tables show operating and net income or loss to highlight the effects of realized investment gain or loss recognition on period-to-period comparisons. The recognition of realized investment gains or losses can be highly discretionary and arbitrary due to such factors as the timing of individual securities sales, recording of estimated losses from write-downs of impaired securities, tax-planning considerations, and changes in investment management judgments relative to the direction of securities markets or the future prospects of individual investees or industry sectors. Accordingly, management uses net operating income, a non-GAAP financial measure, to evaluate and better explain operating performance, believing that this measure enhances an understanding of Old Republic's core business results. Operating income, however, does not replace net income determined in accordance with GAAP as a measure of total profitability. The composition of realized gains or losses is shown below:

	Years Ended December 31,		
	2013	2012	2011
Realized Investment Gains (Losses):			
Actual net gain from sales	\$ 16.7	\$ 40.5	\$ 8.3
Accounting adjustment of gain for impairment charges taken in prior periods	131.3	7.5	157.5
Net gain from actual sales	148.1	48.1	165.8
Net realized losses from impairments	—	(0.2)	(50.2)
Net pretax realized investment gains (losses) reported herein	<u>\$ 148.1</u>	<u>\$ 47.8</u>	<u>\$ 115.5</u>

General Insurance Results - The table below shows major elements that fueled this segment's earnings progress throughout 2013.

Years Ended December 31:	General Insurance Group				
	2013	2012	2011	% Change	
				2013 vs. 2012	2012 vs. 2011
A. Prior to reclassification and including CCI run-off business:					
Net premiums earned	\$ 2,543.5	\$ 2,366.9	\$ 2,167.7	7.5 %	9.2 %
Net investment income	250.0	265.0	270.5	(5.7)	(2.0)
Benefits and claims costs	1,894.0	1,808.9	1,562.9	4.7	15.7
Pretax operating income (loss)	<u>\$ 272.0</u>	<u>\$ 186.0</u>	<u>\$ 304.3</u>	<u>46.2 %</u>	<u>(38.9)%</u>
Claim ratio	74.5%	76.4%	72.1%	(2.5)%	6.0 %
Expense ratio	23.5	25.5	24.8	(7.8)	2.8
Composite ratio	<u>98.0%</u>	<u>101.9%</u>	<u>96.9%</u>	<u>(3.8)%</u>	<u>5.2 %</u>
B. All CCI run-off business reclassification(*):					
Net premiums earned	\$ 29.8	\$ 42.4	\$ 58.3	(29.9)%	(27.1)%
Net investment income	0.4	0.1	—	N/M	N/M
Claim costs	44.5	112.8	102.9	(60.6)	9.7
Pretax operating income (loss)	<u>\$ (16.2)</u>	<u>\$ (74.9)</u>	<u>\$ (49.6)</u>	<u>78.3 %</u>	<u>(51.0)%</u>
Claim ratio	149.4%	265.7%	176.5%	(43.8)%	50.5 %
Expense ratio	6.6	11.0	8.7	(40.0)	26.4
Composite ratio	<u>156.0%</u>	<u>276.7%</u>	<u>185.2%</u>	<u>(43.6)%</u>	<u>49.4 %</u>
C. After reclassification / Total Excluding all CCI run-off business:					
Net premiums earned	\$ 2,513.7	\$ 2,324.4	\$ 2,109.4	8.1 %	10.2 %
Net investment income	249.6	264.9	270.5	(5.8)	(2.1)
Benefits and claims costs	1,849.4	1,696.0	1,460.0	9.0	16.2
Pretax operating income (loss)	<u>\$ 288.3</u>	<u>\$ 261.0</u>	<u>\$ 353.9</u>	<u>10.5 %</u>	<u>(26.3)%</u>
Benefits and claim ratio	73.6%	73.0%	69.2%	0.8 %	5.5 %
Expense ratio	23.7	25.7	25.2	(7.8)	2.0
Composite ratio	<u>97.3%</u>	<u>98.7%</u>	<u>94.4%</u>	<u>(1.4)%</u>	<u>4.6 %</u>

(*) In connection with the previously noted MI / CCI combination, \$14.0 and \$70.9 of pretax operating losses for all of 2013 and 2012, 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 table (B) above incorporates 100% of the CCI run-off business results.

Favorable premium trends in workers' compensation, general liability, and several other general insurance coverages were mainly responsible for 2013's revenue growth. Old Republic's targeted insurance underwriting services in such fields as aviation, construction, energy, home warranty, trucking, and large account risk management provided the main impetus to this growth. Similar trends for workers' compensation and liability insurance lines within the construction, trucking, and large account risk management business were experienced in 2012. The combination of a generally improving rate environment for most coverages and the slowly strengthening pace of U.S. economic activity were major contributing factors in this regard.

2013 net investment income reflected further deterioration and lessened its contribution to operating margins. While

cash flow from operations was positive and additive to the invested asset base, market yields on new securities investments were constrained throughout the year.

This year’s general insurance composite ratio, exclusive of the run-off CCI coverage, was slightly lower in comparison to 2012 results. The claim ratio remained at relatively high levels as workers compensation and general liability loss costs continued to reflect greater-than-expected severity. Most of the decline in this year’s expense ratio stemmed from the absence of charges approximating 2 percentage points that were expensed during 2012. The charges pertained to the 2012 adoption of Financial Accounting Standards Board guidance for the calculation of deferred policy acquisition costs.

Title Insurance Results - Positive operating momentum in Old Republic’s title insurance business accelerated throughout 2013. The following highlights portray the Company’s recent earnings progress:

	Title Insurance Group				
	2013	2012	2011	% Change	
				2013 vs. 2012	2012 vs. 2011
Years Ended December 31:					
Net premiums and fees earned	\$ 1,996.1	\$ 1,677.4	\$ 1,362.4	19.0 %	23.1 %
Net investment income	26.6	27.3	27.3	(2.6)	(0.1)
Claim costs	134.0	120.8	105.7	10.9	14.3
Pretax operating income (loss)	<u>\$ 124.3</u>	<u>\$ 73.8</u>	<u>\$ 36.2</u>	<u>68.2 %</u>	<u>103.9 %</u>
Claim ratio	6.7%	7.2%	7.8%	(6.9)%	(7.7)%
Expense ratio	88.0	89.6	91.2	(1.8)	(1.8)
Composite ratio	<u>94.7%</u>	<u>96.8%</u>	<u>99.0%</u>	<u>(2.2)%</u>	<u>(2.2)%</u>

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

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

Years Ended December 31:	RFIG Run-off Business				
	2013	2012	2011	% Change	
				2013 vs. 2012	2012 vs. 2011
A. Prior to reclassification / Excluding CCI run-off business:					
Net premiums earned	\$ 286.7	\$ 368.0	\$ 444.9	(22.1)%	(17.3)%
Net investment income	36.4	36.2	59.2	0.7	(38.9)
Claim costs	173.2	797.5	1,057.1	(78.3)	(24.6)
Pretax operating income (loss)	<u>\$ 126.3</u>	<u>\$ (433.6)</u>	<u>\$ (678.1)</u>	<u>129.1 %</u>	<u>36.1 %</u>
Claim ratio	60.4%	216.7%	237.6%	(72.1)%	(8.8)%
Expense ratio	8.2	10.4	23.9	(21.2)	(56.5)
Composite ratio	<u>68.6%</u>	<u>227.1%</u>	<u>261.5%</u>	<u>(69.8)%</u>	<u>(13.2)%</u>
B. All CCI run-off business reclassification(*):					
Net premiums earned	\$ 29.8	\$ 42.4	\$ 58.3	(29.9)%	(27.1)%
Net investment income	0.4	0.1	—	N/M	N/M
Claim costs	44.5	112.8	102.9	(60.6)	9.7
Pretax operating income (loss)	<u>\$ (16.2)</u>	<u>\$ (74.9)</u>	<u>\$ (49.6)</u>	<u>78.3 %</u>	<u>(51.0)%</u>
Claim ratio	149.4%	265.7%	176.5%	(43.8)%	50.5 %
Expense ratio	6.6	11.0	8.7	(40.0)	26.4
Composite ratio	<u>156.0%</u>	<u>276.7%</u>	<u>185.2%</u>	<u>(43.6)%</u>	<u>49.4 %</u>
C. After reclassification / Total RFIG run-off MI and CCI business:					
Net premiums earned	\$ 316.5	\$ 410.5	\$ 503.2	(22.9)%	(18.4)%
Net investment income	36.8	36.3	59.3	1.5	(38.7)
Claim costs	217.7	910.4	1,160.1	(76.1)	(21.5)
Pretax operating income (loss)	<u>\$ 110.0</u>	<u>\$ (508.6)</u>	<u>\$ (727.8)</u>	<u>121.6 %</u>	<u>30.1 %</u>
Claim ratio	68.8%	221.8%	230.5%	(69.0)%	(3.8)%
Expense ratio	8.1	10.4	22.1	(22.1)	(52.9)
Composite ratio	<u>76.9%</u>	<u>232.2%</u>	<u>252.6%</u>	<u>(66.9)%</u>	<u>(8.1)%</u>

(*) In connection with the previously noted MI / CCI combination, \$14.0 and \$70.9 of pretax operating losses for all of 2013 and 2012, 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 table (B) above incorporates 100% of the CCI run-off business results.

Both MI and CCI premiums registered declines throughout 2013 and 2012- the natural outcome of a run-off book of business devoid of new premium production since at least 2011. Net investment income trends for the past three years were affected adversely by a pervasively low yield environment and by the segment's declining invested asset base which eroded gradually by declining premium volume and ongoing claim disbursements.

The substantial improvement in 2013 mortgage guaranty operating income arose mostly from much lower claim provisions. These emanated from 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 year-end 2012 claim reserves during 2013. The (favorable) reserve developments accounted for a (reduction) of (88.2) percentage points in the reported claim ratio for all of 2013. By contrast, unfavorable developments of year-end 2011 reserves in 2012 raised the latter year's reported claim ratios by 31.6 percentage points. The disparate development patterns in previously established claim reserves are reflective of improving trends in home prices, foreclosure activity, and real estate markets generally.

Section (B) in the above table shows 100% of CCI results fully reclassified for segment reporting purposes. 2013 performance was most favorably affected by lower claim provisions resulting from improving delinquency trends and greater than anticipated claim salvage recoveries. 2012 operating performance was impacted by much greater claim costs driven by higher estimates of continuing claim litigation and reduced expectation of salvage recoveries on cumulative claims incurred.

With regard to the MI run-off business, Old Republic previously announced that its RMICC mortgage guaranty subsidiary expects to raise new funds in the capital markets. Substantially all of this capital would be added to the equity resources of RMICC's three mortgage insurance subsidiaries. The addition of capital should permit these carriers to at once support existing policies in-force, pay off heretofore deferred claim payment obligations with agreed-upon interest, exit their current state of supervision under North Carolina insurance regulations, and resume the underwriting of new business beginning in 2014. Completion of this transaction and the consequent additions to the MI subsidiaries' capital will be contingent on the receipt of certain regulatory approvals, most importantly those of the North Carolina Department of Insurance, and Fannie Mae and Freddie Mac. A successful closing of this transaction would lead to RMICC's deconsolidation from ORI's financial statements.

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

Years Ended December 31:	Corporate and Other Operations				
				% Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Life & accident premiums earned	\$ 59.3	\$ 58.6	\$ 74.9	1.2%	(21.8)%
Net investment income	5.6	7.9	7.4	(29.5)	6.6
Other income	0.6	1.8	2.4	(62.1)	(27.0)
Benefits and claim costs	37.3	38.3	38.5	(2.4)	(0.6)
Insurance expenses	28.4	26.8	39.4	6.0	(32.0)
Corporate, interest and other expenses-net	(2.3)	6.0	21.5	(139.0)	(72.1)
Pretax operating income (loss)	<u>\$ 2.1</u>	<u>\$ (2.7)</u>	<u>\$ (14.6)</u>	<u>175.8%</u>	<u>75.1 %</u>

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

As of December 31:				% Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Cash and invested assets: Fair value basis	<u>\$11,109.1</u>	<u>\$10,800.6</u>	<u>\$10,685.2</u>	<u>2.9%</u>	<u>1.1 %</u>
Original cost basis	<u>\$10,503.7</u>	<u>\$10,071.4</u>	<u>\$10,081.8</u>	<u>4.3%</u>	<u>(0.1)%</u>
Shareholders' equity: Total	<u>\$ 3,775.0</u>	<u>\$ 3,596.2</u>	<u>\$ 3,772.5</u>	<u>5.0%</u>	<u>(4.7)%</u>
Per common share	<u>\$ 14.64</u>	<u>\$ 14.03</u>	<u>\$ 14.76</u>	<u>4.3%</u>	<u>(4.9)%</u>

Composition of shareholders' equity per share:

Equity before items below	\$ 13.17	\$ 12.15	\$ 13.13	8.4%	(7.5)%
Unrealized investment gains (losses) and other accumulated comprehensive income (loss)	1.47	1.88	1.63		
Total	<u>\$ 14.64</u>	<u>\$ 14.03</u>	<u>\$ 14.76</u>	<u>4.3%</u>	<u>(4.9)%</u>

Segmented composition of shareholders' equity per share:

Excluding run-off segment	\$ 14.69	\$ 14.25			
RFIG run-off segment	(0.05)	(0.22)			
Total	<u>\$ 14.64</u>	<u>\$ 14.03</u>			

Cash flow from consolidated operating activities was positive at \$686.7 and \$532.0 for the years ended December 31, 2013 and 2012, respectively, compared to a deficit of \$94.9 sustained in 2011.

The consolidated investment portfolio reflects a current allocation of approximately 91 percent to fixed-maturity securities and short-term investments, and 9 percent to equities as of year-end 2013. As has been the case for many years, Old Republic's invested assets are managed in consideration of enterprise-wide risk management objectives. Most importantly, these are intended to assure solid funding of its insurance subsidiaries' long-term obligations to policyholders and other beneficiaries, and the necessary long-term stability of capital accounts.

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

The following table shows the changes in the shareholders' equity per share for the past three years. As indicated, the changes resulted mostly from each year's net income or loss, dividend payments to shareholders, and changes in the value of invested assets carried at fair value.

Years Ended December 31:	Shareholders' Equity Per Share		
	2013	2012	2011
Beginning balance	\$ 14.03	\$ 14.76	\$ 16.16
Changes in shareholders' equity:			
Net operating income (loss)	1.37	(0.39)	(0.86)
Net realized investment gains (losses):			
From sales	0.37	0.12	0.44
From impairments	—	—	(0.13)
Subtotal	0.37	0.12	0.31
Net unrealized investment gains (losses)	(0.64)	0.29	0.03
Total realized and unrealized investment gains (losses)	(0.27)	0.41	0.34
Cash dividends	(0.72)	(0.71)	(0.70)
Stock issuance, foreign exchange, and other transactions	0.23	(0.04)	(0.18)
Net change	0.61	(0.73)	(1.40)
Ending balance	\$ 14.64	\$ 14.03	\$ 14.76

DETAILED MANAGEMENT ANALYSIS

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

For the three years ended December 31, 2013, pretax charges due to other-than-temporary impairments in the value of securities affected pretax income or loss within a range of (27.0)% and 0% and averaged (9.0)%.

(b) The valuation of deferred income tax assets

The Company uses the asset and liability method of calculating deferred income taxes. This method results in the establishment of deferred tax assets and liabilities, calculated at currently enacted tax rates that are applicable to the cumulative temporary differences between financial statement and tax bases of assets and liabilities. Deferred income tax assets are reduced by a valuation allowance when management determines that it is more likely than not that some, or all, of the deferred tax assets will not be realized. At December 31, 2013, 2012 and 2011, the net deferred tax asset (liability) was \$48.4, \$148.1, and \$116.7, respectively. The Company recorded a valuation allowance against deferred tax assets of \$(9.6), \$(9.6), and \$(12.2) at each corresponding year end, respectively. In valuing the deferred tax assets, Old Republic considered certain factors including primarily the scheduled reversals of certain deferred tax liabilities, the impact of available carry back and carry forward periods, estimates of future taxable income, and our ability to exercise prudent and feasible tax planning strategies. A change in any of these estimates could result in the need to record an additional valuation allowance through a charge to earnings. See Note 1(j) of the Notes to Consolidated Financial Statements for further discussion of the Company's consolidated income tax balances.

(c) Establishment of deferred acquisition costs ("DAC")

The eligibility for deferral and the recoverability of DAC is based on the successful acquisition of new or renewal contracts and estimated profitability of the insurance contracts to which it relates. As of the three most recent year ends, consolidated DAC balances ranged between 1.0% and 1.2% and averaged 1.1% of consolidated assets. The annual change in DAC balances for the three-year period affected underwriting, acquisition and other expenses within a range of (1.1)% and 1.6%, and averaged .7% of such expenses. These percentages are inclusive of the 2012 prospective application of new GAAP authoritative guidance related to the deferral of costs resulting in pretax charges of \$37.9 and the 2011 write-off of previously deferred mortgage guaranty acquisition costs of \$29.1 no longer deemed recoverable in future run-off periods.

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

Assets consisting of gross paid losses recoverable from assuming reinsurers, and balance sheet date reserves similarly recoverable in future periods as gross losses are settled and paid, are established at the same time as the gross losses are paid or recorded as reserves. Accordingly, these assets are subject to the same estimation processes and valuations as the related gross amounts that are discussed below. As of the three most recent year ends, paid and outstanding reinsurance recoverable balances ranged between 30.8% and 34.2% and averaged 32.2% of the related gross reserves. See Part I, Item 1(d) for further discussion regarding recoverability of the Company's reinsurance balances.

(e) The reserves for losses and loss adjustment expenses

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

- The establishment of expected loss ratios for at least the two to three most recent accident years, particularly for so-called long-tail coverages as to which information about covered losses emerges and becomes more accurately quantifiable over long periods of time. Long-tail lines of business generally include workers' compensation, auto liability, general liability, errors and omissions and directors and officers' liability, as well as title insurance. Gross loss reserves related to such long-tail coverages ranged between 74.6% and 77.6%, and averaged 76.2% of gross consolidated claim reserves as of the three most recent year ends. Net of reinsurance recoverables, such reserves ranged between 66.5% and 70.6% and averaged 68.7% as of the same dates.
- Loss trend factors that are used to establish the above noted expected loss ratios. These factors take into account such variables as judgments and estimates relative to premium rate trends and adequacy, current and expected interest rates, current and expected social and economic inflation trends, and insurance industry statistical claim trends.
- Loss development factors, expected claim rates and average claim costs, all of which are based on Company and/or industry statistics used to project reported and unreported losses for each accounting period.

For the most recent calendar year, prior accident years' consolidated claim costs developed favorably while the second and third preceding years developed unfavorably. This development had the consequent effect of (increasing) or reducing consolidated annual loss costs for the three most recent years within a range of (4.7)% and 11.9%, or by an average of approximately 1.2% per annum. As a percentage of each of these years' consolidated earned premiums and fees, the (unfavorable) favorable developments have ranged between (3.0)% and 6.1%, and have averaged .3%. Most of the variances in prior years' positive or negative claim developments have been due to a highly volatile mortgage guaranty and CCI claim environment.

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

FINANCIAL POSITION

The Company's financial position at December 31, 2013 reflected increases in assets, liabilities, and common shareholders' equity of 1.9%, 1.0%, and 5.0%, respectively, when compared to the immediately preceding year-end. Cash and invested assets represented 67.2% and 66.6% of consolidated assets as of December 31, 2013 and 2012, respectively. As of year-end 2013, the cash and invested asset base rose by 2.9% to \$11,109.1.

Investments - During 2013 and 2012, the Company committed the majority of investable funds to short to intermediate-term fixed maturity securities. At both December 31, 2013 and 2012, approximately 99% of the Company's investments consisted of marketable securities. Old Republic continues to adhere to its long-term policy of investing primarily in investment grade, marketable securities. The portfolio contains no significant insurance risk-correlated asset exposures to real estate, mortgage-backed securities, collateralized debt obligations ("CDO's"), derivatives, junk bonds, hybrid securities, or illiquid private equity investments. In a similar vein, the Company does not engage in hedging or securities lending transactions, nor does it invest in securities whose values are predicated on non-regulated financial instruments exhibiting amorphous or unfunded counter-party risk attributes. At December 31, 2013, the Company had no fixed maturity investments in default as to principal and/or interest.

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

The Company does not own or utilize derivative financial instruments for the purpose of hedging, enhancing the overall return of its investment portfolio, or reducing the cost of its debt obligations. With regard to its equity portfolio, the Company does not own any options nor does it engage in any type of option writing. Traditional investment management tools and techniques are employed to address the yield and valuation exposures of the invested assets base. The long-term fixed maturity investment portfolio is managed so as to limit various risks inherent in the bond market. Credit risk is addressed through asset diversification and the purchase of investment grade securities. Reinvestment rate risk is reduced by concentrating on non-callable issues, and by taking asset-liability matching considerations into account. Purchases of mortgage and asset backed securities, which have variable principal prepayment options, are generally

avoided. Market value risk is limited through the purchase of bonds of intermediate maturity. The combination of these investment management practices is expected to produce a more stable long-term fixed maturity investment portfolio that is not subject to extreme interest rate sensitivity and principal deterioration.

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

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

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

Credit Quality Ratings of Fixed Maturity Securities (a)		
December 31:	2013	2012
Aaa	13.9%	15.2%
Aa	9.4	11.5
A	35.9	34.2
Baa	39.7	38.4
Total investment grade	98.9	99.3
All other (b)	1.1	.7
Total	100.0%	100.0%

- (a) Credit quality ratings referred to herein are a blend of those assigned by the major credit rating agencies for U.S. and Canadian Governments, Agencies, Corporates and Municipal issuers, which are converted to the above ratings classifications.
- (b) "All other" includes non-investment grade or non-rated issuers.

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

December 31, 2013	Amortized Cost	Gross Unrealized Losses
Fixed Maturity Securities by Industry Concentration:		
Natural Gas	\$ 10.1	\$.9
Consumer Non Durable	1.2	.2
Services	1.9	.1
Industrial	9.1	.1
Other (includes 1 industry group)	1.8	—
Total	\$ 24.2 (c)	\$ 1.5

(c) Represents .3% of the total fixed maturity securities portfolio.

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

December 31, 2013	Amortized Cost	Gross Unrealized Losses
Fixed Maturity Securities by Industry Concentration:		
Utilities	\$ 336.9	\$ 13.9
Basic Industry	217.1	7.6
Industrial	285.5	5.7
Energy	219.4	5.5
Other (includes 17 industry groups)	1,662.0	39.2
Total	\$ 2,721.2 (d)	\$ 72.0

(d) Represents 32.1% of the total fixed maturity securities portfolio.

Gross Unrealized Losses Stratified by Industry Concentration for Equity Securities

December 31, 2013	Adjusted Cost	Gross Unrealized Losses
Equity Securities by Industry Concentration:		
Natural Gas	\$ 21.2	\$.3
Utilities	10.3	.2
Total	\$ 31.6 (e)	\$.5 (f)

(e) Represents 5.0% of the total equity securities portfolio.

(f) Represents .1% of the cost of the total equity securities portfolio, while gross unrealized gains represent 59.0% of the portfolio.

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

	Amortized Cost of Fixed Maturity Securities		Gross Unrealized Losses	
	All	Non- Investment Grade Only	All	Non- Investment Grade Only
December 31, 2013				
Maturity Ranges:				
Due in one year or less	\$ 6.2	\$ —	\$ —	\$ —
Due after one year through five years	739.5	9.1	8.3	.1
Due after five years through ten years	1,890.6	10.1	61.0	.9
Due after ten years	109.0	4.9	4.2	.4
Total	<u>\$ 2,745.4</u>	<u>\$ 24.2</u>	<u>\$ 73.6</u>	<u>\$ 1.5</u>

Gross Unrealized Losses Stratified by Duration and Amount of Unrealized Losses

	Amount of Gross Unrealized Losses			
	Less than 20% of Cost	20% to 50% of Cost	More than 50% of Cost	Total Gross Unrealized Loss
December 31, 2013				
Number of Months in Loss Position:				
Fixed Maturity Securities:				
One to six months	\$ 49.4	\$ —	\$ —	\$ 49.4
Seven to twelve months	20.0	—	—	20.0
More than twelve months	3.8	.3	—	4.1
Total	<u>\$ 73.3</u>	<u>\$.3</u>	<u>\$ —</u>	<u>\$ 73.6</u>
Equity Securities:				
One to six months	\$.3	\$ —	\$ —	\$.3
Seven to twelve months	.2	—	—	.2
More than twelve months	—	—	—	—
Total	<u>\$.5</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$.5</u>
Number of Issues in Loss Position:				
Fixed Maturity Securities:				
One to six months	463	—	—	463
Seven to twelve months	85	—	—	85
More than twelve months	9	1	—	10
Total	<u>557</u>	<u>1</u>	<u>—</u>	<u>558 (g)</u>
Equity Securities:				
One to six months	4	—	—	4
Seven to twelve months	1	—	—	1
More than twelve months	—	—	—	—
Total	<u>5</u>	<u>—</u>	<u>—</u>	<u>5 (g)</u>

(g) At December 31, 2013 the number of issues in an unrealized loss position represent 30.8% as to fixed maturities, and 7.2% 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 (December 31, 2013 in the above table) and, accordingly, is not indicative of a security's value having been consistently below its cost at the percentages shown nor throughout the periods shown.

Age Distribution of Fixed Maturity Securities

December 31:	2013	2012
Maturity Ranges:		
Due in one year or less	9.3%	15.7%
Due after one year through five years	46.7	41.6
Due after five years through ten years	41.8	40.1
Due after ten years through fifteen years	1.2	1.0
Due after fifteen years	1.0	1.6
Total	<u>100.0%</u>	<u>100.0%</u>
Average Maturity in Years	<u>4.8</u>	<u>4.7</u>
Duration (h)	<u>4.2</u>	<u>4.1</u>

(h) Duration is used as a measure of bond price sensitivity to interest rate changes. A duration of 4.2 as of December 31, 2013 implies that a 100 basis point parallel increase in interest rates from current levels would result in a possible decline in the fair value of the long-term fixed maturity investment portfolio of approximately 4.2%.

Composition of Unrealized Gains (Losses)

December 31:	2013	2012
Fixed Maturity Securities:		
Amortized cost	\$ 8,477.3	\$ 7,993.1
Estimated fair value	<u>8,712.3</u>	<u>8,566.2</u>
Gross unrealized gains	308.7	579.5
Gross unrealized losses	<u>(73.6)</u>	<u>(6.5)</u>
Net unrealized gains (losses)	<u>\$ 235.0</u>	<u>\$ 573.0</u>
Equity Securities:		
Original cost	\$ 632.0	\$ 583.5
Adjusted cost(*)	632.0	452.1
Estimated fair value	<u>1,004.2</u>	<u>739.7</u>
Gross unrealized gains	372.7	290.5
Gross unrealized losses	<u>(.5)</u>	<u>(2.9)</u>
Net unrealized gains (losses)	<u>\$ 372.1</u>	<u>\$ 287.5</u>

(*) net of OTTI adjustments

Other Assets - Among other major assets, substantially all of the Company's receivables are not past due. Reinsurance recoverable balances on paid or estimated unpaid losses are deemed recoverable from solvent reinsurers or have otherwise been reduced by allowances for estimated amounts unrecoverable. Deferred policy acquisition costs are estimated by taking into account the direct costs relating to the successful acquisition of new or renewal insurance contracts and evaluating their recoverability on the basis of recent trends in claims costs. Aside from the 2011 write-off of certain mortgage guaranty balances and the adoption of new accounting guidance on deferred acquisition costs as discussed in the Executive Summary and Note 1(f) of the Notes to Consolidated Financial Statements, the Company's deferred policy acquisition cost balances have not fluctuated substantially from period-to-period. Deferred policy acquisition costs do not represent significant percentages of assets or shareholders' equity.

Liquidity - The parent holding company meets its liquidity and capital needs principally through dividends and interest on intercompany financing arrangements paid by its subsidiaries. The insurance subsidiaries' ability to pay cash dividends to the parent company is generally restricted by law or subject to approval of the insurance regulatory authorities of the states in which they are domiciled. The Company can receive up to \$427.2 in dividends from its subsidiaries in 2014 without the prior approval of regulatory authorities. The liquidity achievable through such permitted dividend payments is considered adequate to cover the parent holding company's currently expected cash outflows represented mostly by interest and scheduled repayments on outstanding debt, quarterly cash dividend payments to shareholders, modest operating expenses, and the near-term capital needs of its operating company subsidiaries.

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

which, in turn could ultimately result in an event of default. If this were to occur, the outstanding principal of the Notes could become immediately due and payable.

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

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

At December 31, 2013, the Company had sufficient liquid resources available to redeem a substantial portion of the 3.75% Notes. Management continues to explore the Company's options to address possibly greater liquidity needs in the circumstance that an event of default was to occur at a future date. These potential plans include completion of the previously announced recapitalization of the Company's mortgage guaranty subsidiary, RMIC Companies, Inc., which would result in the deconsolidation of RMIC thus preventing an event of default. In connection with such a transaction, it is expected that Old Republic would contribute up to \$50.0 of this new capital. Other plans include an amendment to the 3.75% Notes, removing RMIC from the definition of a Significant Subsidiary, an additional capital raise through issuance of new straight or convertible debt, or the utilization of intra system dividend and financing capacity. While management is confident that an event of default can be stemmed, there is no assurance that its impact could be addressed through execution of these plans.

Capitalization - Old Republic's total capitalization of \$4,344.3 at December 31, 2013 consisted of debt of \$569.2 and common shareholders' equity of \$3,775.0. Changes in the common shareholders' equity account reflect primarily operating results for the period then ended and dividend payments.

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

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

Contractual Obligations - The following table shows certain information relating to the Company's contractual obligations as of December 31, 2013:

	Payments Due in the Following Years				
	Total	2014	2015 and 2016	2017 and 2018	2019 and After
Contractual Obligations:					
Debt	\$ 569.2	\$ 4.2	\$ 6.8	\$ 558.1	\$ —
Interest on Debt	94.4	21.2	42.0	31.1	—
Operating Leases	213.6	52.4	74.7	47.4	38.9
Pension Benefits Contributions (a)	54.2	26.0	23.7	4.5	—
Claim & Claim Expense Reserves (b)	9,433.5	2,080.6	2,127.4	851.7	4,373.7
Total	<u>\$ 10,365.2</u>	<u>\$ 2,184.6</u>	<u>\$ 2,274.8</u>	<u>\$ 1,493.0</u>	<u>\$ 4,412.6</u>

- (a) Represents estimated minimum funding of contributions for the Old Republic International Salaried Employees Retirement Plan. Funding of the plan is dependent on a number of factors including actual performance versus actuarial assumptions made at the time of the actuarial valuation, as well as, maintaining certain funding levels relative to regulatory requirements.
- (b) Amounts are reported gross of reinsurance. As discussed herein with respect to the nature of loss reserves and the estimating process utilized in their establishment, the Company's loss reserves do not have a contractual maturity date. Estimated gross loss payments are based primarily on historical claim payment patterns, are subject to change due to a wide variety of factors, do not reflect anticipated recoveries under the terms of reinsurance contracts, and cannot be predicted with certainty. Actual future loss payments may differ materially from the current estimates shown in the table above. The DPO reserved funds of \$551.5, payable at a future date as and when authorized by the NCDOL, have been classified in the 2019 and after column in the above table.

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 2013 consolidated title business revenues. Such premiums are generally recognized as income at the escrow closing date which approximates the policy effective date. Fee income related to escrow and other closing services is recognized when the related services have been performed and completed. The remaining 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, 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					% Change from prior period
	General	Title	RFIG Run-off	Other	Total	
Years Ended December 31:						
2011	\$ 2,109.4	\$ 1,362.4	\$ 503.2	\$ 74.9	\$ 4,050.1	13.3%
2012	2,324.4	1,677.4	410.5	58.6	4,471.0	10.4
2013	<u>\$ 2,513.7</u>	<u>\$ 1,996.1</u>	<u>\$ 316.5</u>	<u>\$ 59.3</u>	<u>\$ 4,885.6</u>	<u>9.3%</u>

Favorable premium trends in the General Insurance Group's workers' compensation, general liability, and several other general insurance coverages were mainly responsible for 2013's revenue growth. The Company's targeted insurance underwriting services in such fields as aviation, construction, energy, home warranty, trucking, and large account risk management provided the main impetus to this growth. Similar trends for workers' compensation and liability insurance lines within the construction, trucking, and large account risk management business were experienced in 2012. The combination of a generally improving rate environment for most coverages and the slowly strengthening pace of U.S. economic activity were major contributing factors in this regard.

Title Group premium and fee revenues grew by 19.0%, 23.1%, and 12.5% in 2013, 2012, and 2011, respectively, benefiting from the same favorable market and operating factors that have taken hold in recent times. Most importantly these include market share gains, steadily improving housing sales and related financing transactions, and a relatively low mortgage interest rate environment.

RFIG Run-off earned premiums reflected declines throughout 2013 and 2012 - the natural outcome of a book of business devoid of new premium production since at least 2011. Other adverse factors included the continuation of

elevated levels of premium refunds related to claim rescissions and the termination of certain mortgage guaranty pool insurance contracts in 2010. Moreover, mortgage guaranty new business volume prior to August, 2011 was weakened by a downturn in overall mortgage originations, lower industry-wide penetration of the nation's mortgage market, and the continuing effects of more selective underwriting guidelines in place since late 2007.

Consumer credit indemnity premiums included in the RFIG Run-off segment have declined steadily since this coverage was placed in run-off operating mode in 2008.

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

	General Insurance Earned Premiums by Type of Coverage					
	Workers' Compensation	Commercial Automobile (mostly trucking)	Financial Indemnity (a)	Inland Marine and Property	General Liability	Other
Years Ended December 31:						
2011	38.3%	33.6%	4.9%	7.8%	5.9%	9.5%
2012	39.7	33.0	4.2	7.6	6.2	9.3
2013	<u>39.6%</u>	<u>32.8%</u>	<u>3.8%</u>	<u>7.7%</u>	<u>6.3%</u>	<u>9.8%</u>

(a) As previously noted, consumer credit indemnity premiums have been reclassified to the RFIG Run-off segment and have therefore been excluded for all periods presented.

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

	Title Premium and Fee Production by Source	
	Direct Operations	Independent Title Agents & Other
Years Ended December 31:		
2011	32.6%	67.4%
2012	32.3	67.7
2013	<u>27.9%</u>	<u>72.1%</u>

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

	Earned Premiums		Persistency	
	Direct	Net	Traditional Primary	Bulk
Premium and Persistency Trends by Type:				
Years Ended December 31:				
2011	\$ 468.1	\$ 444.9	83.2%	85.3%
2012	387.3	368.0	80.7	85.3
2013	<u>\$ 296.6</u>	<u>\$ 286.7</u>	<u>79.1%</u>	<u>81.9%</u>

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 6.8% of total net risk in force as of year end 2013, are frequently subject to deductibles and aggregate stop losses which serve to limit the overall risk on a pool of insured loans. As the decline in the housing markets has accelerated and mortgage lending standards have tightened, rising defaults and the attendant increases in reserves and paid claims on higher risk loans have become more significant drivers of increased claim costs.

Net Risk in Force

Net Risk in Force By Type:	Traditional Primary	Bulk	Other	Total
As of December 31:				
2011	\$ 14,476.9	\$ 1,017.7	\$ 176.3	\$ 15,671.0
2012	11,911.1	850.7	89.8	12,851.6
2013	<u>\$ 9,579.6</u>	<u>\$ 704.8</u>	<u>\$ 48.5</u>	<u>\$ 10,333.0</u>

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
<u>Traditional Primary:</u>				
As of December 31:				
2011	6.2%	26.8%	65.7%	1.3%
2012	6.4	27.5	65.0	1.1
2013	<u>6.6%</u>	<u>28.1%</u>	<u>64.3%</u>	<u>1.0%</u>

<u>Bulk(a):</u>				
As of December 31:				
2011	24.0%	32.2%	43.7%	.1%
2012	24.0	32.5	43.3	.2
2013	<u>23.5%</u>	<u>33.0%</u>	<u>43.3%</u>	<u>.2%</u>

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
<u>Traditional Primary(b):</u>				
As of December 31:				
2011	5.1%	36.2%	32.9%	25.8%
2012	4.6	35.2	32.9	27.3
2013	<u>4.2%</u>	<u>34.5%</u>	<u>32.2%</u>	<u>29.1%</u>

<u>Bulk(a):</u>				
As of December 31:				
2011	57.1%	22.9%	9.8%	10.2%
2012	56.7	23.3	10.0	10.0
2013	<u>56.9%</u>	<u>23.4%</u>	<u>10.2%</u>	<u>9.5%</u>

(a) Bulk pool risk in-force, which represented 32.7% of total bulk risk in-force at December 31, 2013, has been allocated pro-rata based on insurance in-force.

(b) The LTV distribution reflects base LTV ratios which are determined prior to the impact of single premiums financed and paid at the time of loan origination.

Risk in Force Distribution By Top Ten States:

	Traditional Primary									
	TX	FL	GA	IL	CA	NC	PA	NJ	OH	VA
As of December 31:										
2011	8.8%	7.5%	5.2%	5.0%	5.0%	4.8%	4.3%	3.3%	3.3%	3.0%
2012	8.6	7.7	5.3	5.1	5.0	4.8	4.3	3.5	3.3	3.1
2013	<u>8.3%</u>	<u>7.5%</u>	<u>5.5%</u>	<u>5.2%</u>	<u>4.9%</u>	<u>4.8%</u>	<u>4.4%</u>	<u>3.8%</u>	<u>3.3%</u>	<u>3.2%</u>

	Bulk (a)									
	TX	FL	GA	IL	CA	CO	PA	NJ	OH	NY
As of December 31:										
2011	5.4%	9.9%	4.3%	4.0%	14.9%	3.0%	3.1%	3.5%	3.9%	6.5%
2012	5.3	9.9	4.3	4.0	13.9	3.0	3.3	3.7	4.0	7.1
2013	<u>5.4%</u>	<u>9.3%</u>	<u>4.4%</u>	<u>3.9%</u>	<u>14.1%</u>	<u>2.8%</u>	<u>3.4%</u>	<u>4.0%</u>	<u>3.8%</u>	<u>7.9%</u>

Risk in Force Distribution By Level of Documentation:

	Full Documentation	Reduced Documentation
<u>Traditional Primary:</u>		
As of December 31:		
2011	92.8%	7.2%
2012	92.8	7.2
2013	<u>92.9%</u>	<u>7.1%</u>

Bulk (a):

As of December 31:		
2011	58.4%	41.6%
2012	58.2	41.8
2013	<u>57.6%</u>	<u>42.4%</u>

Risk in Force Distribution By Loan Type:

	Fixed Rate & ARMs with Resets >=5 Years	ARMs with Resets <5 years
<u>Traditional Primary:</u>		
As of December 31:		
2011	97.0%	3.0%
2012	97.1	2.9
2013	<u>97.2%</u>	<u>2.8%</u>

Bulk (a):

As of December 31:		
2011	71.0%	29.0%
2012	72.6	27.4
2013	<u>74.3%</u>	<u>25.7%</u>

(a) Bulk pool risk in-force, which represented 32.7% of total bulk risk in-force at December 31, 2013, has been allocated pro-rata based on insurance in-force.

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

	Net CCI Earned Premiums	Risk in Force
Years Ended December 31:		
2011	\$ 58.3	\$ 1,263.1
2012	42.4	1,141.6
2013	<u>\$ 29.8</u>	<u>\$ 960.6</u>

Revenues: Net Investment Income

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

	Invested Assets at Adjusted Cost					Fair Value Adjust- ment	Invested Assets at Fair Value
	General	Title	RGIG Run-off	Corporate and Other	Total		
As of December 31:							
2012	\$ 6,742.7	\$ 785.7	\$ 1,766.3	\$ 450.1	\$ 9,744.9	\$ 863.8	\$ 10,608.8
2013	<u>\$ 7,280.1</u>	<u>\$ 876.5</u>	<u>\$ 1,681.3</u>	<u>\$ 422.5</u>	<u>\$ 10,260.6</u>	<u>\$ 607.8</u>	<u>\$ 10,868.5</u>

	Net Investment Income					Yield at	
	General	Title	RFIG Run-off	Corporate and Other	Total	Original Cost	Fair Value
Years Ended December 31:							
2011	\$ 270.5	\$ 27.3	\$ 59.3	\$ 7.4	\$ 364.6	3.71%	3.51%
2012	264.9	27.3	36.3	7.9	336.5	3.40	3.19
2013	<u>\$ 249.6</u>	<u>\$ 26.6</u>	<u>\$ 36.8</u>	<u>\$ 5.6</u>	<u>\$ 318.7</u>	<u>3.17%</u>	<u>2.97%</u>

Consolidated net investment income declined by 5.3%, 7.7%, and 3.8%, in 2013, 2012 and 2011, respectively. This revenue source is affected by changes in the invested asset base which are mainly driven by consolidated operating cash flows, by a concentration of investable assets in interest-bearing securities, and by changes in market rates of return. Yield trends reflect the relatively short maturity of Old Republic's fixed maturity securities portfolio as well as continuation of a relatively lower yield environment during the past several years.

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; in 2013, 2012, and 2011, 87.7%, 72.7% and 34.4%, respectively, of all such dispositions resulted from these occurrences. Dispositions of securities at a realized gain or loss reflect such factors as ongoing assessments of issuers' business prospects, rotation among industry sectors, changes in credit quality, and tax planning considerations. 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. The gains on equity securities generally reflect the recovery of value realized upon the subsequent sale of common stocks originally impaired in 2008. All sales proceeds were redirected to taxable bonds with higher investment yields and a diversified portfolio of equity securities, with concentrations within the utility and energy industries.

Years Ended	Realized Gains (Losses) on Disposition of Securities			Impairment Losses on Securities			Net realized gains (losses)
	Fixed maturity securities	Equity securities and miscel- laneous investments	Total	Fixed maturity securities	Equity securities and miscel- laneous investments	Total	
December 31:							
2011	\$ 142.6	\$ 23.1	\$ 165.8	\$ —	\$ (50.2)	\$ (50.2)	\$ 115.5
2012	32.7	15.3	48.1	—	(.2)	(.2)	47.8
2013	<u>1.7</u>	<u>146.3</u>	<u>148.1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>148.1</u>

Expenses: Benefits and Claims

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

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

December 31:	Claim and Loss Adjustment Expense Reserves			
	2013		2012	
	Gross	Net	Gross	Net
Workers' compensation	\$ 3,802.1	\$ 2,184.9	\$ 3,589.6	\$ 1,959.8
General liability	1,407.7	647.9	1,384.3	643.0
Commercial automobile (mostly trucking)	1,228.6	1,014.2	1,159.8	968.3
Other coverages	501.0	343.3	527.3	335.2
Unallocated loss adjustment expense reserves	195.6	143.7	175.6	142.4
Total general insurance reserves	7,135.2	4,334.1	6,836.8	4,048.9
Title	471.5	471.5	396.4	396.4
RFIG Run-off	1,806.8	1,774.2	2,051.0	1,994.8
Life and accident	19.8	16.8	18.9	15.9
Total claim and loss adjustment expense reserves	<u>\$ 9,433.5</u>	<u>\$ 6,596.8</u>	<u>\$ 9,303.3</u>	<u>\$ 6,456.2</u>
Asbestosis and environmental claim reserves included in the above general insurance reserves:				
Amount	<u>\$ 159.7</u>	<u>\$ 121.3</u>	<u>\$ 147.1</u>	<u>\$ 119.4</u>
% of total general insurance reserves	<u>2.2%</u>	<u>2.8%</u>	<u>2.2%</u>	<u>2.9%</u>

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

Overview of Loss Reserving Process

Most of Old Republic's consolidated claim and related expense reserves stem from its **general insurance** business. At December 31, 2013, such reserves accounted for 75.6% and 65.7% of consolidated gross and net of reinsurance reserves, respectively, while similar reserves at December 31, 2012 represented 73.5% and 62.7% of the respective consolidated amounts.

The Company's reserve setting process reflects the nature of its insurance business and the decentralized basis upon which it is conducted. Old Republic's **general insurance** operations encompass 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 statistical analysis of historical data. Reserve releases or additions 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%. The amount of discount reflected in the year end net reserves totaled \$241.4, \$230.8 and \$235.1 as of December 31, 2013, 2012, and 2011, respectively.

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 recently 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.

	2013	2012	2011
Estimated reduction in beginning reserve	\$ 174.9	\$ 313.2	\$ 710.3
Total incurred claims and settlement expenses reduced (increased) by changes in estimated rescissions:			
Current year	80.5	111.7	223.1
Prior year	71.9	12.2	(340.8)
Sub-total	152.5	124.0	(117.6)
Estimated rescission reduction in settled claims	(212.2)	(262.3)	(279.5)
Estimated reduction in ending reserve	<u>\$ 115.2</u>	<u>\$ 174.9</u>	<u>\$ 313.2</u>

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 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, contests 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.

There is currently a single instance in which the Company seeks to recover from an insured for previously paid claims. In its counterclaim in the pending arbitration with Countrywide, RMIC is seeking to rescind a June 2006 amendment to a mortgage insurance policy that it contends was fraudulently induced by Countrywide (Countrywide Fin'l Corp. v. Republic Mortg. Ins. Co., Case No. 72 195 Y 0011510 (AAA)). The Countrywide parties are Countrywide Financial Corporation, Countrywide Home Loans, Inc., Bank of America, N.A., in its own capacity and as successor by merger of BAC Home Loan Servicing L.P.). The amendment made coverage for a loan immediately incontestable for borrower misrepresentation. The Company seeks a declaration that the amendment is null and void and to recover the claim amounts totaling at least \$26.6 that it paid notwithstanding the existence of borrower misrepresentations that otherwise would have supported a rescission of coverage for those loans. The Company does not anticipate recoveries from

previously paid claims in its reserving process until such time as a recovery is deemed probable and the amount can be reasonably estimated.

Incurred Loss Experience

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

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

Years Ended December 31:	2013	2012	2011
Gross reserves at beginning of year	\$ 9,303.3	\$ 8,786.6	\$ 8,814.6
Less: reinsurance losses recoverable	2,847.0	2,908.1	2,945.3
Net reserves at beginning of year:			
General Insurance	4,048.9	3,874.9	3,888.0
Title Insurance	396.4	332.0	298.0
RFIG Run-off	1,994.8	1,654.0	1,663.1
Other	15.9	17.4	20.0
Sub-total	6,456.2	5,878.5	5,869.3
Incurred claims and claim adjustment expenses:			
Provisions for insured events of the current year:			
General Insurance	1,857.9	1,729.6	1,575.3
Title Insurance	137.2	120.9	105.7
RFIG Run-off (a)	487.5	762.2	887.1
Other	41.0	40.3	40.2
Sub-total	2,523.7	2,653.1	2,608.5
Change in provision for insured events of prior years:			
General Insurance	(23.7)	(51.5)	(130.9)
Title Insurance	(3.1)	—	—
RFIG Run-off (a)	(269.7)	148.2	254.8
Other	(2.5)	(1.5)	(1.2)
Sub-total	(299.1)	95.1	122.6
Total incurred claims and claim adjustment expenses (a)	2,224.5	2,748.2	2,731.1
Payments:			
Claims and claim adjustment expenses attributable to insured events of the current year:			
General Insurance	620.8	587.8	569.8
Title Insurance	6.0	3.0	7.9
RFIG Run-off (b)	39.4	46.6	100.5
Other	29.5	30.6	30.7
Sub-total	695.9	668.1	709.2
Claims and claim adjustment expenses attributable to insured events of prior years:			
General Insurance	928.2	916.1	887.6
Title Insurance	52.8	53.4	63.6
RFIG Run-off (b)	398.9	523.0	1,050.5
Other	8.0	9.6	10.7
Sub-total	1,388.0	1,502.3	2,012.6
Total payments (b)	2,083.9	2,170.5	2,721.9
Amount of reserves for unpaid claims and claim adjustment expenses at the end of each year, net of reinsurance losses recoverable: (c)			
General Insurance	4,334.1	4,048.9	3,874.9
Title Insurance	471.5	396.4	332.0
RFIG Run-off	1,774.2	1,994.8	1,654.0
Other	16.8	15.9	17.4
Sub-total	6,596.8	6,456.2	5,878.5
Reinsurance losses recoverable	2,836.7	2,847.0	2,908.1
Gross reserves at end of year	\$ 9,433.5	\$ 9,303.3	\$ 8,786.6

As noted elsewhere in this report, in 2012 Old Republic's CCI insurance coverage was combined with the MI business within the overall RFIG Run-off Business. Prior periods' segmented information for the General Insurance and RFIG Run-off Business segments has therefore been reclassified to provide necessary consistency in period-to-period operating comparisons.

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

	2013	2012	2011
Change in provision for incurred events of prior years:			
General Insurance	\$ (40.4)	\$ (19.8)	\$ (149.2)
RFIG Run-off (a)	(253.0)	116.5	273.2
Payment of claim and claim adjustment expenses attributable to incurred events of the current and prior years:			
General Insurance	1,597.5	1,577.9	1,551.1
RFIG Run-off (b)	<u>\$ 389.8</u>	<u>\$ 495.7</u>	<u>\$ 1,057.4</u>

- (a) 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, 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 an estimated \$80.5, \$111.7 and \$223.1, respectively, for 2013, 2012 and 2011. The provision for insured events of prior years in 2013, 2012 and 2011 was reduced (increased) by an estimated \$71.9, \$12.2 and \$(340.8), respectively. These changes were offset to varying degrees by differences between actual claim settlements relative to expected experience and by subsequent revisions of assumptions in regards to claim frequency, severity or levels of associated claim settlement costs which result from consideration of underlying trends and expectations.

The following table reflects the changes in net reserves between succeeding balance sheet dates.

	2013	2012	2011
Net reserve increase(decrease):			
General Insurance	\$ 285.1	\$ 174.0	\$ (13.1)
Title Insurance	75.1	64.3	34.0
RFIG Run-off	(220.6)	340.7	(9.0)
Other	.9	(1.5)	(2.6)
Total	<u>\$ 140.6</u>	<u>\$ 577.6</u>	<u>\$ 9.2</u>

- (b) Rescissions reduced the Company's settled losses by an estimated \$212.2, \$262.3, and \$279.5 for 2013, 2012, and 2011, respectively. 2013 and 2012 RFIG Run-off Business claim and claim adjustment expense payments reflect the retention of the DPO within claim reserves which amounted to \$551.5 and \$299.5 as of the respective year-ends.

- (c) Year end net IBNR reserves for each segment were as follows:

	2013	2012	2011
General Insurance	\$ 2,118.4	\$ 1,947.0	\$ 1,878.2
Title Insurance	407.1	336.9	262.5
RFIG Run-off	121.3	147.5	94.8
Other	4.0	4.6	4.6
Total	<u>\$ 2,651.0</u>	<u>\$ 2,436.1</u>	<u>\$ 2,240.4</u>

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

Years Ended December 31:	2013	2012	2011
General	73.6%	73.0%	69.2%
Title	6.7	7.2	7.8
RFIG Run-off	68.8	221.8	230.5
Consolidated benefits and claim ratio	<u>45.8%</u>	<u>61.9%</u>	<u>68.3%</u>
Reconciliation of consolidated ratio:			
Provision for insured events of the current year	51.9%	59.8%	65.3%
Change in provision for insured events of prior years:			
net (favorable) unfavorable development	(6.1)	2.1	3.0
Consolidated benefits and claim ratio	<u>45.8%</u>	<u>61.9%</u>	<u>68.3%</u>

The consolidated benefits and claim ratio reflects the changing effects of period-to-period contributions of each segment to consolidated results, and this ratio's variances within each segment. For the three most recent calendar years, the above table indicates that the one-year development of consolidated reserves at the beginning of each year produced favorable development in 2013 and unfavorable developments in 2012 and 2011 which on average decreased the consolidated loss ratio by .3%.

The percentage of net claims, benefits and related settlement expenses measured against premiums earned by major types of **general insurance** coverage were as follows after taking into account the 2012 reclassification of the CCI coverage to the RFIG Run-off segment:

Years Ended	General Insurance Claim Ratios by Type of Coverage						
	All Coverages (a)	Commercial Automobile (mostly trucking)	Workers' Compensation	Financial Indemnity (a)	Inland Marine and Property	General Liability	Other
December 31:							
2011	69.2%	71.9%	72.3%	39.2%	70.4%	64.6%	62.8%
2012	73.0	75.3	78.6	29.6	71.6	63.8	65.6
2013	<u>73.6%</u>	<u>76.1%</u>	<u>79.6%</u>	<u>21.4%</u>	<u>59.6%</u>	<u>78.5%</u>	<u>67.8%</u>

(a) The consumer credit indemnity coverage is now reported within the RFIG Run-off segment and has been excluded for all periods presented. Prior to reclassifying such coverage, the above claim ratios would be as follows:

Years Ended December 31:	All Coverages	Financial Indemnity
2011	72.1%	88.4%
2012	76.4	101.4
2013	<u>74.5%</u>	<u>51.7%</u>

The overall general insurance claims ratio shows reasonably consistent trends for the past three years. To a large extent, this major cost factor reflects pricing and risk selection improvements that have been applied since 2001, together with elements of reduced loss severity and frequency. Claims ratios in 2012 were affected by higher loss costs for the aggregate commercial automobile (trucking), general liability, and workers' compensation coverages. 2013 ratios remained at relatively high levels as workers' compensation and general liability loss costs continued to reflect greater-than-expected severity.

During the three most recent calendar years, the **general insurance** group experienced favorable development of prior year loss reserves primarily due to the commercial automobile, general aviation, and the E&O/D&O (financial indemnity) lines of business; these were partially offset by unfavorable development in workers' compensation coverages and by ongoing development of asbestos and environmental ("A&E") claim reserves.

Unfavorable developments, although not material in 2013, 2012 or 2011, 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, typically 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 5.5 years (gross) and 7.8 years (net of reinsurance) as of December 31, 2013 and 4.7 years (gross) and 7.6 years (net of reinsurance) as of December 31, 2012. The survival ratios are presented on a pro forma basis (unaudited) as if PMA had been consolidated with ORI for all periods presented. 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 .3% of **general insurance** group net incurred losses for the five years ended December 31, 2013.

A summary of reserve activity, including estimates for IBNR, relating to A&E claims at December 31, 2013 and 2012 is as follows:

December 31:	2013		2012	
	Gross	Net	Gross	Net
<i>Asbestos:</i>				
Reserves at beginning of year	\$ 116.7	\$ 97.8	\$ 129.0	\$ 106.4
Loss and loss expenses incurred	28.2	12.2	10.1	4.8
Claims and claim adjustment expenses paid	18.2	11.4	22.4	13.4
Reserves at end of year	126.6	98.7	116.7	97.8
<i>Environmental:</i>				
Reserves at beginning of year	30.4	21.5	53.0	31.4
Loss and loss expenses incurred	4.7	2.7	(8.5)	(5.3)
Claims and claim adjustment expenses paid	2.1	1.6	14.1	4.5
Reserves at end of year	33.0	22.6	30.4	21.5
Total asbestos and environmental reserves	\$ 159.7	\$ 121.3	\$ 147.1	\$ 119.4

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. Claim ratios in the most recent three years have trended lower towards more historical levels as the economic downturn and stresses in the housing and related mortgage lending industries, that began in mid-year 2007, continue to slowly subside.

The **RFIG Run-off mortgage guaranty** claim ratios for the years presented were affected mostly by varying mortgage guaranty claim payment trends and reserve provisions as well as captive and pool transactions. Claim costs for 2013 were lower year-over-year for the reasons already stated. 2012 and prior years' reserve provisions have been impacted by the levels of reported delinquencies emanating from the downturn in the national economy, widespread stress in housing and mortgage finance markets, and high unemployment. Trends in expected and actual claim frequency and severity have been affected to varying degrees by several factors including, but not limited to, significant declines in home prices which limit a troubled borrower's ability to sell the mortgaged property in an amount sufficient to satisfy the remaining debt obligation, more restrictive mortgage lending standards which limit a borrower's ability to refinance the loan, increases in housing supply relative to recent demand, historically high levels of coverage rescissions and claims denials as a result of material misrepresentation in key underwriting information or non-compliance with prescribed underwriting guidelines, and changes in claim settlement costs. The latter costs are influenced by the amount of unpaid principal outstanding on delinquent loans as well as the rising expenses of settling claims due to higher investigation costs, legal fees, and accumulated interest expenses.

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

Years Ended December 31:	Average Settled Claim Amount (a)		Reported Delinquency Ratio at End of Period		Claims Rescissions and Denials
	Traditional Primary	Bulk	Traditional Primary	Bulk	
2011	\$ 48,254	\$ 54,956	14.89%	21.90%	\$ 279.5
2012	46,376	53,221	14.70	21.57	262.3
2013	\$ 44,678	\$ 46,395	13.09%	18.73%	\$ 212.2

(a) Amounts are in whole dollars.

As of December 31:	Traditional Primary Delinquency Ratios for Top Ten States (b):									
	TX	FL	GA	IL	CA	NC	PA	OH	NJ	VA
2011	8.4%	32.2%	15.4%	20.6%	17.1%	12.2%	12.1%	15.4%	23.5%	11.5%
2012	7.9	31.6	13.7	20.8	14.1	11.2	13.9	15.6	26.6	10.8
2013	8.0%	25.9%	11.2%	16.6%	9.6%	10.3%	14.1%	14.3%	26.3%	9.2%

As of December 31:	Bulk Delinquency Ratios for Top Ten States (b):									
	TX	FL	GA	IL	CA	CO	PA	OH	NJ	NY
2011	14.1%	34.0%	19.5%	26.3%	21.8%	13.4%	20.1%	19.1%	28.2%	23.0%
2012	13.7	34.2	17.9	27.2	17.6	12.6	21.4	19.5	32.5	25.5
2013	12.6%	28.8%	14.2%	21.4%	13.2%	10.7%	19.9%	16.8%	31.1%	23.8%

	Total Delinquency Ratios for Top Ten States (includes "other" business) (b):									
	TX	FL	GA	IL	CA	NC	PA	OH	NJ	NY
As of December 31:										
2011	8.8%	31.6%	15.4%	20.5%	18.1%	11.7%	12.7%	15.7%	24.0%	19.0%
2012	8.4	31.3	13.8	21.3	15.2	11.1	14.5	16.0	27.4	23.0
2013	<u>8.4%</u>	<u>26.4%</u>	<u>11.5%</u>	<u>17.0%</u>	<u>10.7%</u>	<u>10.8%</u>	<u>14.6%</u>	<u>14.6%</u>	<u>27.1%</u>	<u>22.8%</u>

(b) As determined by risk in force as of December 31, 2013, these 10 states represent approximately 50.8%, 59.0%, and 51.1%, of traditional primary, bulk, and total risk in force, respectively.

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

Years Ended	CCI Claim Costs				Reported Delinquency Ratio at End of Period	Claim Rescissions and Denials
	Paid		Incurred			
	Amount	Ratio (a)	Amount	Ratio (a)		
December 31:						
2011	\$ 111.8	191.7%	\$ 102.9	176.5%	4.4%	\$ 166.1
2012	73.8	173.9	112.8	265.7	3.9	98.1
2013	<u>\$ 48.5</u>	<u>162.9%</u>	<u>\$ 44.5</u>	<u>149.4%</u>	<u>2.6%</u>	<u>\$ 54.4</u>

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

Volatility of Reserve Estimates and Sensitivity

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

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

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

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

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

Loss reserve uncertainty is illustrated by the variability in loss reserve development presented in the schedule which appears under Item 1 of this Annual Report. That schedule shows the cumulative loss reserve development for each of the past ten years through December 31, 2013 for the **general insurance** business which currently represents 66.7% of Old Republic's total loss and loss adjustment expense reserves, net of reinsurance reserves. Through December 31, 2013, ending claim reserves for the past ten year-ends have developed favorably, as a percentage of the original estimates, within a range of 1.0% in 2012 to 14.7% in 2005. For the aggregate of ten year-ends, the net development has averaged 7.2% favorable.

On a consolidated basis, which includes all coverages provided by the Company, the one year development on prior year loss reserves over the same ten year period has ranged from (6.1)% unfavorable in 2010 to 12.0% favorable in 2005 and averaged 2.3% favorable for the ten years. Although management does not have a practical business reason for making projections of likely outcomes of future loss developments, its analysis and evaluation of Old Republic's existing business mix, current aggregate loss reserve levels, and loss development patterns suggests a reasonable likelihood that 2013 year-end loss reserves could ultimately develop within a range of +/- 5%. The most significant factors impacting the potential reserve development for each of the Company's insurance segments is discussed above. While Old Republic has generally experienced favorable loss developments for the latest ten year period on an overall basis, the current analysis of loss development factors and economic conditions influencing the Company's insurance coverages indicates a gradual downward trend in favorable development during the most recent three years, with respect to general insurance. In management's opinion, the other segments' loss reserve development patterns (most notably those associated with mortgage insurance) show greater variability due to changes in economic conditions which cannot be reasonably anticipated. Consequently, management believes that using a 5% potential range of reserve development provides a reasonable benchmark for a sensitivity analysis of the Company's consolidated reserves as of December 31, 2013.

Reinsurance Programs

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

Subsidiaries within the **general insurance** segment have generally obtained reinsurance coverage from independent insurance or reinsurance companies pursuant to excess of loss agreements. Under excess of loss reinsurance agreements the Company is generally reimbursed for claim costs exceeding contractually agreed-upon levels. During the three year period ended December 31, 2013, the Company's net retentions have risen gradually within the general insurance segment; however, such changes have not had a material impact on the Company's consolidated financial statements.

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

Generally, the **RFIG Run-off mortgage guaranty** insurance risk has historically been reinsured through excess of loss contracts with insurers owned by or affiliated with lending institutions and financial and other intermediaries whose customers are insured by Old Republic's mortgage insurance subsidiaries. Effective December 31, 2008, the Company discontinued excess of loss reinsurance cessions to lenders' captive insurance companies for all new production originated subsequent to the effective date. During 2010, RFIG recaptured business previously ceded to several captives. In substance, the transactions are cut-off reinsurance commutation arrangements whereby the captives have remitted to the Company the reserves on existing claim obligations and a risk premium for claims that will occur after the recapture date.

The Company does not anticipate any significant changes in its reinsurance programs during 2014.

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:

Years Ended December 31:	General	Title	RFIG Run-off	Consolidated
2011	25.2%	91.2%	22.1%	47.5%
2012	25.7	89.6	10.4	48.5
2013	<u>23.7%</u>	<u>88.0%</u>	<u>8.1%</u>	<u>49.2%</u>

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. The general insurance expense ratio for 2012 was impacted by a charge related to previously deferred acquisition costs stemming from new accounting guidance issued by the FASB as already discussed in the Executive Summary. The 2011 RFIG Run-off expense ratio reflects an accrual of employment severance and similar costs, and the elimination of previously deferred acquisition costs. The lower 2012 and 2013 operating expense ratios reflect ongoing cost control geared to a run-off operation.

Expenses: Total

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

	General	Title	RFIG Run-off	Consolidated
Years Ended December 31:				
2011	94.4%	99.0%	252.6%	115.8%
2012	98.7	96.8	232.2	110.4
2013	<u>97.3%</u>	<u>94.7%</u>	<u>76.9%</u>	<u>95.0%</u>

Expenses: Income Taxes

The effective consolidated income tax rates (credits) were 33.4% in 2013, (46.6)% in 2012 and (40.6)% in 2011. The rates for each year reflect primarily the varying proportions of pretax operating income (loss) derived from partially tax sheltered investment income (principally state and municipal tax-exempt interest), 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. As of December 31, 2013, 2012, and 2011, a valuation allowance was established for certain net operating loss and tax credit carryforwards which the Company does not expect to realize.

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. RFIG Run-off and Title Insurance 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. RFIG Run-off results, in particular, may also be affected by various mortgage guaranty risk-sharing arrangements with business producers, as well as the risk management and pricing policies of government sponsored enterprises. 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 this Annual Report to the Securities and Exchange Commission, which Item is specifically incorporated herein by reference.

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

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

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

The Company does not own or utilize derivative financial instruments for the purpose of hedging, enhancing the overall return of its investment portfolio, or reducing the cost of its debt obligations. With regard to its equity portfolio, the Company does not own any options nor does it engage in any type of option writing. Traditional investment management tools and techniques are employed to address the yield and valuation exposures of the invested assets base. The long-term fixed maturity investment portfolio is managed so as to limit various risks inherent in the bond market. Credit risk is addressed through asset diversification and the purchase of investment grade securities. Reinvestment rate risk is reduced by concentrating on non-callable issues, and by taking asset-liability matching considerations into account. Purchases of mortgage and asset backed securities, which have variable principal prepayment options, are generally avoided. Market value risk is limited through the purchase of bonds of intermediate maturity. The combination of these investment management practices is expected to produce a more stable long-term fixed maturity investment portfolio that is not subject to extreme interest rate sensitivity and principal deterioration.

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

The following table illustrates the hypothetical effect on the fixed income and equity investment portfolios resulting from movements in interest rates and fluctuations in the equity securities markets, using the S&P 500 index as a proxy, at December 31, 2013:

	Estimated Fair Value	Hypothetical Change in Interest Rates or S&P 500	Estimated Fair Value After Hypothetical Change in Interest Rates or S&P 500
Interest Rate Risk:			
Fixed Maturities	\$ 8,712.3	100 basis point rate increase	\$ 8,345.5
		200 basis point rate increase	7,978.7
		100 basis point rate decrease	9,079.1
		200 basis point rate decrease	\$ 9,445.9
Equity Price Risk:			
Equity Securities	\$ 1,004.2	10% increase in the S&P 500	\$ 1,093.6
		20% increase in the S&P 500	1,182.9
		10% decline in the S&P 500	914.8
		20% decline in the S&P 500	\$ 825.5

Item 8 - Financial Statements and Supplementary Data

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

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

	December 31,	
	2013	2012
Assets		
Investments:		
Available for sale:		
Fixed maturity securities (at fair value) (amortized cost: \$8,477.3 and \$7,993.1)	\$ 8,712.3	\$ 8,566.2
Equity securities (at fair value) (adjusted cost: \$632.0 and \$452.1)	1,004.2	739.7
Short-term investments (at fair value which approximates cost)	1,124.8	1,264.9
Miscellaneous investments	21.6	29.6
Total	10,863.1	10,600.5
Other investments	5.3	8.2
Total investments	10,868.5	10,608.8
Other Assets:		
Cash	153.3	101.2
Securities and indebtedness of related parties	18.0	12.7
Accrued investment income	87.2	90.4
Accounts and notes receivable	1,190.5	1,134.7
Federal income tax recoverable: Current	114.7	71.9
Deferred	48.4	148.1
Reinsurance balances and funds held	189.2	201.6
Reinsurance recoverable: Paid losses	64.9	103.7
Policy and claim reserves	3,150.8	3,133.3
Deferred policy acquisition costs	192.6	165.5
Sundry assets	455.7	454.2
Total Other Assets	5,665.9	5,618.0
Total Assets	\$ 16,534.4	\$ 16,226.8
Liabilities, Preferred Stock, and Common Shareholders' Equity		
Liabilities:		
Losses, claims, and settlement expenses	\$ 9,433.5	\$ 9,303.3
Unearned premiums	1,487.8	1,364.4
Other policyholders' benefits and funds	207.8	201.8
Total policy liabilities and accruals	11,129.2	10,869.6
Commissions, expenses, fees, and taxes	409.8	511.1
Reinsurance balances and funds	441.9	437.9
Debt	569.2	572.9
Sundry liabilities	209.0	238.8
Commitments and contingent liabilities		
Total Liabilities	12,759.4	12,630.6
Preferred Stock (1)	—	—
Common Shareholders' Equity:		
Common stock (1)	260.4	259.4
Additional paid-in capital	673.9	660.9
Retained earnings	2,485.3	2,222.3
Accumulated other comprehensive income (loss)	378.2	481.7
Unallocated ESSOP shares (at cost)	(23.0)	(28.2)
Total Common Shareholders' Equity	3,775.0	3,596.2
Total Liabilities, Preferred Stock and Common Shareholders' Equity	\$ 16,534.4	\$ 16,226.8

(1) At December 31, 2013 and 2012, there were 75,000,000 shares of \$0.01 par value preferred stock authorized, of which no shares were outstanding. As of the same dates, there were 500,000,000 shares of common stock, \$1.00 par value, authorized, of which 260,462,217 and 259,490,089 were issued as of December 31, 2013 and 2012, respectively. At December 31, 2013 and 2012, there were 100,000,000 shares of Class B Common Stock, \$1.00 par value, authorized, of which no shares were issued.

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31,		
	2013	2012	2011
Revenues:			
Net premiums earned	\$ 4,456.6	\$ 4,043.8	\$ 3,695.5
Title, escrow, and other fees	429.0	427.1	354.5
Total premiums and fees	4,885.6	4,471.0	4,050.1
Net investment income	318.7	336.5	364.6
Other income	90.1	114.5	115.2
Total operating revenues	5,294.5	4,922.2	4,529.9
Realized investment gains (losses):			
From sales	148.1	48.1	165.8
From impairments	—	(.2)	(50.2)
Total realized investment gains (losses)	148.1	47.8	115.5
Total revenues	5,442.7	4,970.1	4,645.5
Benefits, Claims and Expenses:			
Benefits, claims and settlement expenses	2,223.0	2,747.4	2,748.7
Dividends to policyholders	15.2	17.9	15.6
Underwriting, acquisition, and other expenses	2,509.7	2,297.1	2,054.3
Interest and other charges	21.6	36.2	63.4
Total expenses	4,769.7	5,098.7	4,882.2
Income (loss) before income taxes (credits)	672.9	(128.5)	(236.7)
Income Taxes (Credits):			
Current	79.0	2.4	(36.7)
Deferred	146.0	(62.3)	(59.4)
Total	225.0	(59.8)	(96.1)
Net Income (Loss)	\$ 447.8	\$ (68.6)	\$ (140.5)
Net Income (Loss) Per Share:			
Basic	\$ 1.74	\$ (.27)	\$ (.55)
Diluted	\$ 1.57	\$ (.27)	\$ (.55)
Average shares outstanding: Basic	257,443,999	255,812,888	255,045,210
Diluted	293,684,035	255,812,888	255,045,210
Dividends Per Common Share:			
Cash	\$.72	\$.71	\$.70

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31,		
	2013	2012	2011
Net Income (Loss) As Reported	\$ 447.8	\$ (68.6)	\$ (140.5)
Other comprehensive income (loss):			
Unrealized gains (losses) on securities:			
Unrealized gains (losses) on securities before reclassifications	(107.0)	161.3	126.6
Amounts reclassified as realized investment gains from sales in the statements of income	(148.1)	(47.8)	(115.5)
Pretax unrealized gains (losses) on securities	(255.2)	113.4	11.1
Deferred income taxes (credits)	(89.0)	39.5	3.5
Net unrealized gains (losses) on securities, net of tax	(166.2)	73.8	7.5
Defined benefit pension plans:			
Net pension adjustment before reclassifications	104.7	(29.9)	(61.8)
Amounts reclassified as underwriting, acquisition, and other expenses in the statements of income	7.0	10.4	5.9
Net adjustment related to defined benefit pension plans	111.7	(19.4)	(55.8)
Deferred income taxes (credits)	39.1	(6.8)	(19.5)
Net adjustment related to defined benefit pension plans, net of tax	72.6	(12.6)	(36.2)
Foreign currency translation and other adjustments	(9.9)	4.4	(14.3)
Net adjustments	(103.5)	65.6	(43.0)
Comprehensive Income (Loss)	\$ 344.3	\$ (3.0)	\$ (183.5)

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31,		
	2013	2012	2011
Convertible Preferred Stock:			
Balance, beginning and end of year	\$ —	\$ —	\$ —
Common Stock:			
Balance, beginning of year	\$ 259.4	\$ 259.3	\$ 259.2
Dividend reinvestment plan	—	—	—
Net issuance of shares under stock based compensation plans	.9	—	—
Conversion of senior debentures	—	—	—
Balance, end of year	<u>\$ 260.4</u>	<u>\$ 259.4</u>	<u>\$ 259.3</u>
Additional Paid-in Capital:			
Balance, beginning of year	\$ 660.9	\$ 657.9	\$ 649.6
Dividend reinvestment plan	.8	.8	.8
Net issuance of shares under stock based compensation plans	9.5	(.6)	—
Conversion of senior debentures	—	—	—
Stock based compensation	—	2.5	3.4
ESSOP shares released	2.6	.3	1.0
Acquisition of non-controlling interest	—	—	2.7
Balance, end of year	<u>\$ 673.9</u>	<u>\$ 660.9</u>	<u>\$ 657.9</u>
Retained Earnings:			
Balance, beginning of year	\$ 2,222.3	\$ 2,472.4	\$ 2,791.4
Net income (loss)	447.8	(68.6)	(140.5)
Dividends on common stock: cash	(184.8)	(181.5)	(178.4)
Balance, end of year	<u>\$ 2,485.3</u>	<u>\$ 2,222.3</u>	<u>\$ 2,472.4</u>
Accumulated Other Comprehensive Income (Loss):			
Balance, beginning of year	\$ 481.7	\$ 416.0	\$ 459.1
Net unrealized gains (losses) on securities, net of tax	(166.2)	73.8	7.5
Net adjustment related to defined benefit pension plans, net of tax	72.6	(12.6)	(36.2)
Foreign currency translation and other adjustments	(9.9)	4.4	(14.3)
Balance, end of year	<u>\$ 378.2</u>	<u>\$ 481.7</u>	<u>\$ 416.0</u>
Unallocated ESSOP Shares:			
Balance, beginning of year	\$ (28.2)	\$ (33.2)	\$ (38.0)
ESSOP shares released	5.2	5.0	4.8
Balance, end of year	<u>\$ (23.0)</u>	<u>\$ (28.2)</u>	<u>\$ (33.2)</u>

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31,		
	2013	2012	2011
Cash flows from operating activities:			
Net income (loss)	\$ 447.8	\$ (68.6)	\$ (140.5)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Deferred policy acquisition costs	(27.9)	32.5	32.7
Premiums and other receivables	(55.9)	(105.6)	(16.1)
Unpaid claims and related items	141.2	578.2	9.3
Unearned premiums and other policyholders' liabilities	102.9	52.7	23.1
Income taxes	103.7	(60.7)	(88.5)
Prepaid federal income taxes	—	1.0	101.9
Reinsurance balances and funds	55.5	51.7	(12.4)
Realized investment (gains) losses	(148.1)	(47.8)	(115.5)
Accounts payable, accrued expenses and other	67.3	98.6	111.2
Total	686.7	532.0	(94.9)
Cash flows from investing activities:			
Fixed maturity securities:			
Maturities and early calls	1,387.4	1,080.3	926.8
Sales	194.8	406.1	1,769.5
Sales of:			
Equity securities	172.5	71.1	86.6
Other - net	29.3	28.3	31.2
Sale of a business	—	5.8	—
Purchases of:			
Fixed maturity securities	(2,120.8)	(1,598.3)	(2,409.6)
Equity securities	(209.5)	(169.8)	(65.0)
Other - net	(44.6)	(37.8)	(50.8)
Purchase of a business	(5.1)	—	—
Net decrease (increase) in short-term investments	139.1	211.5	(476.0)
Other - net	(.4)	(1.0)	—
Total	(457.6)	(3.7)	(187.1)
Cash flows from financing activities:			
Issuance of debentures and notes	—	—	537.0
Issuance of common shares	11.8	1.0	1.2
Redemption of debentures and notes	(3.6)	(339.8)	(112.1)
Dividends on common shares	(184.8)	(181.5)	(178.4)
Other - net	(.3)	.2	.1
Total	(176.9)	(520.0)	247.8
Increase (decrease) in cash:	52.0	8.1	(34.2)
Cash, beginning of year	101.2	93.0	127.3
Cash, end of year	<u>\$ 153.3</u>	<u>\$ 101.2</u>	<u>\$ 93.0</u>
Supplemental cash flow information:			
Cash paid (received) during the period for: Interest	<u>\$ 21.3</u>	<u>\$ 35.0</u>	<u>\$ 42.0</u>
Income taxes	<u>\$ 122.3</u>	<u>\$ 1.6</u>	<u>\$ (6.9)</u>

See accompanying Notes to Consolidated Financial Statements.

Old Republic International Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(\$ in Millions, Except as Otherwise Indicated)

Old Republic International Corporation is a Chicago-based insurance holding company with subsidiaries engaged mainly in the general (property and liability), title, and mortgage guaranty ("MI") and consumer credit indemnity ("CCI") run-off businesses. These insurance subsidiaries are organized as the Old Republic General Insurance, Title Insurance and RFIG Run-off Business Groups, and references herein to such groups apply to the Company's subsidiaries engaged in the respective segments of business. As more fully disclosed in Note 1(s), RFIG's flagship mortgage guaranty insurance carrier, Republic Mortgage Insurance Company ("RMIC") and its affiliate Republic Mortgage Insurance Company of North Carolina ("RMICNC") have been operating in run-off pursuant to Summary Orders received from the North Carolina Department of Insurance ("NCDOL") which placed these companies under its supervision in 2012. As discussed in Note 6, the Company combined its General Insurance Group's CCI division with its MI line (RMIC Companies, Inc. or "RMICC") within a business denoted as the Republic Financial Indemnity Group, Inc. ("RFIG") run-off segment. The combination affects the manner in which segmented results are presented. The operating results of the combined coverages are therefore shown as a single run-off book of business within ORI's consolidated operations. A small life and accident insurance business is included in the corporate and other caption of this report. In this report, "Old Republic", or "the Company" refers to Old Republic International Corporation and its subsidiaries as the context requires.

Note 1 - Summary of Significant Accounting Policies - The significant accounting policies employed by Old Republic International Corporation and its subsidiaries are set forth in the following summary.

(a) Accounting Principles - The Company's insurance subsidiaries are managed pursuant to the laws and regulations of the various states in which they operate. As a result, the subsidiaries operate their business in the context of such laws and regulation, and maintain their accounts in conformity with accounting practices prescribed or permitted by various states' insurance regulatory authorities. Federal income taxes and dividends to shareholders are based on financial statements and reports complying with such practices. The statutory accounting requirements vary from the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") of accounting principles generally accepted in the United States of America ("GAAP") in the following major respects: (1) the costs of selling insurance policies are charged to operations immediately, while the related premiums are taken into income over the terms of the policies; (2) investments in fixed maturity securities designated as available for sale are generally carried at amortized cost rather than their estimated fair value; (3) certain assets classified as "non-admitted assets" are excluded from the balance sheet through a direct charge to earned surplus; (4) changes in allowed deferred income tax assets or liabilities are recorded directly in earned surplus and not through the income statement; (5) mortgage guaranty contingency reserves intended to provide for future catastrophic losses are established as a liability through a charge to earned surplus whereas, GAAP does not allow provisions for future catastrophic losses; (6) title insurance premium reserves, which are intended to cover losses that will be reported at a future date are based on statutory formulas, and changes therein are charged in the income statement against each year's premiums written; (7) certain required formula-derived reserves for general insurance in particular are established for claim reserves in excess of amounts considered adequate by the Company as well as for credits taken relative to reinsurance placed with other insurance companies not licensed in the respective states, all of which are charged directly against earned surplus; (8) surplus notes are classified as equity; and (9) mortgage guaranty deferred payment obligations ("DPO") retained are claim reserves classified as an admissible asset and as a component of policyholder surplus pursuant to a permitted practice of the NCDOL. In consolidating the statutory financial statements of its insurance subsidiaries, the Company has therefore made necessary adjustments to conform their accounts with GAAP. The following table reflects a summary of all such adjustments:

	Shareholders' Equity		Net Income (Loss)		
	December 31,		Years Ended December 31,		
	2013	2012	2013	2012	2011
Statutory totals of insurance company subsidiaries (a):					
General	\$ 3,127.9	\$ 2,905.9	\$ 314.4	\$ 225.5	\$ 292.5
Title	428.6	358.1	88.7	70.3	46.7
RFIG Run-off	456.5	149.2	125.2	(285.0)	(422.6)
Life & Accident	67.0	71.9	3.6	3.0	4.8
Sub-total	4,080.0	3,485.1	531.9	13.8	(78.6)
GAAP totals of non-insurance company subsidiaries and consolidation adjustments	29.4	(111.6)	23.2	(64.2)	(38.7)
Unadjusted totals	4,109.7	3,374.0	555.1	(50.4)	(117.4)
Adjustments to conform to GAAP statements:					
Deferred policy acquisition costs	159.1	161.7	.9	(33.3)	(30.6)
Fair value of fixed maturity securities	220.9	552.7	—	—	—
Non-admitted assets	73.3	78.2	—	—	—
Deferred income taxes	(49.8)	(113.9)	(79.5)	35.7	73.4
Mortgage contingency and DPO reserves	(479.0)	(296.9)	—	—	—
Title unearned premiums	432.6	390.4	42.1	30.0	14.6
Loss reserves	(432.7)	(360.7)	(71.8)	(70.4)	(49.6)
Surplus notes	(277.5)	(202.5)	—	—	—
Sundry adjustments	17.9	13.0	.9	19.4	(30.9)
Total adjustments	(334.8)	222.3	(107.3)	(18.2)	(23.1)
Consolidated GAAP totals	\$ 3,775.0	\$ 3,596.2	\$ 447.8	\$ (68.6)	\$ (140.5)

- (a) The insurance laws of the respective states in which the Company's insurance subsidiaries are incorporated prescribe minimum capital and surplus requirements for the lines of business they are licensed to write. For domestic property and casualty and life and accident insurance companies the National Association of Insurance Commissioners also prescribes risk-based capital ("RBC") requirements. The RBC is a measure of statutory capital in relationship to a formula-driven definition of risk relative to a company's balance sheet and mix of business. The combined RBC ratio of our primary General insurance subsidiaries was 695% and 680% of the company action level RBC at December 31, 2013 and 2012, respectively. The minimum capital requirements for the Company's Title Insurance subsidiaries are established by statute in the respective states of domicile. The minimum regulatory capital requirements are not significant in relationship to the recorded statutory capital of the Company's Title and Life & Accident insurance subsidiaries. At December 31, 2013 and 2012 each of the Company's General, Title, and Life and Accident insurance subsidiaries exceeded the minimum statutory capital and surplus requirements. Refer to Note 1(s) - Regulatory Matters for a discussion regarding the RFIG Run-off group.

The preparation of financial statements in conformity with either statutory practices or GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

(b) Consolidation Practices - The consolidated financial statements include the accounts of the Company and those of all of its majority owned insurance underwriting and service subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Statement Presentation - 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.

In 2013, Old Republic adopted guidance requiring additional disclosures of amounts reclassified out of accumulated other comprehensive income. Such requirements are reflected in the presentation of the Consolidated Statements of Comprehensive Income.

(d) 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 December 31, 2013 and 2012, substantially all the Company's invested assets were classified as "available for sale."

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

The Company reviews the status and fair value changes of each of its investments on at least a quarterly basis during the year, and estimates of other-than-temporary impairments ("OTTI") in the portfolio's value are evaluated and established at each quarterly balance sheet date. In reviewing investments for OTTI, the Company, in addition to a

security's market price history, considers the totality of such factors as the issuer's operating results, financial condition and liquidity, its ability to access capital markets, credit rating trends, most current audit opinion, industry and securities markets conditions, and analyst expectations to reach its conclusions. Sudden fair value declines caused by such adverse developments as newly emerged or imminent bankruptcy filings, issuer default on significant obligations, or reports of financial accounting developments that bring into question the validity of previously reported earnings or financial condition, are recognized as realized losses as soon as credible publicly available information emerges to confirm such developments. Absent issuer-specific circumstances that would result in a contrary conclusion, any equity security with an unrealized investment loss amounting to a 20% or greater decline for a six month period is considered OTTI. In the event the Company's estimate of OTTI is insufficient at any point in time, future periods' net income (loss) would be adversely affected by the recognition of additional realized or impairment losses, but its financial position would not necessarily be affected adversely inasmuch as such losses, or a portion of them, could have been recognized previously as unrealized losses in shareholders' equity. The Company recognized \$-, \$.2 and \$50.2 of OTTI adjustments for the years ended December 31, 2013, 2012 and 2011, respectively.

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 repay obligations with or without call or prepayment penalties.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed Maturity Securities by Type:				
December 31, 2013:				
U.S. & Canadian Governments	\$ 1,133.0	\$ 36.7	\$ 8.7	\$ 1,161.1
Tax-exempt	168.1	3.7	.5	171.3
Corporate	7,176.0	268.1	64.3	7,379.8
	<u>\$ 8,477.3</u>	<u>\$ 308.7</u>	<u>\$ 73.6</u>	<u>\$ 8,712.3</u>
December 31, 2012:				
U.S. & Canadian Governments	\$ 1,151.2	\$ 65.9	\$.3	\$ 1,216.8
Tax-exempt	380.8	11.4	.1	392.2
Corporate	6,461.0	502.1	6.0	6,957.1
	<u>\$ 7,993.1</u>	<u>\$ 579.5</u>	<u>\$ 6.5</u>	<u>\$ 8,566.2</u>

	Amortized Cost	Estimated Fair Value
Fixed Maturity Securities Stratified by Contractual Maturity at December 31, 2013:		
Due in one year or less	\$ 785.5	\$ 796.5
Due after one year through five years	3,957.0	4,145.8
Due after five years through ten years	3,544.2	3,579.4
Due after ten years	190.4	190.5
	<u>\$ 8,477.3</u>	<u>\$ 8,712.3</u>

Bonds and other investments with a statutory carrying value of \$551.2 as of December 31, 2013 were on deposit with governmental authorities by the Company's insurance subsidiaries to comply with insurance laws.

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

	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity Securities:				
December 31, 2013	<u>\$ 632.0</u>	<u>\$ 372.7</u>	<u>\$.5</u>	<u>\$ 1,004.2</u>
December 31, 2012	<u>\$ 452.1</u>	<u>\$ 290.5</u>	<u>\$ 2.9</u>	<u>\$ 739.7</u>

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

	12 Months or Less		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>December 31, 2013:</u>						
Fixed Maturity Securities:						
U.S. & Canadian Governments	\$ 301.7	\$ 8.7	\$ —	\$ —	\$ 301.7	\$ 8.7
Tax-exempt	10.0	.5	—	—	10.0	.5
Corporate	2,312.2	60.2	47.7	4.1	2,360.0	64.3
Subtotal	2,624.0	69.4	47.7	4.1	2,671.8	73.6
Equity Securities	31.0	.5	—	—	31.0	.5
Total	<u>\$ 2,655.0</u>	<u>\$ 70.0</u>	<u>\$ 47.7</u>	<u>\$ 4.1</u>	<u>\$ 2,702.8</u>	<u>\$ 74.2</u>
<u>December 31, 2012:</u>						
Fixed Maturity Securities:						
U.S. & Canadian Governments	\$ 60.3	\$.3	\$ —	\$ —	\$ 60.3	\$.3
Tax-exempt	3.7	.1	—	—	3.7	.1
Corporate	348.4	4.3	10.2	1.7	358.6	6.0
Subtotal	412.6	4.8	10.2	1.7	422.8	6.5
Equity Securities	78.9	2.9	—	—	78.9	2.9
Total	<u>\$ 491.5</u>	<u>\$ 7.8</u>	<u>\$ 10.2</u>	<u>\$ 1.7</u>	<u>\$ 501.8</u>	<u>\$ 9.5</u>

At December 31, 2013, the Company held 558 fixed maturity and 5 equity securities in an unrealized loss position, representing 30.8% as to fixed maturities and 7.2% as to equity securities of the total number of such issues it held. At December 31, 2012, the Company held 102 fixed maturity and 14 equity securities in an unrealized loss position, representing 5.7% as to fixed maturities and 21.9% as to equity securities of the total number of such issues it held. Of the securities in an unrealized loss position, 10 and 4 fixed maturity securities and 0 and 1 equity security, had been in a continuous unrealized loss position for more than 12 months as of December 31, 2013 and 2012. The unrealized losses on these securities are primarily attributable to an increase in the interest rate environment. As part of its assessment of other-than-temporary impairments, the Company considers its intent to continue to hold, and the likelihood that it will not be required to sell investment securities in an unrealized loss position until cost recovery, principally on the basis of its asset and liability maturity matching procedures.

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

The Company uses quoted values and other data provided by nationally recognized independent pricing sources as inputs into its quarterly process for determining the 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, 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 December 31, 2013 and December 31, 2012.

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

Fair Value Measurements

As of December 31, 2013:	Level 1	Level 2	Level 3	Total
Available for sale:				
Fixed maturity securities:				
U.S. & Canadian Governments	\$ 478.9	\$ 682.2	\$ —	\$ 1,161.1
Tax-exempt	—	171.3	—	171.3
Corporate	—	7,369.3	10.5	7,379.8
Equity securities	1,003.4	—	.7	1,004.2
Short-term investments	\$ 1,120.5	\$ —	\$ 4.2	\$ 1,124.8

As of December 31, 2012:

As of December 31, 2012:	Level 1	Level 2	Level 3	Total
Available for sale:				
Fixed maturity securities:				
U.S. & Canadian Governments	\$ 570.9	\$ 645.9	\$ —	\$ 1,216.8
Tax-exempt	—	392.2	—	392.2
Corporate	—	6,926.3	30.7	6,957.1
Equity securities	736.9	—	2.7	739.7
Short-term investments	\$ 1,260.2	\$ —	\$ 4.6	\$ 1,264.9

There were no transfers between Levels 1, 2 or 3 during 2013. Level 3 securities with a fair value of \$20.2 were disposed of during 2013.

Investment income is reported net of allocated expenses and includes appropriate adjustments for amortization of premium and accretion of discount on fixed maturity securities acquired at other than par value. Dividends on equity securities are credited to income on the ex-dividend date. Realized investment gains and losses, which result from sales or write-downs of securities, are reflected as revenues in the income statement and are determined on the basis of amortized value at date of sale for fixed maturity securities, and cost in regard to equity securities; such bases apply to the specific securities sold. Unrealized investment gains and losses, net of any deferred income taxes, are recorded directly as a component of accumulated other comprehensive income in shareholders' equity. At December 31, 2013, the Company and its subsidiaries had no non-income producing fixed maturity securities.

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

Years Ended December 31:	2013	2012	2011
Investment income from:			
Fixed maturity securities	\$ 298.7	\$ 321.0	\$ 353.2
Equity securities	21.2	13.1	11.3
Short-term investments	1.1	1.9	1.5
Other sources	2.6	5.4	4.7
Gross investment income	323.7	341.6	370.9
Investment expenses (a)	4.9	5.1	6.2
Net investment income	<u>\$ 318.7</u>	<u>\$ 336.5</u>	<u>\$ 364.6</u>
Realized gains (losses) on:			
Fixed maturity securities:			
Gains	\$ 9.9	\$ 32.7	\$ 143.9
Losses	(8.2)	—	(1.2)
Net	<u>1.7</u>	<u>32.7</u>	<u>142.6</u>
Equity securities & other long-term investments	146.3	15.1	(27.0)
Total	148.1	47.8	115.5
Income taxes (credits)(b)	51.8	16.7	37.5
Net realized gains (losses)	<u>\$ 96.2</u>	<u>\$ 31.1</u>	<u>\$ 78.0</u>
Changes in unrealized investment gains (losses) on:			
Fixed maturity securities	\$ (337.9)	\$ 64.9	\$ 46.3
Less: Deferred income taxes (credits)	(117.9)	22.6	16.0
	<u>(219.9)</u>	<u>42.2</u>	<u>30.3</u>
Equity securities & other long-term investments	82.6	48.4	(35.2)
Less: Deferred income taxes (credits)	28.9	16.8	(12.4)
	<u>53.7</u>	<u>31.5</u>	<u>(22.7)</u>
Net changes in unrealized investment gains (losses)	<u>\$ (166.2)</u>	<u>\$ 73.8</u>	<u>\$ 7.5</u>

- (a) Investment expenses consist of personnel costs and investment management and custody service fees, as well as interest incurred on funds held of \$1.7, \$2.0 and \$1.9 for the years ended December 31, 2013, 2012 and 2011, respectively.
- (b) Reflects primarily the combination of fully taxable realized investment gains or losses and judgments about the recoverability of deferred tax assets.

(e) Revenue Recognition - 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 general 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 28% of 2013, 32% of 2012 and 33% of 2011 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 title premium and fee revenues are 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 principally 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. Recognition of normal or catastrophic claim costs, however, occurs only upon an instance of default, defined as the occurrence of two or more consecutively missed monthly payments. Accordingly, GAAP revenue recognition for insured loans is not appropriately matched to the risk exposure and the consequent recognition of both normal and most significantly, future catastrophic loss occurrences for which current reserve provisions are not permitted. As a result, mortgage guaranty GAAP earnings for any individual year or series of

years may be materially adversely affected, particularly by cyclical catastrophic loss events such as the mortgage insurance industry has experienced since mid year 2007. Reported GAAP earnings and financial condition form, in part, the basis for significant judgments and strategic evaluations made by management, analysts, investors, and other users of the financial statements issued by mortgage guaranty companies. The risk exists that such judgments and evaluations are at least partially based on GAAP financial information that does not match revenues and expenses and is therefore not reflective of the long-term normal and catastrophic risk exposures assumed by mortgage guaranty insurers at any point in time.

(f) Deferred Policy Acquisition Costs - Various insurance subsidiaries of the Company defer certain costs which vary with and are directly related to the production of business. Deferred costs consist principally of commissions, premium taxes, marketing, and policy issuance expenses. Effective January 1, 2012, the Company adopted a prospective application of new GAAP authoritative guidance related to the deferral of costs for acquiring or renewing insurance contracts. The guidance identifies those direct costs that relate to the successful acquisition of new or renewal insurance contracts that should be capitalized. The adoption of the guidance resulted in 2012 pretax charges of \$37.9 to General Insurance results.

With respect to most coverages, deferred acquisition costs are amortized on the same basis as the related premiums are earned or, alternatively, over the periods during which premiums will be paid. To the extent that future revenues on existing policies are not adequate to cover related costs and expenses, deferred policy acquisition costs are charged to earnings. During 2011, \$29.1 of previously deferred mortgage guaranty acquisition costs were written-off as they were no longer deemed recoverable in future run-off periods.

The following table shows a reconciliation of deferred acquisition costs between succeeding balance sheet dates.

Years Ended December 31:	2013	2012	2011
Deferred, beginning of year	\$ 165.5	\$ 197.6	\$ 230.6
Acquisition costs deferred:			
Commissions - net of reinsurance	222.7	180.8	139.0
Premium taxes	93.8	86.8	77.7
Salaries and other marketing expenses	42.5	43.3	121.8
Sub-total	359.1	311.0	338.4
Amortization charged to income	(331.9)	(343.2)	(371.7)
Change for the year	27.1	(32.1)	(33.3)
Deferred, end of year	\$ 192.6	\$ 165.5	\$ 197.6

(g) Unearned Premiums - Unearned premium reserves are generally calculated by application of pro-rata factors to premiums in force. At December 31, 2013 and 2012, unearned premiums consisted of the following:

As of December 31:	2013	2012
General Insurance Group	\$ 1,458.9	\$ 1,323.8
RFIG Run-off Business	28.9	40.5
Total	\$ 1,487.8	\$ 1,364.4

(h) 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 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.

General Insurance reserves are established to provide for the ultimate expected cost of settling unpaid losses and claims reported at each balance sheet date. Such reserves are based on continually evolving assessments of the facts available to the Company during the settlement process which may stretch over long periods of time. Long-term disability-type workers' compensation reserves are discounted to present value based on interest rates ranging from 3.5% to 4.0%. Losses and claims incurred but not reported ("IBNR"), as well as expenses required to settle losses and claims are established on the basis of a large number of formulas that take into account various criteria, including historical cost experience and anticipated costs of servicing reinsured and other risks. As applicable, estimates of possible recoveries from salvage or subrogation opportunities are considered in the establishment of such reserves. Overall claim and claim expense reserves incorporate amounts covering net estimates of unusual claims such as those emanating from asbestosis and environmental ("A&E") exposures as discussed below. Such reserves can affect claim costs and related loss ratios for such insurance coverages as general liability, commercial automobile (truck), workers' compensation, and property.

Early in 2001, the Federal Department of Labor revised the Federal Black Lung Program regulations. The revisions basically require a reevaluation of previously settled, denied, or new occupational disease claims in the context of newly devised, more lenient standards when such claims are resubmitted. Following a number of challenges and appeals by the insurance and coal mining industries, the revised regulations were, for the most part, upheld in June, 2002 and are to be applied prospectively. Since the final quarter of 2001 black lung claims filed or refiled pursuant to these revised regulations have increased, though the volume of new claim reports has abated in recent years. In March 2010, federal regulations were revised once again as part of the Patient Protection and Affordability Act that reinstates two provisions that potentially benefit claimants. In response to this most recent legislation and similar to the 2001 change, black lung claims filed or refiled have again increased. The vast majority of claims filed to date against Old Republic pertain to business underwritten through loss sensitive programs that permit the charge of additional or refund of return premiums to wholly or partially offset changes in estimated claim costs, or to business underwritten as a service carrier on behalf of various industry-wide involuntary market (i.e. assigned risk) pools. A much smaller portion pertains to business produced on a traditional risk transfer basis. The Company has established applicable reserves for claims as they have been reported and for claims not as yet reported on the basis of its historical experience as well as assumptions relative to the effect of the revised regulations. Inasmuch as a variety of challenges are likely as the revised regulations are implemented through the actual claim settlement process, the potential impact on reserves, gross and net of reinsurance or retrospective premium adjustments, resulting from such regulations cannot be estimated with reasonable certainty.

Old Republic's reserve estimates also include provisions for indemnity and settlement costs for various asbestosis and environmental impairment ("A&E") claims that have been filed in the normal course of business against a number of its insurance subsidiaries. Many such claims relate to policies incepting prior to 1985, including many issued during a short period between 1981 and 1982 pursuant to an agency agreement canceled in 1982. Over the years, the Company's property and liability insurance subsidiaries have typically issued general liability insurance policies with face amounts ranging between \$1.0 and \$2.0 and rarely exceeding \$10.0. Such policies have, in turn, been subject to reinsurance cessions which have typically reduced the subsidiaries' net retentions to \$.5 or less as to each claim. Old Republic's exposure to A&E claims cannot, however, be calculated by conventional insurance reserving methods for a variety of reasons, including: a) the absence of statistically valid data inasmuch as such claims generally involve long reporting delays and very often uncertainty as to the number and identity of insureds against whom such claims have arisen or will arise; and b) the litigation history of such or similar claims for insurance industry members which has produced inconsistent court decisions with regard to such questions as when an alleged loss occurred, which policies provide coverage, how a loss is to be allocated among potentially responsible insureds and/or their insurance carriers, how policy coverage exclusions are to be interpreted, what types of environmental impairment or toxic tort claims are covered, when the insurer's duty to defend is triggered, how policy limits are to be calculated, and whether clean-up costs constitute property damage. Over time, the Executive Branch and/or the Congress of the United States have proposed or considered changes in the legislation and rules affecting the determination of liability for environmental and asbestosis claims. As of December 31, 2013, however, there is no solid evidence to suggest that possible future changes might mitigate or reduce some or all of these claim exposures. Because of the above issues and uncertainties, estimation of reserves for losses and allocated loss adjustment expenses for A&E claims in particular is much more difficult or impossible to quantify with a high degree of precision. Accordingly, no representation can be made that the Company's reserves for such claims and related costs will not prove to be overstated or understated in the future. At December 31, 2013 and 2012, Old Republic's aggregate indemnity and loss adjustment expense reserves specifically identified with A&E exposures amounted to \$159.7 and \$147.1 gross, respectively, and \$121.3 and \$119.4 net of reinsurance, respectively. Old Republic's average five year survival ratios stood at 5.5 years (gross) and 7.8 years (net of reinsurance) as of December 31, 2013 and 4.7 years (gross) and 7.6 years (net of reinsurance) as of December 31, 2012. The survival ratios are presented on a pro forma basis (unaudited) as if PMA had been consolidated with ORI for all periods. Fluctuations in this ratio between years can be caused by the inconsistent pay out patterns associated with these types of claims.

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 inherently 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 cost 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 recently 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.

	2013	2012	2011
Estimated reduction in beginning reserve	\$ 174.9	\$ 313.2	\$ 710.3
Total incurred claims and settlement expenses reduced (increased) by changes in estimated rescissions:			
Current year	80.5	111.7	223.1
Prior year	71.9	12.2	(340.8)
Sub-total	152.5	124.0	(117.6)
Estimated rescission reduction in settled claims	(212.2)	(262.3)	(279.5)
Estimated reduction in ending reserve	<u>\$ 115.2</u>	<u>\$ 174.9</u>	<u>\$ 313.2</u>

As above-noted, 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 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.

There is currently a single instance in which the Company seeks to recover from an insured for previously paid claims. In its counterclaim in the pending arbitration with Countrywide, RMIC is seeking to rescind a June 2006 amendment to a mortgage insurance policy that it contends was fraudulently induced by Countrywide (Countrywide Fin'l Corp. v. Republic Mortg. Ins. Co., Case No. 72 195 Y 0011510 (AAA)). The Countrywide parties are Countrywide Financial Corporation, Countrywide Home Loans, Inc., Bank of America, N.A., in its own capacity and as successor by merger of BAC Home Loan Servicing L.P.). The amendment made coverage for a loan immediately incontestable for borrower misrepresentation. The Company seeks a declaration that the amendment is null and void and to recover the claim amounts totaling at least \$26.6 that it paid notwithstanding the existence of borrower misrepresentations that otherwise would have supported a rescission of coverage for those loans. The Company does not anticipate recoveries from

previously paid claims in its reserving process until such time as a recovery is deemed probable and the amount can be reasonably estimated.

In addition to the above reserve elements, the Company establishes 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 known and IBNR claims.

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

Years Ended December 31:	2013	2012	2011
Gross reserves at beginning of year	\$ 9,303.3	\$ 8,786.6	\$ 8,814.6
Less: reinsurance losses recoverable	2,847.0	2,908.1	2,945.3
Net reserves at beginning of year:			
General Insurance	4,048.9	3,874.9	3,888.0
Title Insurance	396.4	332.0	298.0
RFIG Run-off	1,994.8	1,654.0	1,663.1
Other	15.9	17.4	20.0
Sub-total	6,456.2	5,878.5	5,869.3
Incurred claims and claim adjustment expenses:			
Provisions for insured events of the current year:			
General Insurance	1,857.9	1,729.6	1,575.3
Title Insurance	137.2	120.9	105.7
RFIG Run-off (a)	487.5	762.2	887.1
Other	41.0	40.3	40.2
Sub-total	2,523.7	2,653.1	2,608.5
Change in provision for insured events of prior years:			
General Insurance	(23.7)	(51.5)	(130.9)
Title Insurance	(3.1)	—	—
RFIG Run-off (a)	(269.7)	148.2	254.8
Other	(2.5)	(1.5)	(1.2)
Sub-total	(299.1)	95.1	122.6
Total incurred claims and claim adjustment expenses (a)	2,224.5	2,748.2	2,731.1
Payments:			
Claims and claim adjustment expenses attributable to insured events of the current year:			
General Insurance	620.8	587.8	569.8
Title Insurance	6.0	3.0	7.9
RFIG Run-off (b)	39.4	46.6	100.5
Other	29.5	30.6	30.7
Sub-total	695.9	668.1	709.2
Claims and claim adjustment expenses attributable to insured events of prior years:			
General Insurance	928.2	916.1	887.6
Title Insurance	52.8	53.4	63.6
RFIG Run-off (b)	398.9	523.0	1,050.5
Other	8.0	9.6	10.7
Sub-total	1,388.0	1,502.3	2,012.6
Total payments (b)	2,083.9	2,170.5	2,721.9
Amount of reserves for unpaid claims and claim adjustment expenses at the end of each year, net of reinsurance losses recoverable: (c)			
General Insurance	4,334.1	4,048.9	3,874.9
Title Insurance	471.5	396.4	332.0
RFIG Run-off	1,774.2	1,994.8	1,654.0
Other	16.8	15.9	17.4
Sub-total	6,596.8	6,456.2	5,878.5
Reinsurance losses recoverable	2,836.7	2,847.0	2,908.1
Gross reserves at end of year	\$ 9,433.5	\$ 9,303.3	\$ 8,786.6

As noted elsewhere in this report, in 2012 Old Republic's CCI insurance coverage was combined with the MI business within the overall RFIG Run-off Business. Prior periods' segmented information for the General Insurance and RFIG

Run-off Business segments has therefore been reclassified to provide necessary consistency in period-to-period operating comparisons.

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

	2013	2012	2011
Change in provision for incurred events of prior years:			
General Insurance	\$ (40.4)	\$ (19.8)	\$ (149.2)
RFIG Run-off (a)	(253.0)	116.5	273.2
Payment of claim and claim adjustment expenses attributable to incurred events of the current and prior years:			
General Insurance	1,597.5	1,577.9	1,551.1
RFIG Run-off (b)	<u>\$ 389.8</u>	<u>\$ 495.7</u>	<u>\$ 1,057.4</u>

- (a) 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, 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 an estimated \$80.5, \$111.7 and \$223.1, respectively, for 2013, 2012 and 2011. The provision for insured events of prior years in 2013, 2012 and 2011 was reduced (increased) by an estimated \$71.9, \$12.2 and \$(340.8), respectively. These changes were offset to varying degrees by differences between actual claim settlements relative to expected experience and by subsequent revisions of assumptions in regards to claim frequency, severity or levels of associated claim settlement costs which result from consideration of underlying trends and expectations.

The following table reflects the changes in net reserves between succeeding balance sheet dates.

	2013	2012	2011
Net reserve increase(decrease):			
General Insurance	\$ 285.1	\$ 174.0	\$ (13.1)
Title Insurance	75.1	64.3	34.0
RFIG Run-off	(220.6)	340.7	(9.0)
Other	.9	(1.5)	(2.6)
Total	<u>\$ 140.6</u>	<u>\$ 577.6</u>	<u>\$ 9.2</u>

- (b) Rescissions reduced the Company's settled losses by an estimated \$212.2, \$262.3, and \$279.5 for 2013, 2012, and 2011, respectively. 2013 and 2012 RFIG Run-off Business claim and claim adjustment expense payments reflect the retention of the DPO within claim reserves which amounted to \$551.5 and \$299.5 as of the respective year-ends.
- (c) Year end net IBNR reserves for each segment were as follows:

	2013	2012	2011
General Insurance	\$ 2,118.4	\$ 1,947.0	\$ 1,878.2
Title Insurance	407.1	336.9	262.5
RFIG Run-off	121.3	147.5	94.8
Other	4.0	4.6	4.6
Total	<u>\$ 2,651.0</u>	<u>\$ 2,436.1</u>	<u>\$ 2,240.4</u>

For the three most recent calendar years, the above table indicates that the one-year development of consolidated reserves at the beginning of each year produced a favorable development of 4.6% for 2013 and unfavorable developments of (1.6)% and (2.1)% for 2012, and 2011, respectively, with average favorable annual developments of .3%. The Company believes that the factors most responsible, in varying and continually changing degrees, for reserve redundancies or deficiencies include, as to mortgage guaranty and the CCI coverage, differences in originally estimated salvage and subrogation recoveries, sales and prices of homes that can impact claim costs upon the disposition of foreclosed properties, changes in regional or local economic conditions and employment levels, greater numbers of coverage rescissions and claims denials due to material misrepresentation in key underwriting information or non-compliance with prescribed underwriting guidelines, the extent of loan refinancing activity that can reduce the period of time over which a policy remains at risk, and lower than expected frequencies of claims incurred but not reported. As to many general insurance coverages, changes in reserve adequacy or deficiency result from the effect of reserve discounts applicable to workers' compensation claims, higher than expected severity of litigated claims in particular, governmental or judicially

imposed retroactive conditions in the settlement of claims such as noted above in regard to black lung disease claims, greater than anticipated inflation rates applicable to repairs and the medical portion of claims in particular, and higher than expected claims incurred but not reported due to the slower and highly volatile emergence patterns applicable to certain types of claims such as those stemming from litigated, assumed reinsurance, or the A&E types of claims noted above.

(i) Reinsurance - The cost of reinsurance is recognized over the terms of reinsurance contracts. Amounts recoverable from reinsurers for loss and loss adjustment expenses are estimated in a manner consistent with the claim liability associated with the reinsured business. The Company evaluates the financial condition of its reinsurers on a regular basis. Allowances are established for amounts deemed uncollectible and are included in the Company's net claim and claim expense reserves.

(j) Income Taxes - The Company and most of its subsidiaries file a consolidated tax return and provide for income taxes payable currently. Deferred income taxes included in the accompanying consolidated financial statements will not necessarily become payable or recoverable in the future. The Company uses the asset and liability method of calculating deferred income taxes. This method results in the establishment of deferred tax assets and liabilities, calculated at currently enacted tax rates that are applied to the cumulative temporary differences between financial statement and tax bases of assets and liabilities.

The provision for combined current and deferred income taxes (credits) reflected in the consolidated statements of income does not bear the usual relationship to income before income taxes (credits) as the result of permanent and other differences between pretax income or loss and taxable income or loss determined under existing tax regulations. The more significant differences, their effect on the statutory income tax rate (credit), and the resulting effective income tax rates (credits) are summarized below:

Years Ended December 31:	2013	2012	2011
Statutory tax rate (credit)	35.0%	(35.0)%	(35.0)%
Tax rate increases (decreases):			
Tax-exempt interest	(.4)	(4.1)	(5.4)
Dividends received exclusion	(.6)	(2.1)	(1.0)
Valuation allowance (see below)	—	(2.0)	(.6)
Goodwill impairment	—	.4	1.6
Foreign income (loss) reattribution	(.2)	(3.5)	1.0
Sale of subsidiary	—	(1.3)	—
Other items - net	(.4)	1.0	(1.2)
Effective tax rate (credit)	33.4%	(46.6)%	(40.6)%

The tax effects of temporary differences that give rise to significant portions of the Company's net deferred tax assets (liabilities) are as follows at the dates shown:

December 31:	2013	2012	2011
Deferred Tax Assets:			
Losses, claims, and settlement expenses	\$ 286.9	\$ 272.4	\$ 231.7
Pension and deferred compensation plans	51.3	90.8	85.8
Impairment losses on investments	3.2	49.2	52.9
Net operating loss carryforward	43.7	91.0	77.2
AMT credit carryforward	9.6	25.5	29.7
Other temporary differences	50.5	67.7	50.1
Total deferred tax assets before valuation allowance	445.3	596.8	527.7
Valuation allowance	(9.6)	(9.6)	(12.2)
Total deferred tax assets	435.7	587.2	515.4
Deferred Tax Liabilities:			
Unearned premium reserves	42.7	35.3	29.3
Deferred policy acquisition costs	63.1	52.5	63.9
Mortgage guaranty insurers' contingency reserves	20.1	—	.4
Amortization of fixed maturity securities	4.9	6.9	7.2
Net unrealized investment gains	220.5	309.7	273.0
Title plants and records	4.9	5.0	5.0
Other temporary differences	30.6	29.6	19.7
Total deferred tax liabilities	387.1	439.2	398.7
Net deferred tax assets (liabilities)	\$ 48.4	\$ 148.1	\$ 116.7

At December 31, 2013, the Company had a net operating loss ("NOL") carryforward of \$124.8 which will expire in years 2020 through 2029, and a \$9.6 alternative minimum tax ("AMT") credit carryforward which does not expire. The

NOL carryforward is subject to the limitations set by Section 382 of the Internal Revenue Code and is available to reduce future years' taxable income.

A valuation allowance was established against deferred tax assets as of December 31, 2013, 2012 and 2011 related to certain NOL and tax credit carryforwards which the Company did not expect to realize. In valuing the deferred tax assets, the Company considered certain factors including primarily the scheduled reversals of certain deferred tax liabilities, estimates of future taxable income, the impact of available carryback and carryforward periods, as well as the availability of certain tax planning strategies. The Company estimates that all remaining deferred tax assets at year end 2013 will more likely than not be fully realized.

Pursuant to special provisions of the Internal Revenue Code pertaining to mortgage guaranty insurers, a contingency reserve (established in accordance with insurance regulations designed to protect policyholders against extraordinary volumes of claims) is deductible from gross income. The deduction is allowed only to the extent that U.S. government non-interest bearing tax and loss bonds are purchased and held in an amount equal to the tax benefit attributable to such deduction. For Federal income tax purposes, amounts deducted from the contingency reserve are taken into gross statutory taxable income in the period in which they are released. Contingency reserves may be released when incurred losses exceed thresholds established under state law or regulation, upon special request and approval by state insurance regulators, or in any event, upon the expiration of ten years. For 2013 tax purposes, the Company recognized a contingency reserve deduction of \$57.6. Consequently, \$20.1 of U.S. Treasury Tax and Loss Bonds will be acquired during the first quarter 2014.

Tax positions taken or expected to be taken in a tax return by the Company are recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. To the best of management's knowledge there are no tax uncertainties that are expected to result in significant increases or decreases to unrecognized tax benefits within the next twelve month period. The Company views its income tax exposures as primarily consisting of timing differences whereby the ultimate deductibility of a taxable amount is highly certain but the timing of its deductibility is uncertain. Such differences relate principally to the timing of deductions for loss and premium reserves. As in prior examinations, the Internal Revenue Service (IRS) could assert that claim reserve deductions were overstated thereby reducing the Company's statutory taxable income in any particular year. The Company believes that it establishes its reserves fairly and consistently at each balance sheet date, and that it would succeed in defending its tax position in these regards. Because of the impact of deferred tax accounting, the possible accelerated payment of tax to the IRS would not necessarily affect the annual effective tax rate. During 2013, the IRS completed an examination of the Company's consolidated Federal income tax returns for the years 2005 through 2010, which produced no material change to the Company's net income. The Company classifies interest and penalties as income tax expense in the consolidated statement of income.

(k) Property and Equipment - Property and equipment is generally depreciated or amortized over the estimated useful lives of the assets, (2 to 27 years), substantially by the straight-line method. Depreciation and amortization expenses related to property and equipment were \$23.8, \$23.9 and \$21.9 in 2013, 2012, and 2011, respectively. Expenditures for maintenance and repairs are charged to income as incurred, and expenditures for major renewals and additions are capitalized.

(l) Title Plants and Records - Title plants and records are carried at original cost or appraised value at the date of purchase. Such values represent the cost of producing or acquiring interests in title records and indexes and the appraised value of purchased subsidiaries' title records and indexes at dates of acquisition. The cost of maintaining, updating, and operating title records is charged to income as incurred. Title records and indexes are ordinarily not amortized unless events or circumstances indicate that the carrying amount of the capitalized costs may not be recoverable.

(m) Goodwill and Intangible Assets - The following table presents the components of the Company's goodwill balance:

	General	Title	RFIG Run-off	Other	Total
<u>January 1, 2012</u>	\$ 117.5	\$ 44.3	\$ —	\$.1	\$ 162.0
Acquisitions	—	—	—	—	—
Impairments	(1.3)	—	—	—	(1.3)
<u>December 31, 2012</u>	116.2	44.3	—	.1	160.7
Acquisitions	—	—	—	—	—
Impairments	—	—	—	—	—
<u>December 31, 2013</u>	<u>\$ 116.2</u>	<u>\$ 44.3</u>	<u>\$ —</u>	<u>\$.1</u>	<u>\$ 160.7</u>

Goodwill resulting from business combinations is not amortizable against operations but must be tested annually for possible impairment of its continued value. Intangible assets with definitive lives are amortized against future operating results; whereas indefinite-lived intangibles are tested annually for impairment. During 2011, RFIG's historical mortgage guaranty goodwill balance of \$10.7 was impaired in its entirety.

There are no significant goodwill balances within reporting units with estimated fair values not significantly in excess of their carrying values.

(n) Employee Benefit Plans - Prior to December 31, 2012, the Company had four separate pension plans covering a portion of its work force. The four plans were the Old Republic International Salaried Employees Retirement Plan (the Old Republic Plan), the Bituminous Casualty Corporation Retirement Income Plan (the Bituminous Plan), the Old Republic

National Title Group Pension Plan (the Title Plan), and the PMA Capital Corporation Pension Plan (the PMA Plan). Effective December 31, 2012, the Bituminous Plan and the Title Plan were merged into the Old Republic Plan. Effective December 31, 2013, The PMA Plan was merged into the Old Republic Plan.

The plans are defined benefit plans pursuant to which pension payments are based primarily on years of service and employee compensation near retirement. It is the Company's policy to fund the plans' costs as they accrue. The Old Republic Plan has been closed to new participants since December 31, 2004; the PMA Plan was frozen as of December 31, 2005. The benefit levels in the Old Republic Plan were similarly frozen as of December 31, 2013. The benefit curtailment triggered a revaluation of the plan as of September 30, 2013. The impact of the curtailment resulted in increased operating expenses of \$.6, a reduction of the pension obligation liability of \$26.6, and a resulting increase to other comprehensive income of \$17.7, net of tax. Under the terms of the freeze, the plans remain closed to new participants and eligible employees retain all of the vested rights as of the effective date of the freeze, but additional benefits do not accrue thereafter.

Pursuant to GAAP, the funded status of pension and other postretirement plans must be recognized in the consolidated balance sheet. The funded status is measured as the difference between the fair value of plan assets and the projected benefit obligations on a plan-by-plan basis. The funded status of an overfunded benefit plan is recognized as a net pension asset while the underfunded status of a benefit plan is recognized as a net pension liability; offsetting entries are reflected as a component of shareholders' equity in accumulated other comprehensive income, net of deferred taxes. Changes in the status of the plans are recognized in the period in which they occur. All plan assets and liabilities are measured as of December 31 of the years presented. The effects of these measurements and the changes in the projected benefit obligation ("PBO") are reflected below.

Years Ended December 31:	2013	2012	2011
Projected benefit obligation at beginning of year	\$ 525.7	\$ 477.8	\$ 425.2
Increases (decreases) during the year attributable to:			
Service cost	9.5	9.4	8.7
Interest cost	21.6	21.8	22.7
Plan curtailments	(26.6)	—	—
Actuarial (gains) losses	(32.8)	31.5	36.7
Benefits paid	(18.1)	(15.0)	(15.5)
Net increase (decrease) for the year	(46.4)	47.8	52.6
Projected benefit obligation at end of year	\$ 479.3	\$ 525.7	\$ 477.8
Accumulated benefit obligation at end of year	\$ 479.3	\$ 495.4	\$ 443.4

The changes in the fair value of net assets available for plan benefits are as follows:

Years Ended December 31:	2013	2012	2011
Fair value of net assets available for plan benefits			
At beginning of the year	\$ 352.3	\$ 315.4	\$ 297.1
Increases (decreases) during the year attributable to:			
Actual return on plan assets	61.9	25.8	.2
Sponsor contributions	12.7	26.0	33.6
Benefits paid	(18.1)	(15.0)	(15.5)
Net increase (decrease) for year	56.5	36.8	18.3
Fair value of net assets available for plan benefits			
At end of the year	\$ 408.8	\$ 352.3	\$ 315.4

Each of the plans had accumulated and projected benefit obligations in excess of plan assets at December 31, 2013, 2012 and 2011. The Company expects to make cash contributions of approximately \$26.0 in calendar year 2014.

The components of aggregate annual net periodic pension costs consisted of the following:

Years Ended December 31:	2013	2012	2011
Service cost	\$ 9.5	\$ 9.4	\$ 8.7
Interest cost	21.6	21.8	22.7
Curtailment loss recognized	.6	—	—
Expected return on plan assets	(26.7)	(25.1)	(23.7)
Recognized loss	8.8	10.0	6.0
Prior service costs	.1	.1	.1
Net cost	\$ 14.1	\$ 16.3	\$ 13.9

The pretax pension costs recognized in other comprehensive income consist of the following:

Years Ended December 31:	2013	2012	2011
Amounts arising during the period:			
Net recognized gain (loss)	\$ 68.0	\$ (30.8)	\$ (60.2)
Plan curtailment	26.6	—	—
Reclassification adjustment to components of net periodic pension cost:			
Net recognized loss	8.8	10.0	6.0
Net prior service cost	.1	.1	.1
Curtailment loss recognized	.6	—	—
Net pretax pension (costs) or gains recognized	<u>\$ 104.3</u>	<u>\$ (20.6)</u>	<u>\$ (54.0)</u>

The amounts included in accumulated other comprehensive income that have not yet been recognized as components of net periodic pension cost consist of the following:

As of December 31:	2013	2012
Net recognized loss	\$ (48.3)	\$ (151.9)
Net prior service cost	—	(.7)
Total	<u>\$ (48.3)</u>	<u>\$ (152.7)</u>

The amounts included in accumulated other comprehensive income that will be recognized as components of net periodic pension cost during 2014 are not expected to be material.

The projected benefit obligations and net periodic benefit costs for the plans were determined using the following weighted-average assumptions:

As of December 31:	Projected Benefit Obligation		Net Periodic Benefit Cost		
	2013	2012	2013	2012	2011
Settlement discount rates	5.00%	4.17%	4.17%	4.66%	5.46%
Rates of compensation increase	N/A	3.22%	3.22%	4.25%	4.25%
Long-term rates of return on plans' assets	N/A	N/A	7.56%	7.81%	7.94%

The assumed settlement discount rates were determined by matching the current estimate of each Plan's projected cash outflows against spot rate yields on a portfolio of high quality bonds as of the measurement date. To develop the expected long-term rate of return on assets assumption, historical returns and the future return expectations for each asset class, as well as the target asset allocation of the pension portfolios were considered. The investment policy of the Plans takes into account the matching of assets and liabilities, appropriate risk aversion, liquidity needs, the preservation of capital, and the attainment of modest growth. The weighted-average asset allocations of the Plans were as follows:

As of December 31:	2013	2012	Investment Policy Asset Allocation % Range Target
Equity securities:			
Common shares of Company stock	12.0%	8.3%	
Other	50.9	48.5	
Sub-total	62.9	56.8	30% to 70%
Fixed maturity securities	29.5	35.2	30% to 70%
Other	7.6	8.0	1% to 20%
Total	<u>100.0%</u>	<u>100.0%</u>	

Quoted values and other data provided by the respective investment custodians are used as inputs for determining fair value of the Plan's debt and equity securities. The custodians are understood to obtain market quotations and actual transaction prices for securities that have quoted prices in active markets and use their 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 investment custodian uses observable 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.

The following tables present a summary of the Plans' assets segregated among the various input levels described in Note 1(d).

As of December 31, 2013:	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Common shares of Company stock	\$ 48.8	\$ —	\$ —	\$ 48.8
Other	189.1	18.9	—	208.1
Sub-total	238.0	18.9	—	256.9
Fixed maturity securities	10.5	109.9	—	120.4
Other	16.5	7.3	7.4	31.3
Total	\$ 265.1	\$ 136.3	\$ 7.4	\$ 408.8

As of December 31, 2012:				
Equity securities:				
Common shares of Company stock	\$ 29.0	\$ —	\$ —	\$ 29.0
Other	154.0	16.9	—	171.0
Sub-total	183.1	16.9	—	200.1
Fixed maturity securities	1.5	122.5	—	124.0
Other	10.6	9.3	8.1	28.1
Total	\$ 195.3	\$ 148.8	\$ 8.1	\$ 352.3

Level 1 assets include U.S. Treasury notes, publicly traded common stocks, mutual funds and certain short-term investments. Level 2 assets generally include corporate and government agency bonds, common collective trusts, and a limited partnership investment. Level 3 assets primarily consist of an immediate participation guaranteed fund.

The benefits expected to be paid as of December 31, 2013 for the next 10 years are as follows: 2014: \$20.6; 2015: \$22.8; 2016: \$24.2; 2017 \$25.1; 2018: \$26.4 and for the five years after 2018: \$148.5.

The Company has a number of **profit sharing and other incentive compensation** programs for the benefit of a substantial number of its employees. The costs related to such programs are summarized below:

Years Ended December 31:	2013	2012	2011
Employees Savings and Stock Ownership Plan "ESSOP"	\$ 7.8	\$ 5.3	\$ 5.9
Other profit sharing plans	12.1	12.9	13.4
Cash and deferred incentive compensation	\$ 21.6	\$ 20.5	\$ 19.5

A majority of the Company's employees participate in the ESSOP. Current Company contributions are provided in the form of Old Republic common stock. Dividends on shares are allocated to participants as earnings, and likewise invested in Company stock; dividends on unallocated shares are used to pay debt service costs. The Company's annual contributions are based on a formula that takes the growth in net operating income per share over consecutive five year periods into account. As of December 31, 2013, there were 14,009,007 Old Republic common shares owned by the ESSOP, of which 10,911,379 were allocated to employees' account balances. There are no repurchase obligations in existence. See Note 3(b).

(o) Escrow Funds - Segregated cash deposit accounts and the offsetting liabilities for escrow deposits in connection with Title Insurance Group real estate transactions in the same amounts (\$1,043.9 and \$878.1 at December 31, 2013 and 2012, respectively) are not included as assets or liabilities in the accompanying consolidated balance sheets as the escrow funds are not available for regular operations.

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

Years Ended December 31:	2013	2012	2011
Numerator:			
Net income (loss)	\$ 447.8	\$ (68.6)	\$ (140.5)
Numerator for basic earnings per share - income (loss) available to common stockholders	447.8	(68.6)	(140.5)
Adjustment for interest expense incurred on assumed conversion of convertible notes	14.6	—	—
Numerator for diluted earnings per share - income (loss) available to common stockholders after assumed conversion of convertible notes	\$ 462.4	\$ (68.6)	\$ (140.5)
Denominator:			
Denominator for basic earnings per share - weighted-average shares (a)	257,443,999	255,812,888	255,045,210
Effect of dilutive securities - stock based compensation awards	784,080	—	—
Effect of dilutive securities - convertible senior notes	35,455,956	—	—
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversion of convertible notes (a)	293,684,035	255,812,888	255,045,210
Earnings per share: Basic	\$ 1.74	\$ (.27)	\$ (.55)
Diluted	\$ 1.57	\$ (.27)	\$ (.55)
Anti-dilutive common stock equivalents excluded from earning per share computations:			
Stock based compensation awards	7,563,456	14,543,835	16,007,624
Convertible senior notes	—	35,409,303	56,464,160
Total	7,563,456	49,953,138	72,471,784

(a) In calculating earnings per share, pertinent accounting rules require that common shares owned by the Company's Employee Savings and Stock Ownership Plan that are as yet unallocated to participants in the plan be excluded from the calculation. Such shares are issued and outstanding, and have the same voting and other rights applicable to all other common shares.

(q) Concentration of Credit Risk - The Company is not exposed to material concentrations of credit risks as to any one issuer of investment securities.

(r) Stock Based Compensation - As periodically amended, the Company has had a stock option plan in effect for certain eligible key employees since 1978. Under the current plan amended in 2010, the maximum number of common shares available for 2010 and future years' grants has been set at 14.5 million through 2016. The exercise price of stock options is equal to the closing market price of the Company's common stock on the date of grant, and the contractual life of the grant is generally ten years from the date of the grant. Options granted may be exercised to the extent of 10% of the number of shares covered thereby as of December 31st of the year of the grant and, cumulatively, to the extent of an additional 15%, 20%, 25% and 30% on and after the second through fifth calendar years, respectively. Options granted to employees who meet certain retirement eligibility provisions are fully expensed on the date of grant.

The following table presents the stock based compensation expense and income tax benefit recognized in the financial statements:

Years Ended December 31:	2013	2012	2011
Stock based compensation expense	\$ 1.6	\$ 1.7	\$ 3.0
Income tax benefit	\$.5	\$.6	\$ 1.0

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes-Merton Model. The following table presents the assumptions used in the Black-Scholes Model for the awards granted during the periods presented. Expected volatilities are based on the historical experience of Old Republic's common stock. The expected term of stock options represents the period of time that stock options granted are assumed to be outstanding. The Company uses historical data to estimate the effect of stock option exercise and employee departure behavior; groups of employees that have similar historical behavior are considered separately for valuation purposes. The risk-free rate of return for periods within the contractual term of the share option is based on the U.S. Treasury rate in effect at the time of the grant.

	2013	2012	2011
Expected volatility	.33	.32	.31
Expected dividends	5.99%	6.88%	5.95%
Expected term (in years)	7	7	7
Risk-free rate	1.19%	1.74%	2.73%

A summary of stock option activity under the plan as of December 31, 2013, 2012 and 2011, and changes in outstanding options during the years then ended is presented below:

	As of and for the Years Ended December 31,					
	2013		2012		2011	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	14,293,149	\$ 16.75	15,679,915	\$ 17.25	16,560,483	\$ 17.39
Granted	922,500	12.57	974,500	10.80	1,064,500	12.33
Exercised	897,909	12.22	14,850	10.48	31,113	12.22
Forfeited and expired	1,510,468	15.01	2,346,416	17.66	1,913,955	15.85
Outstanding at end of year	<u>12,807,272</u>	16.97	<u>14,293,149</u>	16.75	<u>15,679,915</u>	17.25
Exercisable at end of year	<u>10,582,298</u>	\$ 18.03	<u>12,032,624</u>	\$ 17.74	<u>13,262,682</u>	\$ 18.21
Weighted average fair value of options granted during the year (a)	\$ <u>1.94</u> per share		\$ <u>1.46</u> per share		\$ <u>1.99</u> per share	

(a) Based on the Black-Scholes option pricing model and the assumptions outlined above.

A summary of stock options outstanding and exercisable at December 31, 2013 follows:

Ranges of Exercise Prices	Year(s) Of Grant	Options Outstanding			Options Exercisable	
		Number Out-Standing	Weighted - Average		Number Exercisable	Weighted Average Exercise Price
			Remaining Contractual Life	Exercise Price		
\$19.32 to \$20.02	2004	1,850,852	0.25	\$ 19.33	1,850,852	\$ 19.33
\$18.41 to \$20.87	2005	1,572,059	1.25	18.45	1,572,059	18.45
\$21.36 to \$22.35	2006	2,089,525	2.25	22.00	2,089,525	22.00
\$21.78 to \$23.16	2007	1,971,475	3.25	21.78	1,971,475	21.78
\$7.73 to \$12.95	2008	1,048,370	4.25	12.93	1,048,370	12.93
\$10.48	2009	698,133	5.25	10.48	698,133	10.48
\$12.08	2010	690,225	6.25	12.08	490,234	12.08
\$10.51 to \$14.31	2010 (a)	67,745	0.25	12.96	67,745	12.96
\$12.33	2011	945,413	7.25	12.33	442,146	12.33
\$10.80	2012	953,475	8.25	10.80	246,711	10.80
\$12.57	2013	920,000	9.25	12.57	105,048	12.57
Total		<u>12,807,272</u>		\$ 16.97	<u>10,582,298</u>	\$ 18.03

(a) Represents the replacement options issued pursuant to the PMA merger.

Pursuant to the Company's self-imposed limits, the maximum number of options available for future issuance as of December 31, 2013, is 10,877,713 shares.

As of December 31, 2013, there was \$1.6 of total unrecognized compensation cost related to nonvested stock-based compensation arrangements granted under the plan. That cost is expected to be recognized over a weighted average period of approximately 3 years.

The cash received from stock option exercises, the total intrinsic value of stock options exercised, and the actual tax benefit realized for the tax deductions from option exercises are as follows:

	2013	2012	2011
Cash received from stock option exercise	\$ 10.9	\$.1	\$.3
Intrinsic value of stock options exercised	2.9	—	—
Actual tax benefit realized for tax deductions from stock options exercised	\$ 1.1	\$ —	\$ —

At December 31, 2013, the Company had restricted common stock issued to certain employees which are expected to vest over the next 3 years. During the vesting period, restricted shares are nontransferable and subject to forfeiture, but are entitled to all of the other rights of outstanding shares. Compensation expense for the restricted stock award is

recognized over the vesting period of the award and was immaterial for the years ended December 31, 2013, 2012 and 2011.

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

During 2012 the NCDOL issued several orders the ultimate effects of which were:

- To place RMIC and RMICNC under NCDOL supervision which, among other considerations, requires written approval of the NCDOL Commissioner or its appointed representative for supervision of certain activities and transactions, including the incurrence of any debt or other liabilities, lending of its funds, and termination or entry into new contracts of insurance or reinsurance;
- To approve a Corrective Plan submitted by RMIC pursuant to which all settled claims are to be paid in cash for 60% of the settled amount, with the remaining 40% retained in claim reserves as a DPO until a future payment of all or a portion of this 40% is approved by the NCDOL; and
- To execute the DPO-based run-off plan under Old Republic's ownership and NCDOL supervision of RMIC and RMICNC to effect a most economically sound realization of ultimate benefits to policyholders during a sufficiently long future period.

RMIC's evaluation of the potential long-term performance of the run-off book of business is based on various modeling techniques. Of necessity the resulting models take into account actual premium and paid claim experience of prior periods, together with a large number of assumptions and judgments about future outcomes that are highly sensitive to a wide range of estimates. Many of these estimates and underlying assumptions relate to matters over which the Company has no control, including: 1) The conflicted interests, as well as the varying mortgage servicing and foreclosure practices of a large number of insured lending institutions; 2) General economic and industry-specific trends and events; and 3) The evolving or future social and economic policies of the U.S. Government vis-à-vis such critical sectors as the banking, mortgage lending, and housing industries, as well as its policies for resolving the insolvencies and assigning a possible future role to Fannie Mae and Freddie Mac. These matters notwithstanding, RMIC's analysis did not indicate that the establishment of a premium deficiency was warranted as of December 31, 2013 or 2012.

The indicated positive outcome of the standard model notwithstanding, it is possible that MI operating results could nevertheless be negative in the near term. As long as the run-off under NCDOL supervision remains in place, however, the statutory DPO accounting treatment should mitigate the adverse effect of operating losses on the statutory capital balance. In these circumstances, RMIC's and RMICNC's statutory solvency would be retained and the risk of a regulatory receivership action would be averted. In management's opinion, the DPO Plan under NCDOL supervision should be continued for a sufficiently long period of time to achieve the objectives contemplated by the above referenced NCDOL orders. As of December 31, 2013, the total statutory capital, inclusive of accumulated DPO reserve funds of \$551.5 held in RFIG's mortgage insurance subsidiaries was approximately \$518.2, which was \$161.5 above the required MPP of \$356.6. As of the same date, RFIG's consolidated GAAP capitalization amounted to \$(13.8) (or a negative capital contribution of approximately 5 cents per Old Republic common share).

On October 24, 2013 the Company announced that its RMICC mortgage guaranty subsidiary expects to raise new funds in the capital markets. Substantially all of this capital would be added to the equity resources of RMICC's three mortgage insurance subsidiaries. The addition of capital should permit these carriers to at once support existing policies in-force, pay off heretofore deferred claim payment obligations with agreed-upon interest, exit their current state of supervision under North Carolina insurance regulations, and resume the underwriting of new business beginning in 2014. While the interest charge on outstanding deferred payment obligations has not been agreed upon, it could be material to the Company's results of operations when it is recorded following approval of the NCDOL and the successful completion of the capital raise. In connection with such a transaction, it is expected that Old Republic would contribute up to \$50.0 of this new capital. Upon the successful closing of this transaction, RMICC would be deconsolidated and Old Republic's continuing interest in RMICC and the mortgage guaranty business would consist of a non-controlling equity interest in RMICC. Completion of the transaction cannot be assured and is subject to market conditions and other factors. Moreover, the addition of all new funds to RMICC and its subsidiaries will be contingent on the receipt of certain regulatory approvals. The most essential of these will be required from the North Carolina Department of Insurance, and from Fannie Mae and Freddie Mac with any necessary assent of their FHFA Conservator.

Note 2 - Debt - Consolidated debt of Old Republic and its subsidiaries is summarized below:

December 31:	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
3.75% Convertible Senior Notes due 2018	\$ 550.0	\$ 684.1	\$ 550.0	\$ 568.5
ESSOP debt with an average yield of 3.69% and 3.74%, respectively	18.0	18.0	20.8	20.8
Other miscellaneous debt	1.2	1.2	2.0	2.0
Total debt	<u>\$ 569.2</u>	<u>\$ 703.4</u>	<u>\$ 572.9</u>	<u>\$ 591.5</u>

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.

Scheduled maturities of the above debt at year end are as follows: 2014: \$4.2; 2015: \$3.3; 2016: \$3.5; 2017: \$3.9; and 2018: \$554.2. During 2013, 2012 and 2011, \$23.1, \$34.6 and \$51.1, respectively, of interest expense on debt was charged to consolidated operations.

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

At December 31, 2013, the Company had sufficient liquid resources available to redeem a substantial portion of the 3.75% Notes. Management continues to explore the Company's options to address possibly greater liquidity needs in the circumstance that an event of default was to occur at a future date. These potential plans include completion of the previously announced recapitalization of the Company's mortgage guaranty subsidiary, RMIC Companies, Inc., which would result in the deconsolidation of RMIC thus preventing an event of default. Other plans include an amendment to the 3.75% Notes, removing RMIC from the definition of a Significant Subsidiary, an additional capital raise through issuance of new straight or convertible debt, or the utilization of intra system dividend and financing capacity. While Management is confident that an event of default can be stemmed, there is no assurance that its impact could be addressed through execution of these plans.

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

The following table shows a summary of financial liabilities disclosed, but not carried, at fair value, segregated among the various input levels described in Note 1(d) above:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial Liabilities:					
Debt:					
December 31, 2013	\$ 569.2	\$ 703.4	\$ —	\$ 684.1	\$ 19.2
December 31, 2012	\$ 572.9	\$ 591.5	\$ —	\$ 568.5	\$ 22.9

Note 3 - Shareholders' Equity

(a) Preferred Stock - At December 31, 2013, there were 75,000,000 shares of preferred stock authorized. The Company has designated two series of preferred stock: 10,000,000 shares of Series A Junior Participating Preferred Stock (Series A) and 1,500,000 shares of Series G-3 Convertible Preferred Stock (Series G). No shares of either series has been issued or is outstanding. The Series A Stock, if and when issued, shall pay a dividend of the greater of \$1.00 or 100 times (subject to adjustment) the aggregate per share amount (payable in kind) of all non-cash dividend or other distributions, other than a dividend payable in shares of common stock declared on the common stock of the Company. Each share of Series A stock shall have 100 votes on each matter submitted to a vote of the shareholders. The Series

G stock, if and when issued, shall have a floating rate dividend based on the prime rate of interest and is convertible into common stock at any time, after being held six months, into .95 shares of common stock. Series G shares are redeemable at the Company's sole option five years after issuance. Each share of Series G Stock shall have one vote on each matter submitted to a vote of the shareholders.

(b) Common Stock - At December 31, 2013, there were 500,000,000 shares of common stock authorized. At the same date, there were 100,000,000 shares of Class "B" common stock authorized, though none were issued or outstanding. Class "B" common shares have the same rights as common shares except for being entitled to 1/10th of a vote per share. During 2008, the Company issued 5,488,475 shares to the ESSOP for consideration of \$50.0. The ESSOP's common stock purchases were financed by a \$30.0 bank loan and by \$20.0 of pre-fundings from ESSOP participating subsidiaries. Common stock held by the ESSOP is classified as a charge to the common shareholders' equity account until it is allocated to participating employees' accounts contemporaneously with the repayment of the ESSOP debt incurred for its acquisition. Such unallocated shares are not considered outstanding for purposes of calculating earnings per share. Dividends on unallocated shares are used to pay debt service costs. Dividends on allocated shares are credited to participants' accounts.

(c) Cash Dividend Restrictions - The payment of cash dividends by the Company is principally dependent upon the amount of its insurance subsidiaries' statutory policyholders' surplus available for dividend distribution. The insurance subsidiaries' ability to pay cash dividends to the Company is in turn generally restricted by law or subject to approval of the insurance regulatory authorities of the states in which they are domiciled. These authorities recognize only statutory accounting practices for determining financial position, results of operations, and the ability of an insurer to pay dividends to its shareholders. Based on year end 2013 data, the maximum amount of dividends payable to the Company by its insurance and a small number of non-insurance company subsidiaries during 2014 without the prior approval of appropriate regulatory authorities is approximately \$427.2. Cash dividends declared during 2013, 2012 and 2011 to the Company by its subsidiaries amounted to \$205.3, \$195.0 and \$177.1, respectively.

Note 4 - Commitments and Contingent Liabilities:

(a) Reinsurance and Retention Limits - In order to maintain premium production within their capacity and to limit maximum losses for which they might become liable under policies they've underwritten, Old Republic's insurance subsidiaries, as is the common practice in the insurance industry, may cede all or a portion of their premiums and related liabilities on certain classes of business to other insurers and reinsurers. Although the ceding of insurance does not ordinarily discharge an insurer from liability to a policyholder, it is industry practice to establish the reinsured part of risks as the liability of the reinsurer. Old Republic also employs retrospective premium and a large variety of risk-sharing procedures and arrangements for parts of its business in order to reduce underwriting losses for which it might become liable under insurance policies it issues. To the extent that any reinsurance companies, assured or producer might be unable to meet their obligations under existing reinsurance, retrospective insurance and production agreements, Old Republic would be liable for the defaulted amounts. As deemed necessary, reinsurance ceded to other companies is secured by letters of credit, cash, and/or securities.

Except as noted in the following paragraph, reinsurance protection on property and liability coverages generally limits the net loss on most individual claims to a maximum of: \$5.2 for workers' compensation; \$3.5 for commercial auto liability; \$3.5 for general liability; \$8.0 for executive protection (directors & officers and errors & omissions); \$2.0 for aviation; and \$4.0 for property coverages. Title insurance risk assumptions are generally limited to a maximum of \$500.0 as to any one policy. The vast majority of title policies issued, however, carry exposures of less than \$1.0. Roughly 10% of the mortgage guaranty traditional primary insurance in force is subject to lender sponsored captive reinsurance arrangements structured primarily on an excess of loss basis. All bulk and other insurance risk in force is retained. Exclusive of reinsurance, the average direct primary mortgage guaranty exposure is (in whole dollars) \$38,697 per insured loan.

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

As a result of the September 11, 2001 terrorist attack on America, the reinsurance industry eliminated coverage from substantially all contracts for claims arising from acts of terrorism. Primary insurers like the Company thus became fully exposed to such claims. Late in 2002, the Terrorism Risk Insurance Act of 2002 (the "TRIA") was signed into law, immediately establishing a temporary federal reinsurance program administered by the Secretary of the Treasury. The program applied to insured commercial property and casualty losses resulting from an act of terrorism, as defined in the TRIA. Congress extended and modified the program in late 2005 through the Terrorism Risk Insurance Revision and Extension Act of 2005 (the "TRIREA"). TRIREA expired on December 31, 2007. Congress enacted a revised program in December 2007 through the Terrorism Risk Insurance Program Reauthorization Act of 2007 (the "TRIPRA"), a seven year extension through December 2014. The TRIA automatically voided all policy exclusions which were in effect for terrorism related losses and obligated insurers to offer terrorism coverage with most commercial property and casualty insurance lines. The TRIREA revised the definition of "property and casualty insurance" to exclude commercial automobile, burglary and theft, surety, professional liability and farm owner's multi-peril insurance. TRIPRA did not make any further

changes to the definition of property and casualty insurance, however, it does include domestic acts of terrorism within the scope of the program. Although insurers are permitted to charge an additional premium for terrorism coverage, insureds may reject the coverage. Under TRIPRA, the program's protection is not triggered for losses arising from an act of terrorism until the industry first suffers losses of \$100 billion in the aggregate during any one year. Once the program trigger is met, the program will pay 85% of an insurer's terrorism losses that exceed an individual insurer's deductible. The insurer's deductible is 20% of direct earned premium on property and casualty insurance. Insurers may reinsure that portion of the risk they retain under the program. Effective January 1, 2008, the Company reinsured limits of \$198.0 excess of \$2.0 for claims arising from certain acts of terrorism for casualty clash coverage and catastrophe workers' compensation liability insurance coverage.

Reinsurance ceded by the Company's insurance subsidiaries in the ordinary course of business is typically placed on an excess of loss basis. Under excess of loss reinsurance agreements, the companies are generally reimbursed for losses exceeding contractually agreed-upon levels. Quota share reinsurance is most often effected between the Company's insurance subsidiaries and industry-wide assigned risk plans or captive insurers owned by assureds. Under quota share reinsurance, the Company remits to the assuming entity an agreed-upon percentage of premiums written and is reimbursed for underwriting expenses and proportionately related claims costs.

Reinsurance recoverable asset balances represent amounts due from or credited by assuming reinsurers for paid and unpaid claims and premium reserves. Such reinsurance balances are recoverable from non-admitted foreign and certain other reinsurers such as captive insurance companies owned by assureds, as well as similar balances or credits arising from policies that are retrospectively rated or subject to assureds' high deductible retentions, are substantially collateralized by letters of credit, securities, and other financial instruments. Old Republic evaluates on a regular basis the financial condition of its assuming reinsurers and assureds who purchase its retrospectively rated or self-insured deductible policies. Estimates of unrecoverable amounts totaling \$21.2 at both December 31, 2013 and 2012 are included in the Company's net claim and claim expense reserves since reinsurance, retrospectively rated, and self-insured deductible policies and contracts do not relieve Old Republic from its direct obligations to assureds or their beneficiaries.

At December 31, 2013, the Company's General Insurance Group's ten largest reinsurers represented approximately 59% of the total consolidated reinsurance recoverable on paid and unpaid losses, with Munich Re America, Inc. the largest reinsurer representing 27.7% of the total recoverable balance. Of the balances due from these ten reinsurers, 84.5% was recoverable from A or better rated reinsurance companies, 3.2% from a B+ rated reinsurance company, 6.0% from an industry-wide insurance assigned risk pool, and 6.3% from foreign unrated companies. The RFIG Run-off mortgage guaranty operation's total claims exposure to its largest reinsurer, AAMBG Reinsurance, Inc., was \$10.5, which represented .4% of total consolidated reinsured liabilities as of December 31, 2013.

Property and liability insurance companies are required to annualize certain policy premiums in their regulatory financial statements though such premiums may not be contractually due nor ultimately collectible. The annualization process relies on a large number of estimates, and has the effect of increasing direct, ceded, and net premiums written, and of grossing up corresponding balance sheet premium balances and liabilities such as unearned premium reserves. The accrual of these estimates has no effect on net premiums earned or GAAP net income.

The following information relates to reinsurance and related data for the General Insurance and RFIG Run-off Groups for the three years ended December 31, 2013. Reinsurance transactions of the Title Insurance Group and small life and accident insurance operation are not material.

Years Ended December 31:	2013	2012	2011
General Insurance Group (a)			
Written premiums: Direct	\$ 3,348.1	\$ 3,043.4	\$ 2,763.0
Assumed	28.8	19.9	6.1
Ceded	<u>\$ 775.8</u>	<u>\$ 696.5</u>	<u>\$ 631.5</u>
Earned premiums: Direct	\$ 3,235.7	\$ 2,949.9	\$ 2,716.2
Assumed	24.1	17.9	8.9
Ceded	<u>\$ 746.1</u>	<u>\$ 643.4</u>	<u>\$ 615.8</u>
Claims ceded	<u>\$ 469.5</u>	<u>\$ 410.6</u>	<u>\$ 427.0</u>
RFIG Run-off Business (a)			
Written premiums: Direct	\$ 314.3	\$ 409.2	\$ 544.4
Assumed	—	—	—
Ceded	<u>\$ 9.9</u>	<u>\$ 19.3</u>	<u>\$ 23.2</u>
Earned premiums: Direct	\$ 326.4	\$ 429.8	\$ 526.4
Assumed	—	—	.1
Ceded	<u>\$ 9.9</u>	<u>\$ 19.3</u>	<u>\$ 23.2</u>
Claims ceded	<u>\$ 3.4</u>	<u>\$ 24.2</u>	<u>\$ 42.2</u>
Mortgage Guaranty Insurance in force as of December 31:			
Direct	\$ 43,994.5	\$ 56,413.7	\$ 70,520.9
Assumed	—	—	446.0
Ceded	<u>\$ 460.4</u>	<u>\$ 886.1</u>	<u>\$ 1,452.7</u>

(a) As previously noted, consumer credit indemnity coverages are reported within the RFIG Run-off segment and have been excluded from the General Insurance Group for all periods presented to conform with segment classifications adopted in 2012. See Note 6.

(b) Leases - Some of the Company's subsidiaries maintain their offices in leased premises. Some of these leases provide for the payment of real estate taxes, insurance, and other operating expenses. Rental expenses for operating leases amounted to \$49.7, \$52.6 and \$56.0 in 2013, 2012 and 2011, respectively. These expenses relate primarily to building leases of the Company. A number of the Company's subsidiaries also lease other equipment for use in their businesses. At December 31, 2013, aggregate minimum rental commitments (net of expected sub-lease receipts) under noncancellable operating leases are summarized as follows: 2014: \$52.4; 2015: \$41.6; 2016: \$33.1; 2017: \$27.3; 2018: \$20.0; 2019 and after: \$38.9.

(c) General - In the normal course of business, the Company and its subsidiaries are subject to various contingent liabilities, including possible income tax assessments resulting from tax law interpretations or issues raised by taxing or regulatory authorities in their regular examinations, catastrophic claim occurrences not indemnified by reinsurers such as noted at 4(a) above, or failure to collect all amounts on its investments or balances due from assureds and reinsurers. The Company does not have a basis for anticipating any significant losses or costs that could result from any known or existing contingencies.

From time to time, in order to assure possible liquidity needs, the Company may guaranty the timely payment of principal and/or interest on certain intercompany balances, debt, or other securities held by some of its insurance, non-insurance, and ESSOP affiliates. At December 31, 2013, the aggregate principal amount of such guaranties was \$154.0.

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

A purported class action lawsuit is pending against the Company's principal title insurance subsidiary, Old Republic National Title Insurance Company ("ORNTIC"), in a federal district court in Pennsylvania (*Markocki et al. v. ORNTIC*, U.S. District Court, Eastern District, Pennsylvania, filed June 8, 2006). The plaintiffs allege that ORNTIC failed to give consumers reissue and/or refinance credits on the premiums charged for title insurance covering mortgage refinancing transactions, as required by filed rate schedules. The suit also alleges violations of the federal Real Estate Settlement Procedures Act ("RESPA"). A class has been certified in the suit. ORNTIC is challenging the certification based on more recent case precedents.

On December 19, 2008, Old Republic Insurance Company and Republic Insured Credit Services, Inc., ("Old Republic") filed suit against Countrywide Bank FSB, Countrywide Home Loans, Inc. ("Countrywide") and Bank of New York Mellon, BNY Mellon Trust of Delaware ("BNYM") in the Circuit Court, Cook County, Illinois (*Old Republic Insurance*

Company, et al. v. Countrywide Bank FSB, et al.) seeking rescission of various credit indemnity policies issued to insure home equity loans and home equity lines of credit which Countrywide had securitized or held for its own account, a declaratory judgment and money damages based upon material misrepresentations either by Countrywide as to the credit characteristics of the loans or by the borrowers in their loan applications. Countrywide filed a counterclaim alleging a breach of contract, bad faith and seeking a declaratory judgment challenging the factual and procedural bases that Old Republic had relied upon to deny or rescind coverage for individual defaulted loans under those policies, as well as unspecified compensatory and punitive damages. The Court ruled that Countrywide does not have standing to counterclaim with respect to the policies insuring the securitized loans because those policies were issued to BNYM. In response, Countrywide and BNYM 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.

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

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 September 26, 2012 a purported national class action suit was filed against Old Republic Home Protection Company in the Superior Court of California for Riverside County. (Friedman v. Old Republic Home Protection Company, Inc.). The suit alleged that the Company operates in breach of its home warranty contracts, in breach of implied covenants of good faith and fair dealing, in violation of various provisions of the California Civil Code and Business and Professions Code and is guilty of false advertising. The stated class period was from November 24, 2004 through the present. The suit sought declaratory relief, injunctive relief, restitution, damages, costs and attorneys' fees in unspecified amounts. The firm representing the plaintiff had previously filed similar suits against the Company, which were unsuccessful. The Company succeeded in having the case removed to the U.S. District Court for the Central District of California on October 24, 2012, and on December 2, 2013 the Court granted the Company's motions to dismiss the Complaint. The Plaintiff was allowed to prepare a third amended complaint on one remaining claim.

PNC Bank, N.A., in its own right and as successor-in-interest to National City Corporation, filed suit against RMIC on October 10, 2012 in the United States District Court for the Western District of Pennsylvania disputing RMIC's denials

and rescissions of its mortgage guaranty insurance coverage on an unspecified number of mortgage loans. It filed an amended complaint on January 30, 2013 identifying 248 disputed coverage denials or rescissions (PNC Bank, N.A. v. Republic Mortgage Insurance Company). The suit sought certain declaratory relief, actual money damages and unspecified compensatory, consequential and punitive damages. In late December, 2013 the suit was settled with RMIC's reinstatement of coverage on certain loans and PNC Bank's payment of the corresponding premiums due.

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.

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 is unable to make a reasonable estimate or range of estimates of any potential liability under these lawsuits, the counterclaim, and the arbitration, all of which seek unquantified damages, attorneys' fees, and expenses. It is also unclear what effect, if any, the run-off operations of RMIC and depletion of its capital will have in the actions against it.

Note 5 - Consolidated Quarterly Results - Unaudited - Old Republic's consolidated quarterly operating data for the two years ended December 31, 2013 is presented below. In management's opinion, however, quarterly operating data for insurance enterprises such as the Company is not indicative of results to be achieved in succeeding quarters or years. The long-term nature of the insurance business, seasonal and cyclical factors affecting premium production, the fortuitous nature and, at times, delayed emergence of claims, and changes in yields on invested assets are some of the factors necessitating a review of operating results, changes in shareholders' equity, and cash flows for periods of several years to obtain a proper indicator of performance trends. The data below should be read in conjunction with the "Management Analysis of Financial Position and Results of Operations".

In management's opinion, all adjustments consisting of normal recurring adjustments necessary for a fair statement of quarterly results have been reflected in the data which follows.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<u>Year Ended December 31, 2013:</u>				
Operating Summary:				
Net premiums, fees, and other income	\$ 1,186.0	\$ 1,245.4	\$ 1,295.5	\$ 1,248.5
Net investment income and realized gains (losses)	83.8	215.9	83.7	83.0
Total revenues	1,269.9	1,461.5	1,379.5	1,331.6
Benefits, claims, and expenses	1,185.4	1,165.2	1,229.7	1,189.3
Net income (loss)	\$ 56.2	\$ 193.9	\$ 102.9	\$ 94.7
Net income (loss) per share: Basic	\$.22	\$.76	\$.40	\$.37
Diluted	\$.21	\$.67	\$.36	\$.33
Average shares outstanding:				
Basic	<u>256,279,364</u>	<u>256,749,748</u>	<u>257,098,894</u>	<u>257,706,005</u>
Diluted	<u>292,081,785</u>	<u>292,842,386</u>	<u>293,444,269</u>	<u>294,396,055</u>

Year Ended December 31, 2012:

Operating Summary:

Net premiums, fees, and other income	\$ 1,069.1	\$ 1,116.8	\$ 1,204.0	\$ 1,195.3
Net investment income and realized gains (losses)	88.7	107.0	100.6	87.8
Total revenues	1,158.0	1,223.9	1,304.8	1,283.2
Benefits, claims, and expenses	1,160.7	1,282.2	1,335.9	1,319.7
Net income (loss)	\$.4	\$ (34.0)	\$ (14.8)	\$ (20.2)
Net income (loss) per share: Basic	\$ —	\$ (.13)	\$ (.06)	\$ (.08)
Diluted	\$ —	\$ (.13)	\$ (.06)	\$ (.08)
Average shares outstanding:				
Basic	<u>255,473,634</u>	<u>255,747,273</u>	<u>255,921,356</u>	<u>256,086,431</u>
Diluted	<u>255,779,449</u>	<u>255,747,273</u>	<u>255,921,356</u>	<u>256,086,431</u>

Note 6 - Information About Segments of Business - The Company is engaged in the single business of insurance underwriting. It conducts its operations through a number of regulated insurance company subsidiaries organized into three major segments, namely its' General Insurance Group (property and liability insurance), Title Insurance Group and the Republic Financial Indemnity Group Run-off Business. The results of a small life & accident insurance business are included with those of its holding company parent and minor corporate services operations. Each of the Company's segments underwrites and services only those insurance coverages which may be written by it pursuant to state insurance regulations and corporate charter provisions.

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

The Company does not derive over 10% of its consolidated revenues from any one customer. Revenues and assets connected with foreign operations are not significant in relation to consolidated totals.

The General Insurance Group provides property and liability insurance primarily to commercial clients. Old Republic does not have a meaningful participation in personal lines of insurance. Workers' compensation is the largest type of coverage underwritten by the General Insurance Group, accounting for 35.8% of the Group's direct premiums written in 2013. The remaining premiums written by the General Insurance Group are derived largely from a wide variety of coverages, including commercial automobile (principally trucking), general liability, general aviation, directors and officers indemnity, fidelity and surety indemnities, and home and auto warranties.

The title insurance business consists primarily of the issuance of policies to real estate purchasers and investors based upon searches of the public records which contain information concerning interests in real property. The policy insures against losses arising out of defects, loans and encumbrances affecting the insured title and not excluded or excepted from the coverage of the policy.

Private mortgage insurance produced by the RFIG Run-off Business protects mortgage lenders and investors from default related losses on residential mortgage loans made primarily to homebuyers who make down payments of less than 20% of the home's purchase price. The RFIG Run-off mortgage guaranty operations insures only first mortgage loans, primarily on residential properties having one-to-four family dwelling units. CCI policies provide limited indemnity coverage to lenders and other financial intermediaries. The coverage is for the risk of non-payment of loan balances by individual buyers and borrowers.

The accounting policies of the segments parallel those described in the summary of significant accounting policies pertinent thereto.

Segment Reporting

Years Ended December 31:	2013	2012	2011
General Insurance:			
Including CCI run-off business:			
Net premiums earned	\$ 2,543.5	\$ 2,366.9	\$ 2,167.7
Net investment income and other income	336.6	375.1	379.3
Total revenues before realized gains or losses	<u>\$ 2,880.1</u>	<u>\$ 2,742.0</u>	<u>\$ 2,547.1</u>
Income (loss) before taxes (credits) and realized investment gains or losses (a)	<u>\$ 272.0</u>	<u>\$ 186.0</u>	<u>\$ 304.3</u>
Income tax expense (credits) on above	<u>\$ 85.2</u>	<u>\$ 51.1</u>	<u>\$ 94.5</u>
All CCI run-off business:			
Net premiums earned	\$ 29.8	\$ 42.4	\$ 58.3
Net investment income and other income	.4	.1	.1
Total revenues before realized gains or losses	<u>\$ 30.2</u>	<u>\$ 42.6</u>	<u>\$ 58.4</u>
Income (loss) before taxes (credits) and realized investment gains or losses	<u>\$ (16.2)</u>	<u>\$ (74.9)</u>	<u>\$ (49.6)</u>
Income tax expense (credits) on above	<u>\$ (5.6)</u>	<u>\$ (26.2)</u>	<u>\$ (17.3)</u>
Total excluding all CCI run-off business:			
Net premiums earned	\$ 2,513.7	\$ 2,324.4	\$ 2,109.4
Net investment income and other income	336.2	374.9	379.2
Total revenues before realized gains or losses	<u>\$ 2,849.9</u>	<u>\$ 2,699.4</u>	<u>\$ 2,488.6</u>
Income (loss) before taxes (credits) and realized investment gains or losses (a)	<u>\$ 288.3</u>	<u>\$ 261.0</u>	<u>\$ 353.9</u>
Income tax expense (credits) on above	<u>\$ 90.9</u>	<u>\$ 77.4</u>	<u>\$ 111.8</u>
Title Insurance:			
Net premiums earned	\$ 1,567.1	\$ 1,250.2	\$ 1,007.9
Title, escrow and other fees	429.0	427.1	354.5
Sub-total	<u>1,996.1</u>	<u>1,677.4</u>	<u>1,362.4</u>
Net investment income and other income	29.5	29.6	29.3
Total revenues before realized gains or losses	<u>\$ 2,025.6</u>	<u>\$ 1,707.1</u>	<u>\$ 1,391.8</u>
Income (loss) before taxes (credits) and realized investment gains or losses (a)	<u>\$ 124.3</u>	<u>\$ 73.8</u>	<u>\$ 36.2</u>
Income tax expense (credits) on above	<u>\$ 44.0</u>	<u>\$ 26.5</u>	<u>\$ 11.5</u>
RFIG Run-off Business:			
Excluding CCI run-off business:			
Net premiums earned	\$ 286.7	\$ 368.0	\$ 444.9
Net investment income and other income	36.4	36.6	61.2
Total revenues before realized gains or losses	<u>\$ 323.1</u>	<u>\$ 404.6</u>	<u>\$ 506.1</u>
Income (loss) before taxes (credits) and realized investment gains or losses (a)(c)	<u>\$ 126.3</u>	<u>\$ (433.6)</u>	<u>\$ (678.1)</u>
Income tax expense (credits) on above	<u>\$ 44.2</u>	<u>\$ (151.5)</u>	<u>\$ (234.3)</u>
All CCI run-off business:			
Net premiums earned	\$ 29.8	\$ 42.4	\$ 58.3
Net investment income and other income	.4	.1	.1
Total revenues before realized gains or losses	<u>\$ 30.2</u>	<u>\$ 42.6</u>	<u>\$ 58.4</u>
Income (loss) before taxes (credits) and realized investment gains or losses	<u>\$ (16.2)</u>	<u>\$ (74.9)</u>	<u>\$ (49.6)</u>
Income tax expense (credits) on above	<u>\$ (5.6)</u>	<u>\$ (26.2)</u>	<u>\$ (17.3)</u>
Total RFIG run-off MI and CCI business:			
Net premiums earned	\$ 316.5	\$ 410.5	\$ 503.2
Net investment income and other income	36.8	36.7	61.3
Total revenues before realized gains or losses	<u>\$ 353.4</u>	<u>\$ 447.3</u>	<u>\$ 564.6</u>
Income (loss) before taxes (credits) and realized investment gains or losses (a)(c)	<u>\$ 110.0</u>	<u>\$ (508.6)</u>	<u>\$ (727.8)</u>
Income tax expense (credits) on above	<u>\$ 38.5</u>	<u>\$ (177.8)</u>	<u>\$ (251.6)</u>

Segment Reporting (Continued)

Years Ended December 31:	2013	2012	2011
Consolidated Revenues:			
Total revenues of above Company segments	\$ 5,228.9	\$ 4,853.8	\$ 4,445.1
Other sources (b)	123.3	126.4	143.7
Consolidated net realized investment gains (losses)	148.1	47.8	115.5
Consolidation elimination adjustments	(57.7)	(58.0)	(58.8)
Consolidated revenues	<u>\$ 5,442.7</u>	<u>\$ 4,970.1</u>	<u>\$ 4,645.5</u>
Consolidated Income (Loss) Before Taxes (Credits):			
Total income (loss) before income taxes (credits) and realized investment gains or losses of above Company segments	\$ 522.7	\$ (173.6)	\$ (337.5)
Other sources - net (b)	2.1	(2.7)	(14.6)
Consolidated net realized investment gains (losses)	148.1	47.8	115.5
Consolidated income (loss) before income taxes (credits)	<u>\$ 672.9</u>	<u>\$ (128.5)</u>	<u>\$ (236.7)</u>
Consolidated Income Tax Expense (Credits):			
Total income tax expense (credits) for above Company segments	\$ 173.5	\$ (73.8)	\$ (128.2)
Other sources - net (b)	(.3)	(2.8)	(5.4)
Income tax expense (credits) on consolidated net realized investment gains (losses)	51.8	16.7	37.5
Consolidated income tax expense (credits)	<u>\$ 225.0</u>	<u>\$ (59.8)</u>	<u>\$ (96.1)</u>
December 31:			
Consolidated Assets:			
General Insurance		\$ 13,276.6	\$ 12,770.2
Title Insurance		1,185.5	1,076.5
RFIG Run-off Business		1,822.3	2,051.1
Total assets for above company segments		16,284.5	15,897.9
Other assets (b)		549.8	626.2
Consolidation elimination adjustments		(299.9)	(297.3)
Consolidated assets		<u>\$ 16,534.4</u>	<u>\$ 16,226.8</u>

In the above tables, net premiums earned on a GAAP basis differ slightly from statutory amounts due to certain differences in calculations of unearned premium reserves under each accounting method.

- (a) Income (loss) before taxes (credits) is reported net of interest charges on intercompany financing arrangements with Old Republic's holding company parent for the following segments: General - \$28.9, \$28.1 and \$25.0 for the years ended December 31, 2013, 2012, and 2011, respectively; Title - \$7.9, \$8.0 and \$5.3 for the years ended December 31, 2013, 2012, and 2011, respectively; RFIG Run-off - \$-, \$2.1 and \$8.0 for the years ended December 31, 2013, 2012, and 2011, respectively.
- (b) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, and a small life and accident insurance operation.
- (c) Income (loss) before taxes (credits) for 2011 includes an accrual of employment severance and similar costs (\$10.7), elimination of previously deferred acquisition costs (\$29.1) no longer deemed recoverable in future run-off periods, and a write-off of the historical goodwill balance of (\$10.7).

General Insurance results for 2012 reflect a pretax charge of \$37.9 related to previously deferred acquisition costs. The charge stemmed from new accounting guidance issued by the FASB which became effective as of January 1, 2012.

Note 7 - Transactions with Affiliates:

The Company is affiliated with a policyholder owned mutual insurer, American Business & Mercantile Insurance Mutual, Inc. ("AB&M" or "the Mutual") whose formation it sponsored in 1981. The Mutual is managed through a service agreement with several Old Republic subsidiaries. AB&M's underwriting operations are limited to certain types of coverages not provided by Old Republic, and to a small amount of intercompany reinsurance placements. The following table shows certain unaudited information reflective of such business:

Years Ended December 31:	Assumed from Old Republic			Ceded to Old Republic		
	2013	2012	2011	2013	2012	2011
Premiums earned	\$ 2.3	\$ 1.0	\$.5	\$.6	\$.4	\$.4
Commissions and fees	.6	.3	—	—	—	—
Losses and loss expenses	4.3	1.0	.4	1.5	.4	.4
Loss and loss expense reserves	8.7	4.9	4.6	3.7	2.5	2.3
Unearned premiums	\$ 1.6	\$.6	\$.3	\$.1	\$.1	\$ —

As of December 31, 2013 and 2012, the Mutual's statutory capital included surplus notes due to Old Republic of \$10.5 out of total statutory capital of \$35.0 and \$27.4, respectively. AB&M's accounts are not consolidated with Old Republic's since it is owned by its policyholders and, in any event, their inclusion would not have a significant effect on Old Republic's consolidated financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Old Republic International Corporation:

We have audited the accompanying consolidated balance sheets of Old Republic International Corporation and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, preferred stock and common shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013. We also have audited the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting under Item 9A of the 2013 Annual Report on Form 10-K. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Old Republic International Corporation and subsidiaries as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Old Republic International Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

Chicago, Illinois
March 3, 2014

Management's Responsibility for Financial Statements

Management is responsible for the preparation of the Company's consolidated financial statements and related information appearing in this report. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present the Company's financial position and results of operations in conformity with generally accepted accounting principles. Management also has included in the Company's financial statement amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

The independent registered public accounting firm has advised that they audit the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board, as stated in its reports, included herein.

The Board of Directors of the Company has an Audit Committee composed of five non-management Directors. The committee meets periodically with financial management, the internal auditors and the independent registered public accounting firm to review accounting, control, auditing and financial reporting matters.

Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A - 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 annual report. Based upon their evaluation, the principal executive officer and principal accounting 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 December 31, 2013, 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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal accounting officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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.

Based on our evaluation under the framework in *Internal Control - Integrated Framework (1992)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2013. KPMG LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2013. Their report is shown on page 97 in this Annual Report.

Item 9B - Other Information

Pursuant to the requirements of Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, the Company has filed the Annual CEO Certification with the New York Stock Exchange on June 25, 2013.

PART III

Item 10 - Directors, Executive Officers, and Corporate Governance Executive Officers of the Registrant

The following table sets forth certain information as of December 31, 2013, regarding the senior officers of the Company:

Name	Age	Position
Charles S. Boone	60	Senior Vice President - Investments and Treasurer since August, 2001.
James A. Kellogg	62	Executive Vice Chairman since July, 2010 and President of Old Republic Insurance Company since October, 2002.
Spencer LeRoy, III	67	Senior Vice President, Secretary and General Counsel since 1992.
Karl W. Mueller	54	Senior Vice President and Chief Financial Officer since October, 2004.
R. Scott Rager	65	President and Chief Operating Officer since June 2012; Senior Vice President - General Insurance and President of Old Republic General Insurance Companies since July, 2006.
Craig R. Smiddy	49	Executive Vice President and Chief Operating Officer of Old Republic General Insurance Companies since August, 2013. Prior to joining Old Republic. Mr. Smiddy was President of the Specialty Markets Division of Munich Reinsurance America, Inc.
Rande K. Yeager	65	Senior Vice President - Title Insurance since March, 2003; Chairman and Chief Executive Officer of Old Republic Title Insurance Companies since July, 2010 and March, 2002, respectively.
Aldo C. Zucaro	74	Chairman of the Board, Chief Executive Officer, and Director since 1993, 1990 and 1976, respectively; Chairman and Chief Executive Officer of Republic Financial Indemnity Group, Inc. since December, 2013.

The term of office of each officer of the Company expires on the date of the annual meeting of the board of directors, which is generally held in May of each year. There is no family relationship between any of the executive officers named above. Each of these named officers, except for Craig R. Smiddy, has been employed in senior capacities with the Company and/or its subsidiaries for the past five years. Mr. LeRoy has been determined by the Company to not be an executive officer under Rule 3-b7 of the Exchange Act.

The Company will file with the Commission a definitive proxy statement pursuant to Regulation 14a in connection with its Annual Meeting of Shareholders to be held on May 23, 2014. A list of Directors appears on the "Signature" page of this report. Information about the Company's directors is contained in the Company's definitive proxy statement for the 2013 Annual Meeting of shareholders, which is incorporated herein by reference.

The Company has adopted a code of ethics that applies to its principal executive officer and principal financial officer. A copy has been filed with the Commission and appears as Exhibit (14) in the exhibit index under item 15. The Company has also posted the text of its code of ethics on its internet website at www.oldrepublic.com.

Item 11 - Executive Compensation

Information with respect to this Item is incorporated herein by reference to the section entitled "Executive Compensation" in the Company's proxy statement in connection with the Annual Meeting of Shareholders to be held on May 23, 2014, which will be on file with the Commission.

Item 12 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information with respect to this Item is incorporated herein by reference to the sections entitled "General Information" and "Principal Holders of Securities" in the Company's proxy statement to be filed with the Commission in connection with the Annual Meeting of Shareholders to be held on May 23, 2014.

Item 13 - Certain Relationships and Related Transactions

Information with respect to this Item is incorporated herein by reference to the sections entitled "Procedures for the Approval of Related Person Transactions" and "The Board of Directors Responsibilities and Independence" contained in the Company's Proxy Statement in connection with the Annual Meeting of Shareholders to be held on May 23, 2014, which will be on file with the Commission.

Item 14 - Principal Accountant Fees and Services

Information with respect to this Item is incorporated herein by reference to the paragraphs following Item 2 concerning the "Ratification of the Selection of an Independent Registered Public Accounting Firm" contained in the Company's Proxy Statement in connection with the Annual Meeting of Shareholders to be held on May 23, 2014, which will be on file with the Commission.

PART IV

Item 15 - Exhibits

Documents filed as a part of this report:

1. Financial statements: See Item 8, Index to Financial Statements.
2. See exhibit index on page 114 of this report.
3. Financial Statement Schedules.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 (Name, Title or Principal Capacity, and Date).

(Registrant): **Old Republic International Corporation**

By: _____
Aldo C. Zucaro, Chairman of the Board, Date
Chief Executive Officer and Director

By: _____
Karl W. Mueller, Senior Vice President, Date
Chief Financial Officer, and
Principal Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated (Name, Title or Principal Capacity, and Date).

Harrington Bischof, Director*

Arnold L. Steiner, Director*

Jimmy A. Dew, Director*

Fredricka Taubitz, Director*

John M. Dixon, Director*

Charles F. Titterton, Director*

James C. Hellauer, Director*

Dennis P. Van Mieghem, Director*

Leo E. Knight, Jr., Director*

Steven Walker, Director*

* By /s/ Aldo C. Zucaro
Attorney-in-fact
Date: March 3, 2014

INDEX TO FINANCIAL STATEMENT SCHEDULES

Report of Independent Registered Public Accounting Firm

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES

Schedule I - Summary of Investments - Other than Investments in Related Parties as of December 31, 2013

Schedule II - Condensed Financial Information of Registrant as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011

Schedule III - Supplementary Insurance Information for the years ended December 31, 2013, 2012 and 2011

Schedule IV - Reinsurance for the years ended December 31, 2013, 2012 and 2011

Schedule V - Valuation and Qualifying Accounts for the years ended December 31, 2013, 2012 and 2011

Schedule VI - Supplemental Information Concerning Property - Casualty Insurance Operations for the years ended December 31, 2013, 2012 and 2011

Schedules other than those listed are omitted for the reason that they are not required, are not applicable or that equivalent information has been included in the financial statements, notes thereto, or elsewhere herein.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON
FINANCIAL STATEMENT SCHEDULES**

To the Board of Directors and Shareholders of
Old Republic International Corporation:

Under date of March 3, 2014, we reported on the consolidated balance sheets of Old Republic International Corporation and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, preferred stock and common shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013, as contained in the annual report on Form 10-K for the year 2013. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedules as listed in the accompanying index. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Chicago, Illinois
March 3, 2014

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE I - SUMMARY OF INVESTMENTS - OTHER THAN INVESTMENTS IN RELATED PARTIES
As of December 31, 2013
(\$ in Millions)

Column A	Column B	Column C	Column D
<u>Type of investment</u>	<u>Cost (1)</u>	<u>Fair Value</u>	<u>Amount at which shown in balance sheet</u>
Available for sale:			
Fixed maturity securities:			
United States Government and government agencies and authorities	\$ 1,004.6	\$ 1,028.6	\$ 1,028.6
States, municipalities and political subdivisions	168.1	171.3	171.3
Foreign government	128.4	132.5	132.5
Corporate, industrial and all other	7,176.0	7,379.8	7,379.8
	<u>8,477.3</u>	<u>\$ 8,712.3</u>	<u>8,712.3</u>
Equity securities:			
Non-redeemable preferred stocks	.6	\$.7	.7
Common stocks:			
Banks, trusts and insurance companies	31.8	223.5	223.5
Industrial, miscellaneous and all other	435.9	540.1	540.1
Indexed mutual funds	163.6	239.8	239.8
	<u>632.0</u>	<u>\$ 1,004.2</u>	<u>1,004.2</u>
Short-term investments	1,124.8		1,124.8
Miscellaneous investments	21.6		21.6
Total	10,255.9		10,863.1
Other investments	5.3		5.3
Total Investments	<u>\$ 10,261.2</u>		<u>\$ 10,868.5</u>

(1) Represents original cost of equity securities, and as to fixed maturities, original cost reduced by repayments and adjusted for amortization of premium or accrual of discount.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEETS
OLD REPUBLIC INTERNATIONAL CORPORATION (PARENT COMPANY)
(\$ in Millions)

	December 31,	
	2013	2012
Assets:		
Bonds and notes	\$ 10.5	\$ 55.8
Short-term investments	138.0	159.4
Cash	20.1	—
Investments in, and indebtedness of related parties	4,308.5	4,121.5
Other assets	87.4	114.2
Total Assets	<u>\$ 4,564.6</u>	<u>\$ 4,451.1</u>
Liabilities and Common Shareholders' Equity:		
Liabilities:		
Accounts payable and accrued expenses	\$ 131.6	\$ 187.2
Debt and debt equivalents	568.0	570.8
Indebtedness to affiliates and subsidiaries	89.8	96.8
Commitments and contingent liabilities		
Total Liabilities	<u>789.6</u>	<u>854.9</u>
Common Shareholders' Equity:		
Common stock	260.4	259.4
Additional paid-in capital	673.9	660.9
Retained earnings	2,485.3	2,222.3
Accumulated other comprehensive income (loss)	378.2	481.7
Unallocated ESSOP shares (at cost)	(23.0)	(28.2)
Total Common Shareholders' Equity	<u>3,775.0</u>	<u>3,596.2</u>
Total Liabilities and Common Shareholders' Equity	<u>\$ 4,564.6</u>	<u>\$ 4,451.1</u>

See accompanying Notes to Condensed Financial Statements.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF INCOME
OLD REPUBLIC INTERNATIONAL CORPORATION (PARENT COMPANY)
(\$ in Millions)

	Years Ended December 31,		
	2013	2012	2011
Revenues:			
Investment income from subsidiaries	\$ 38.1	\$ 39.9	\$ 40.1
Real estate and other income	4.4	4.4	4.1
Other investment income	.8	.5	.6
Total revenues	<u>43.3</u>	<u>44.9</u>	<u>44.9</u>
Expenses:			
Interest - subsidiaries	1.3	.5	.6
Interest - other	23.1	33.8	47.6
Real estate and other expenses	4.3	3.8	3.8
General expenses, taxes and fees	11.6	11.2	12.3
Total expenses	<u>40.5</u>	<u>49.4</u>	<u>64.5</u>
Revenues, net of expenses	2.7	(4.4)	(19.5)
Federal income taxes (credits)	.3	(3.3)	(7.2)
Income (loss) before equity in earnings (losses) of subsidiaries	<u>2.4</u>	<u>(1.0)</u>	<u>(12.2)</u>
Equity in Earnings (Losses) of Subsidiaries:			
Dividends received	205.3	211.5	177.1
Earnings (losses) in excess of dividends	<u>240.1</u>	<u>(279.1)</u>	<u>(305.3)</u>
Net Income (Loss)	<u>\$ 447.8</u>	<u>\$ (68.6)</u>	<u>\$ (140.5)</u>

See accompanying Notes to Condensed Financial Statements.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF CASH FLOWS
OLD REPUBLIC INTERNATIONAL CORPORATION (PARENT COMPANY)
(\$ in Millions)

	Years Ended December 31,		
	2013	2012	2011
Cash flows from operating activities:			
Net income (loss)	\$ 447.8	\$ (68.6)	\$ (140.5)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Accounts receivable	(.7)	.2	(.1)
Income taxes - net	24.5	(83.8)	55.9
Excess of equity in net (income) loss of subsidiaries over cash dividends received	(240.1)	262.6	305.3
Accounts payable, accrued expenses and other	(2.0)	6.4	10.9
Total	229.5	116.7	231.5
Cash flows from investing activities:			
Fixed maturity securities:			
Maturities and early calls	10.0	—	—
Purchases of:			
Fixed assets for company use	(2.3)	(1.4)	(4.3)
Net repayment (issuance) of notes to related parties	(87.4)	380.0	(564.4)
Net decrease (increase) in short-term investments	21.4	(44.4)	(18.6)
Total	(58.3)	334.0	(587.4)
Cash flows from financing activities:			
Issuance of debentures and notes	—	—	537.0
Net receipt (repayment) of notes and loans from related parties	25.0	49.0	(1.5)
Issuance of common shares	11.8	1.0	1.2
Redemption of debentures and notes	(2.7)	(318.7)	(2.3)
Dividends on common shares	(184.8)	(181.5)	(178.4)
Other - net	(.4)	(.6)	(.1)
Total	(151.1)	(450.8)	355.8
Increase (decrease) in cash	20.0	—	—
Cash, beginning of year	—	—	—
Cash, end of year	\$ 20.1	\$ —	\$ —

See accompanying Notes to Condensed Financial Statements.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
NOTES TO CONDENSED FINANCIAL STATEMENTS
(\$ in Millions)

Note 1 - Summary of Significant Accounting Policies

Old Republic International Corporation's ("the Company" or "Old Republic") condensed financial statements are presented in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") of accounting principles generally accepted in the United States of America ("GAAP") and should be read in conjunction with the consolidated financial statements and notes thereto of Old Republic International Corporation and Subsidiaries included in its Annual Report on Form 10-K.

Note 2 - Investments in Consolidated Subsidiaries

Old Republic International Corporation's investments in consolidated subsidiaries are reflected in the condensed financial statements in accordance with the equity method of accounting. Undistributed earnings in excess of dividends received are recorded as separate line items in the condensed statements of income.

Note 3 - Debt

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.

In 2008, the Company secured a ten year \$30.0 bank loan to enable its Employees Savings and Stock Ownership Plan ("ESSOP") to purchase Old Republic common stock. Principal amounts of \$18.0 and \$20.8 were outstanding as of December 31, 2013 and 2012, respectively. The average yield of the ESSOP bank loan was 3.69% and 3.74% at December 31, 2013 and 2012, respectively.

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

At December 31, 2013, the Company had sufficient liquid resources available to redeem a substantial portion of the 3.75% Notes. Management continues to explore the Company's options to address possibly greater liquidity needs in the circumstance that an event of default was to occur at a future date. These potential plans include completion of the previously announced recapitalization of the Company's mortgage guaranty subsidiary, RMIC Companies, Inc., which would result in the deconsolidation of RMIC thus preventing an event of default. In connection with such a transaction, it is expected that Old Republic would contribute up to \$50.0 of this new capital. Other plans include an amendment to the 3.75% Notes removing RMIC from the definition of a Significant Subsidiary, an additional capital raise through issuance of new straight or convertible debt, or the utilization of intra system dividend and financing capacity. While Management is confident that an event of default can be stemmed, there is no assurance that its impact could be addressed through execution of these plans.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE III - SUPPLEMENTARY INSURANCE INFORMATION
For the Years Ended December 31, 2013, 2012 and 2011
(\$ in Millions)

Column A	Column B	Column C	Column D	Column E	Column F
Segment	Deferred Policy Acquisition Costs	Losses, Claims and Settlement Expenses	Unearned Premiums	Other Policyholders' Benefits and Funds	Premium Revenue
Year Ended December 31, 2013:					
Insurance Underwriting:					
General Insurance Group	\$ 170.4	\$ 4,334.1	\$ 1,174.2	\$ 116.9	\$ 2,513.7
Title Insurance Group	—	471.5	—	6.5	1,567.1
RFIG Run-off Business	—	1,774.2	28.8	—	316.5
Corporate & Other (1)	22.2	16.8	—	54.8	59.3
Reinsurance Recoverable (2)	—	2,836.7	284.7	29.3	—
Consolidated	<u>\$ 192.6</u>	<u>\$ 9,433.5</u>	<u>\$ 1,487.8</u>	<u>\$ 207.8</u>	<u>\$ 4,456.6</u>
Year Ended December 31, 2012:					
Insurance Underwriting:					
General Insurance Group	\$ 139.4	\$ 4,048.9	\$ 1,068.8	\$ 107.7	\$ 2,324.4
Title Insurance Group	—	396.4	—	7.0	1,250.2
RFIG Run-off Business	—	1,994.8	40.5	—	410.5
Corporate & Other (1)	26.0	15.9	—	55.7	58.6
Reinsurance Recoverable (2)	—	2,847.0	255.1	31.2	—
Consolidated	<u>\$ 165.5</u>	<u>\$ 9,303.3</u>	<u>\$ 1,364.4</u>	<u>\$ 201.8</u>	<u>\$ 4,043.8</u>
Year Ended December 31, 2011:					
Insurance Underwriting:					
General Insurance Group	\$ 168.6	\$ 3,874.9	\$ 1,009.2	\$ 96.9	\$ 2,109.4
Title Insurance Group	—	332.0	—	6.1	1,007.9
RFIG Run-off Business	—	1,654.0	57.6	—	503.2
Corporate & Other (1)	29.0	17.4	—	56.9	74.9
Reinsurance Recoverable (2)	—	2,908.1	201.9	33.0	—
Consolidated	<u>\$ 197.6</u>	<u>\$ 8,786.6</u>	<u>\$ 1,268.8</u>	<u>\$ 193.1</u>	<u>\$ 3,695.5</u>

- (1) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, a small life & accident insurance operation and consolidation elimination adjustments.
- (2) In accordance with GAAP, reinsured losses and unearned premiums are to be reported as assets. Assets and liabilities were, as a result, increased by corresponding amounts of approximately \$3.1 billion at December 31, 2013, 2012 and 2011. This accounting treatment does not have any effect on the Company's results of operations.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE III - SUPPLEMENTARY INSURANCE INFORMATION
For the Years Ended December 31, 2013, 2012 and 2011
(\$ in Millions)

Column A	Column G	Column H	Column I	Column J	Column K
Segment	Net Investment Income	Benefits, Claims, Losses and Settlement Expenses	Amortization of Deferred Policy Acquisition Costs	Other Operating Expenses	Premiums Written
Year Ended December 31, 2013:					
Insurance Underwriting:					
General Insurance Group	\$ 249.6	\$ 1,849.4	\$ 315.4	\$ 396.3	\$ 2,601.1
Title Insurance Group	26.6	134.0	—	1,767.2	1,567.1
RFIG Run-off Business	36.8	217.7	—	25.5	304.3
Corporate & Other (1)	5.6	37.0	16.4	9.9	61.0
Reinsurance Recoverable (2)	—	—	—	—	—
Consolidated	<u>\$ 318.7</u>	<u>\$ 2,238.3</u>	<u>\$ 331.9</u>	<u>\$ 2,199.4</u>	<u>\$ 4,533.6</u>
Year Ended December 31, 2012:					
Insurance Underwriting:					
General Insurance Group	\$ 264.9	\$ 1,696.0	\$ 327.9	\$ 414.4	\$ 2,366.9
Title Insurance Group	27.3	120.8	—	1,512.3	1,250.2
RFIG Run-off Business	36.3	910.4	—	45.4	389.8
Corporate & Other (1)	7.9	38.0	15.3	17.8	58.5
Reinsurance Recoverable (2)	—	—	—	—	—
Consolidated	<u>\$ 336.5</u>	<u>\$ 2,765.3</u>	<u>\$ 343.2</u>	<u>\$ 1,990.1</u>	<u>\$ 4,065.5</u>
Year Ended December 31, 2011:					
Insurance Underwriting:					
General Insurance Group	\$ 270.5	\$ 1,460.0	\$ 296.7	\$ 374.6	\$ 2,137.6
Title Insurance Group	27.3	105.7	—	1,249.8	1,007.9
RFIG Run-off Business	59.3	1,160.1	52.3	83.2	521.2
Corporate & Other (1)	7.4	38.5	22.7	38.2	75.1
Reinsurance Recoverable (2)	—	—	—	—	—
Consolidated	<u>\$ 364.6</u>	<u>\$ 2,764.3</u>	<u>\$ 371.8</u>	<u>\$ 1,745.9</u>	<u>\$ 3,742.0</u>

- (1) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, a small life & accident insurance operation and consolidation elimination adjustments.
- (2) In accordance with GAAP, reinsured losses and unearned premiums are to be reported as assets. Assets and liabilities were, as a result, increased by corresponding amounts of approximately \$3.1 billion at December 31, 2013, 2012 and 2011. This accounting treatment does not have any effect on the Company's results of operations.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE IV - REINSURANCE
For the years ended December 31, 2013, 2012 and 2011
(\$ in Millions)

Column A	Column B	Column C	Column D	Column E	Column F
	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
Year Ended December 31, 2013:					
Life insurance in force	\$ 7,950.9	\$ 3,946.9	\$ —	\$ 4,004.0	—%
Premium Revenues:					
General Insurance	\$ 3,235.7	\$ 746.1	\$ 24.1	\$ 2,513.7	1.0%
Title Insurance	1,564.4	—	2.7	1,567.1	.2
RFIG Run-off	326.4	9.9	—	316.5	—
Life and Health Insurance:					
Life insurance	21.2	8.1	—	13.1	—
Accident and health insurance	56.6	10.4	—	46.1	—
Total Life & Health Insurance	77.9	18.5	—	59.3	—
Consolidating adjustments	—	—	—	—	—
Consolidated	\$ 5,204.5	\$ 774.8	\$ 26.9	\$ 4,456.6	.6%
Year Ended December 31, 2012:					
Life insurance in force	\$ 9,375.2	\$ 4,853.0	\$ —	\$ 4,522.1	—%
Premium Revenues:					
General Insurance	\$ 2,949.9	\$ 643.4	\$ 17.9	\$ 2,324.4	.8%
Title Insurance	1,248.6	—	1.6	1,250.2	.1
RFIG Run-off	429.8	19.3	—	410.5	—
Life and Health Insurance:					
Life insurance	23.5	10.2	—	13.3	—
Accident and health insurance	56.4	11.1	—	45.2	—
Total Life & Health Insurance	79.9	21.3	—	58.6	—
Consolidating adjustments	—	—	—	—	—
Consolidated	\$ 4,708.4	\$ 684.2	\$ 19.6	\$ 4,043.8	.5%
Year Ended December 31, 2011:					
Life insurance in force	\$ 10,201.4	\$ 5,312.1	\$ —	\$ 4,889.2	—%
Premium Revenues:					
General Insurance	\$ 2,716.2	\$ 615.8	\$ 8.9	\$ 2,109.4	.4%
Title Insurance	1,005.5	.1	2.5	1,007.9	.3
RFIG Run-off	526.4	23.2	.1	503.2	—
Life and Health Insurance:					
Life insurance	25.7	10.4	—	15.2	—
Accident and health insurance	71.7	12.1	—	59.6	—
Total Life & Health Insurance	97.4	22.5	—	74.9	—
Consolidating adjustments	—	—	—	—	—
Consolidated	\$ 4,345.7	\$ 661.7	\$ 11.6	\$ 3,695.5	.3%

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE V - VALUATION AND QUALIFYING ACCOUNTS
For the years ended December 31, 2013, 2012 and 2011
(\$ in Millions)

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Deductions - Describe	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts - Describe		
Year Ended December 31, 2013:					
Deducted from Asset Accounts:					
Reserve for unrecoverable reinsurance	\$ 21.2	\$ —	\$ —	\$ —	\$ 21.2
Deferred tax asset valuation Allowance (1)	\$ 9.6	\$ —	\$ —	\$ —	\$ 9.6
Year Ended December 31, 2012:					
Deducted from Asset Accounts:					
Reserve for unrecoverable reinsurance	\$ 28.2	\$ —	\$ —	\$ (7.0)	\$ 21.2
Deferred tax asset valuation Allowance (1)	\$ 12.2	\$ —	\$ —	\$ (2.5)	\$ 9.6
Year Ended December 31, 2011:					
Deducted from Asset Accounts:					
Reserve for unrecoverable reinsurance	\$ 28.2	\$ —	\$ —	\$ —	\$ 28.2
Deferred tax asset valuation Allowance (1)	\$ 13.5	\$ —	\$ —	\$ (1.3)	\$ 12.2

- (1) A valuation allowance was established against deferred tax assets as of December 31, 2013, 2012 and 2011 related to certain net operating loss and tax credit carryforwards which the Company did not expect to realize. In valuing the deferred tax assets, the Company considered certain factors including primarily the scheduled reversals of certain deferred tax liabilities, estimates of future taxable income, the impact of available carryback and carryforward periods, as well as the availability of certain tax planning strategies. The Company estimates that all remaining deferred tax assets at year end 2013 will more likely than not be fully realized.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE VI - SUPPLEMENTAL INFORMATION CONCERNING
PROPERTY-CASUALTY INSURANCE OPERATIONS
For the years ended December 31, 2013, 2012 and 2011
(\$ in Millions)

Column A	Column B	Column C	Column D	Column E
Affiliation With Registrant (1)	Deferred Policy Acquisition Costs	Reserves for Unpaid Claims and Claim Adjustment Expenses (2)	Discount, If Any, Deducted in Column C	Unearned Premiums (2)
Year Ended December 31:				
2013	\$ 170.4	\$ 4,400.3	\$ 241.4	\$ 1,174.2
2012	139.4	4,119.2	230.8	1,068.8
2011	168.6	3,928.1	235.1	1,009.2
Column A	Column F	Column G	Column H	
Affiliation With Registrant (1)	Earned Premiums	Net Investment Income	Claims and Claim Adjustment Expenses Incurred Related to	
			Current Year	Prior Years
Year Ended December 31:				
2013	\$ 2,543.5	\$ 250.0	\$ 1,919.1	\$ (40.4)
2012	2,366.9	265.0	1,810.8	(19.8)
2011	2,167.7	270.5	1,678.5	(149.2)
Column A	Column I	Column J	Column K	
Affiliation With Registrant (1)	Amortization of Deferred Policy Acquisition Costs	Paid Claims and Claim Adjustment Expenses	Premiums Written	
Year Ended December 31:				
2013	\$ 315.4	\$ 1,597.5	\$ 2,630.3	
2012	327.9	1,577.9	2,405.8	
2011	298.9	1,551.1	2,220.7	

- (1) Includes consolidated property-casualty entities. The amounts relating to the Company's unconsolidated property-casualty subsidiaries and the proportionate share of the registrant's and its subsidiaries' 50%-or-less owned property-casualty equity investees are immaterial and have, therefore, been omitted from this schedule.
- (2) See note (2) to Schedule III.

EXHIBIT INDEX

An index of exhibits required by Item 601 of Regulation S-K follows:

- (3) Articles of incorporation and by-laws.
 - (A) * Restated Certificate of Incorporation. (Exhibit 3(A) to Registrant's Annual Report on Form 10-K for 2004).
 - (B) * By-laws, as amended. (Exhibit 99.2 to Form 8-K filed August 23, 2013).
- (4) Instruments defining the rights of security holders, including indentures.
 - (A) * Amended and Restated Rights Agreement dated as of November 19, 2007 between Old Republic International Corporation and Wells Fargo Bank, NA. (Exhibit 4.1 to Registrant's Form 8-A/A filed November 19, 2007).
 - (B) * Agreement to furnish certain long-term debt instruments to the Securities & Exchange Commission upon request. (Exhibit 4(D) to Registrant's Form 8 dated August 28, 1987).
 - (C) * Form of Indenture dated as of August 15, 1992 between Old Republic International Corporation and the Wilmington Trust Company, as Trustee (refiled as Exhibit 4.1 to Registrant's Form 8-K filed April 22, 2009).
 - (D) * Fourth Supplemental Indenture dated as of March 8, 2011 between Old Republic International Corporation and the Wilmington Trust Company, as Trustee. (Exhibit 4.1 to Registrant's Form 8-K filed March 8, 2011).
- (10) Material contracts.
 - ** (A) * Amended and Restated Old Republic International Corporation Key Employees Performance Recognition Plan. (Exhibit 10(A) to Registrant's Annual Report on Form 10-K for 2002).
 - ** (B) * Old Republic International Corporation 2005 Key Employees Performance Recognition Plan. (Exhibit 10(B) to Registrant's Annual Report on Form 10-K for 2006).
 - ** (C) * Amended and Restated 2002 Old Republic International Corporation Non-qualified Stock Option Plan. (Exhibit 10(C) to Registrant's Annual Report on Form 10-K for 2005).
 - ** (D) * Restated Old Republic International Corporation 2006 Incentive Compensation Plan. (Exhibit 10(E) to Registrant's Annual Report on Form 10-K for 2012).
 - ** (E) * Amended and Restated Old Republic International Corporation Executives Excess Benefits Pension Plan. (Exhibit 10(F) to Registrant's Annual Report on Form 10-K for 2008).
 - ** (F) * Form of Indemnity Agreement between Old Republic International Corporation and each of its directors and certain officers. (Exhibit 10 to Form S-3 Registration Statement No. 33-16836).
 - ** (G) * RMIC Corporation/Republic Mortgage Insurance Company Amended and Restated Key Employees Performance Recognition Plan. (Exhibit 10(I) to Registrant's Annual Report on Form 10-K for 2000).
 - ** (H) * RMIC/Republic Mortgage Insurance Company 2005 Key Employees Performance Recognition Plan. (Exhibit 10(J) to Registrant's Annual Report on Form 10-K for 2006).
 - ** (I) * Amended and Restated RMIC Corporation/Republic Mortgage Insurance Company Executives Excess Benefits Pension Plan. (Exhibit 10(J) to Registrant's Annual Report on Form 10-K for 2008).
 - ** (J) * Amended and Restated Old Republic Risk Management Key Employees Recognition Plan. (Exhibit 10(J) to Registrant's Annual Report on Form 10-K for 2002).
 - ** (K) * Old Republic Risk Management, Inc. 2005 Key Employees Performance Recognition Plan. (Exhibit 10(M) to Registrant's Annual Report on Form 10-K for 2006).
 - ** (L) * Old Republic National Title Group Incentive Compensation Plan. (Exhibit 10(K) to Registrant's Annual Report on Form 10-K for 2003).

(Exhibit Index, Continued)

- ** (M) * ORI Great West Holdings, Inc. Key Employees Performance Recognition Plan. (Exhibit 10(O) to Registrant's Annual Report on Form 10-K for 2006).
- ** (N) * ORI Great West Holdings, Inc. 2005 Key Employees Performance Recognition Plan. (Exhibit 10(P) to Registrant's Annual Report on Form 10-K for 2006).
- (O) * Form of Tax Sharing Agreement between Old Republic International Corporation and each of its subsidiary companies. (Exhibit 10(a) to Registrant's March 31, 2013 report on Form 10-Q).
- (12) Not applicable
- (13) Not applicable
- (14) * Code of Ethics for the Principal Executive Officer and Senior Financial Officer. (Exhibit 99.1 to Registrant's Form 8-K filed May 19, 2009).
- (21) Subsidiaries of the registrant.
- (23.1) Consent of KPMG LLP.
- (24) Powers of attorney.
- (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.
- (32.2) Certification by Karl W. Mueller, Chief Financial 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.
- (99.1) Old Republic International Corporation Audit Committee Charter.
- (99.2) * Old Republic International Corporation Governance and Nominating Committee Charter. (Exhibit 99.3 to Registrant's Form 8-K filed June 3, 2010).
- (99.3) * Old Republic International Corporation Compensation Committee Charter. (Exhibit 99.3 to Registrant's Annual Report on Form 10-K for 2012).
- (99.4) * Code of Business Conduct and Ethics. (Exhibit 99.2 to Registrant's Form 8-K filed May 19, 2009).
- (99.5) * Corporate Governance Guidelines. (Exhibit 99.5 to Registrant's Annual Report on Form 10-K for 2012).

* Exhibit incorporated herein by reference.

** Denotes a management or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 601 of Regulation S-K.

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OLD REPUBLIC INTERNATIONAL CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TIME AND DATE..... 3:00 P.M., Central Daylight Time, Friday, May 23, 2014

PLACE..... Old Republic Building
22nd Floor Conference Center
307 N. Michigan Avenue
Chicago, Illinois 60601

ITEMS OF BUSINESS

- To elect four members of the Class 3 Board of Directors, each for a term of three years.
- To ratify the selection of KPMG LLP as the Company's independent registered public accounting firm for 2014.
- To have an advisory vote concerning the Company's executive compensation.
- To transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

RECORD DATE You can vote if you are a shareholder of record on March 28, 2014.

ANNUAL REPORT TO SHAREHOLDERS..... Our annual report to shareholders for the year 2013 is printed together with this proxy statement. The Company's Forms 10-K, 10-Q and other reports to shareholders may be accessed through our website at www.oldrepublic.com or by writing to Investor Relations at the Company address.

PROXY VOTING It is important that your shares be represented and voted at the Meeting. You can vote your shares by completing and returning your proxy card or by voting on the Internet or by telephone.

April 15, 2014

By order of the Board of Directors

Spencer LeRoy III
Senior Vice President, General Counsel
and Secretary

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Proxy Statement

OLD REPUBLIC INTERNATIONAL CORPORATION

ANNUAL MEETING OF SHAREHOLDERS

May 23, 2014

GENERAL INFORMATION

This proxy statement is being furnished to the shareholders of Old Republic International Corporation, a Delaware insurance holding corporation (together with its subsidiaries, the "Company", "Old Republic" or "ORI"), 307 North Michigan Avenue, Chicago, Illinois 60601, in connection with the solicitation of proxies by its Board of Directors for use at the annual meeting of shareholders to be held on May 23, 2014 and any adjournments thereof. The approximate date on which this proxy statement and the accompanying proxy are first being sent to the shareholders is April 15, 2014.

The proxy may be revoked at any time before it is voted by written notification addressed to the persons named therein as proxies, and mailed or delivered to the Company at the above address. All shares represented by effective proxies will be voted at the meeting and at any adjournments thereof.

If the enclosed proxy is properly executed and returned in time for voting, the shares represented thereby will be voted as indicated thereon. If no specification is made, the proxy will be voted by the proxy committee for the election of the director nominees named below (or substitutes thereof if any nominees are unable or refuse to serve); for the selection of the Company's independent registered public accounting firm; for the advisory vote concerning the Company's executive compensation as recommended by the Board of Directors; and in its discretion upon any other matters which may properly come before the meeting.

The Company has one class of voting stock outstanding, Common Stock, \$1.00 par value per share ("Common Stock"). On March 28, 2014 there were 260,546,465 shares of Common Stock outstanding and entitled to one vote each on all matters considered at the meeting. Shareholders of record as of the close of business on that date are entitled to notice of and to vote at the meeting. There are no cumulative voting rights with respect to the election of directors.

VOTING PROCEDURES

The Company's Certificate of Incorporation and By-laws do not proscribe any voting procedures. Therefore, the General Corporation Law of the State of Delaware applies and specifies that unless the corporation's Certificate of Incorporation or By-laws provide otherwise, votes on matters presented at Shareholders' Meetings are decided as follows: (1) directors are elected by a plurality of the shares present in person or by proxy at the meeting and entitled to vote, (2) amendments to the Company's Certificate of Incorporation are determined by the affirmative vote of the majority of shares outstanding and entitled to vote, and (3) all other matters are determined by the affirmative vote of the majority of shares present in person or by proxy at the meeting and entitled to vote. The regulation concerning the frequency of voting on executive compensation matters requires that the shareholders have the ability to select the interval for advisory votes on executive compensation. The shareholders of the Company recommended at its 2012 meeting and the Board of Directors concurred in having annual votes on executive compensation.

Under Delaware law, the votes at the Company's Annual Shareholders' Meeting will be counted by the inspectors of election appointed by the Chairman at the meeting. The inspectors are charged with ascertaining the number of shares outstanding, the number of shares present, whether in person or by proxy, and the validity of all proxies. The inspectors are entitled to rule on any voting challenges and are responsible for the tabulation of the voting results.

A quorum for the Company's Annual Shareholders' Meeting is one third of the shares outstanding and entitled to vote appearing in person or by proxy at the meeting. Under Delaware law, abstentions are counted in determining the quorum of the meeting and as having voted on any proposal on which an abstention is voted. Therefore, on those proposals which require a plurality vote of the shares entitled to vote in person or by proxy at the meeting the vote of an abstention has no effect. However, on those proposals which require an affirmative vote of the majority of shares present in person or by proxy at the meeting the vote of an abstention has the effect of a vote against the proposal.

Shares beneficially owned but registered in the name of a broker or bank will be counted for the determination of a quorum for the meeting if there is a discretionary voting item on the meeting agenda within the meaning of section 402.08 of the New York Stock Exchange ("NYSE") listed company manual. If there is a discretionary item on the agenda and the broker or bank does not vote these shares (a "non-vote"), they will not be counted as having voted on the proposal. Therefore, on those proposals which require a plurality or a majority vote of the shares at the meeting that are entitled to vote, a non-vote will have no effect. However, on those proposals which require an

affirmative vote of the majority of the shares outstanding who are entitled to vote, a non-vote has the effect of a vote against the proposal. If there are no discretionary voting items on the meeting agenda, shares beneficially held in the name of a broker or bank shall not be counted in determining a quorum. This year Item 2 is a discretionary voting item.

Shareholders can simplify their voting and save Old Republic expense by voting by telephone or by Internet. If you vote by telephone or Internet, you need not mail back your proxy card. Telephone and Internet voting information is provided on your proxy card. A Control Number, located on the proxy card, is designed to verify your identity and allow you to vote your shares and confirm that your voting instructions have been properly recorded. If your shares are held in the name of a bank or broker, follow the voting instructions on the form you receive from that firm. To revoke a proxy given, or change your vote cast, by telephone or Internet, you must do so by following the directions on your proxy card, provided such changes are made by 12:01 AM, Eastern Daylight Time on May 22, 2014.

HOUSEHOLDING OF PROXIES

The Securities and Exchange Commission ("SEC") has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for annual reports and proxy statements with respect to two or more shareholders sharing the same address by delivering a single annual report and/or proxy statement addressed to those shareholders. This process, which is commonly referred to as "householding", potentially provides extra convenience for shareholders and cost savings for companies. The Company and some brokers who distribute annual reports and proxy materials may deliver a single annual report and/or proxy statement to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders.

Once you have received notice from your broker or the Company that your broker or the Company will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. You may request to receive promptly at any time a separate copy of our annual report or proxy statement by sending a written request to the Company at the above address, attention Investor Relations, or by visiting our website, www.oldrepublic.com and downloading this material.

If, at any time, you no longer wish to participate in householding and would prefer to receive a separate annual report and proxy statement in the future, please notify your broker if your shares are held in a brokerage account, or if you hold registered shares, the Company's transfer agent, Wells Fargo Shareholder Services, P.O. Box 64874, St. Paul, MN 55075, phone number 800-468-9716.

SHAREHOLDER PROPOSALS FOR THE 2015 ANNUAL MEETING

In order for a proposal by a shareholder of the Company to be included in the Company's proxy statement and form of proxy for the 2015 Annual Meeting of Shareholders, the proposal must be received by the Company no later than 120 days before the anniversary date of the Company's last proxy statement (December 16).

OTHER MATTERS FOR THE SHAREHOLDER MEETING

The Company knows of no matters, other than those referred to herein, which will be presented at the meeting. If, however, any other appropriate business should properly be presented at the meeting, the proxies named in the enclosed form of proxy will vote the proxies in accordance with their best judgment.

EXPENSES OF SOLICITATION

All expenses incident to the solicitation of proxies by the Company will be paid by the Company. In addition to solicitation by mail, the Company has retained D. F. King & Company of New York City, to assist in the solicitation of proxies. Fees for this solicitation are expected to be approximately \$9,500. The Company intends to reimburse brokerage houses and other custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred in forwarding copies of solicitation material to beneficial owners of Common Stock held of record by such persons. In a limited number of instances, regular employees of the Company may solicit proxies in person or by telephone.

PRINCIPAL HOLDERS OF SECURITIES

The following tabulation shows with respect to (i) each person who is known to be the beneficial owner of more than 5% of the Common Stock of the Company; (ii) each director and Executive Officer of the Company (including nominees); and (iii) all directors and Executive Officers, as a group: (a) the total number of shares of Common Stock beneficially owned as of March 14, 2014, except as otherwise noted, and (b) the percent of the class of stock so owned as of the same date:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent Of Class(*)
Common Stock Shareholders' beneficial ownership of more than 5% of the Common Stock	Loomis Sayles & Co., L.P. One Financial Center Boston, Massachusetts 02111	26,391,768 (1)	8.9
	BlackRock, Inc. 40 East 52 nd Street New York, New York 10022	19,805,784 (1)	7.6
	Capital Research Global Investors 333 South Hope Street Los Angeles, California 90071	19,271,200 (1)	7.4
	State Street Corporation State Street Financial Center One Lincoln Street Boston, Massachusetts 02111	16,384,734 (1)	6.3
	Old Republic International Corporation Employees Savings and Stock Ownership Trust 307 N. Michigan Avenue Chicago, Illinois 60601	14,009,007 (2)	5.4
	The Vanguard Group 100 Vanguard Blvd. Malvern, Pennsylvania 19355	13,215,044 (1)	5.1

Common Stock	Name of Beneficial Owner	Shares To Stock Options(*)	Shares Held By Employee Plans*(2)(3)	Other Shares Beneficially Owned(*)	Total	Percent Of Class(*)
Directors' and Executive Officers' (including nominees)	Harrington Bischof	-	-	20,239	20,239 (4)	**
Beneficial Ownership	Jimmy A. Dew	-	123,781	737,657	861,438 (5)	0.3
	John M. Dixon	-	-	19,861	19,861	**
	James C. Hellauer	-	-	36,000	36,000	**
	James A. Kellogg	211,250	54,555	385,636	651,441	0.2
	Leo E. Knight, Jr.	-	-	14,500	14,500	**
	Karl W. Mueller	200,125	11,566	8,502	220,193	**
	R. Scott Rager	212,225	58,514	2,500	273,239	0.1
	Arnold L. Steiner	-	-	826,438	826,438 (6)	0.3
	Fredricka Taubitz	-	-	19,000	19,000	**
	Charles F. Titterton	-	-	21,587	21,587 (7)	**
	Dennis Van Mieghem	-	-	15,800	15,800 (8)	**
	Steven R. Walker	-	-	42,500	42,500 (9)	**
	Rande K. Yeager	115,575	30,031	9,688	155,294	**
	Aldo C. Zucaro	662,000	503,892	1,230,500	2,396,392	0.9
	Directors and Executive Officers, as a group (16)	1,488,900	832,344	3,407,248	5,728,492	2.2

* Calculated pursuant to Rule 13d-3(d) of the Securities Exchange Act of 1934. Unless otherwise stated below, each such person has sole voting and investment power with respect to all such shares. Under Rule 13d-3(d), shares not outstanding which are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person, but are not deemed outstanding for the purpose of calculating the percentage owned by each other person listed. None of the options shown for Executive Officers were exercised prior to the Company's record date and therefore are not eligible to vote at the Annual Shareholders' Meeting. The option shares that lapsed without value on March 9, 2014 are excluded.

** Less than one-tenth of one percent.

(1) Reflects the number of shares shown in the most recent Schedule 13G filings with the SEC through February 15, 2014. Loomis Sayles & Co.,

L.P. ("Loomis") filed its report because it would have sole voting power and shared voting power for 26,083,473 and 6,127 shares, respectively, and sole dispositive power for 26,391,768 shares if it converted its ownership of Old Republic's 3.75% Convertible Senior Notes due March 15, 2018. However, these Notes were not converted to Common Stock prior to the Company's record date of March 28, 2014. Therefore, Loomis will not be eligible to vote these shares at the Company's Annual Shareholders' Meeting on May 23, 2014. BlackRock, Inc. reports sole voting for 18,765,482 shares and sole dispositive power for all shares shown. Capital Research Global Investors reports it has sole voting and dispositive power for all shares shown. Street Corporation reports it has no sole voting or dispositive power but shared voting and dispositive power for all shares shown. The Vanguard Group has sole voting and sole dispositive power for 155,029 and 13,078,915 shares, respectively, and shared dispositive power for 136,129 shares.

- (2) Reflects the number of shares held as of December 31, 2013. Under the terms of the Old Republic International Corporation Employees Savings and Stock Ownership Plan ("ESSOP"), a participant is entitled to vote the Company stock held by the ESSOP, the shares of which have been allocated to the participant's account. The Executive Committee of the Company, pursuant to the ESSOP, is authorized to vote the Company stock held by the ESSOP until such time as the shares of such stock have been allocated to a participant's account or where a participant fails to exercise his or her voting rights. Additionally, the Executive Committee may be deemed to have sole investment power with respect to unallocated stock and shared power for allocated stock held by the ESSOP. The Executive Committee is composed of Messrs. Bischof, Dixon, Knight, Steiner, Walker and Zucaro. As of December 31, 2013, the Trustees for the Trust established by the ESSOP were Messrs. LeRoy, Mueller, Rager and Zucaro. In addition to the ESSOP, the Old Republic International Employees Retirement Plan (under which all the retirement plan shares for all subsidiaries are now held) holds an aggregate of 2,829,509 shares of the Company's stock, not included in this table. The voting of these shares is controlled, directly or indirectly in a fiduciary capacity, by the Executive Committee. The trustees of the Bituminous 401(k) Savings Plan, the Great West Casualty Company Profit Sharing Plan and the PMA Companies Retirement Savings Plan, all of which were combined into the Company's Baseline Security Plan (BSP) on January 1, 2014, own an aggregate of 973,128 shares of the Company stock which are not included in this table.
- (3) Includes only the shares that have been allocated to the employer matching and employee savings accounts of the director or Executive Officer as a participant in the ESSOP. Excludes those shares for which the director or Executive Officer may be deemed to have investment and voting power as a result of being a member of the Executive Committee. These numbers include shares of the Company's stock held by the RMIC Profit Sharing Plan for Mr. Dew and shares of the Company's stock held by the Great West Casualty Profit Sharing Plan for Mr. Rager.
- (4) Includes 8,437 shares held in an IRA trust for Mr. Bischof's benefit.
- (5) Includes 209,471 shares owned by Mr. Dew's wife.
- (6) Includes 270,237 shares owned by Mr. Steiner directly, 465,000 shares held in trust for Mr. Steiner's children, for whom he is a co-trustee, and 91,201 shares held by the Steiner Foundation for which Mr. Steiner disclaims beneficial ownership.
- (7) Includes 5,549 shares held in IRA and SEP-IRA trusts for Mr. Titterton's benefit.
- (8) Includes 9,125 shares held in an IRA trust for Mr. Van Mieghem's benefit.
- (9) Includes 22,500 shares held in IRA and SEP-IRA trusts for Mr. Walker's benefit and 16,000 shares held by his wife.

ITEM 1

ELECTION OF DIRECTORS

The following table lists all nominees and continuing directors of the Company. Four Class 3 directors are to be elected to hold office for a term of three years and until their successors are elected and qualified. All of the nominees are current directors standing for re-election. It is intended that, in the absence of contrary specifications, votes will be cast pursuant to the enclosed proxies for the election of such nominees. Should any of the nominees become unable or unwilling to accept nomination or election, it is intended, in the absence of contrary specifications, that the proxies will be voted for the balance of those named and for a substitute nominee or nominees. However, the Company does not expect such an occurrence. All of the nominees have consented to be slated and to serve as directors if elected.

Given the reasons and background information cited next to each director's name below, the Board of Directors believes that each of the nominees and its other members are eminently qualified to serve Old Republic's shareholders and other stakeholders.

<u>Name</u>	<u>Age</u>	<u>Positions with Company, Business Experience and Qualifications</u>
Nominees for Election		
CLASS 3 (Term expires in 2014)		
James C. Hellauer	75	Director since 2011. Prior to October 2010, a director since 2005 of PMA Capital Corporation ("PMA"); owner of James C. Hellauer and Associates. From 1997 to 1999, Chief Executive Officer of Environmental Technologies Corporation. From 1994 to 2007, executive director of the Colmen Group. Currently a founder and director of East River Bank. His qualifications include a significant general business background as well as specific experience and knowledge concerning the business of PMA and its risk factors.
Arnold L. Steiner	76	Director since 1974. Retired for more than five years from Steiner Bank, Birmingham, Alabama of which he was President and a substantial owner. He brings long and significant experience in financial businesses and has extensive knowledge of the Company and its risk factors.

Fredricka Taubitz	70	Director since 2003. A CPA by training, she was until 2000 Executive Vice President and Chief Financial Officer of Zenith National Insurance Corp. Until 1985, she was a partner with the accounting firm of Coopers & Lybrand (now PricewaterhouseCoopers LLP). During her long professional career she has gained significant experience in, and knowledge of, the business and the risk factors associated with the insurance industry.
Aldo C. Zucaro	75	Director since 1976. Chairman of the Board and Chief Executive Officer of the Company and various subsidiaries since 1996. A CPA by training, he brings a significant background as a former insurance specialist partner with Coopers & Lybrand (now PricewaterhouseCoopers LLP), and long-term experience with the insurance industry in general, and the Company in particular since 1970.

Continuing Members

CLASS 1 (Term expires in 2015)

Harrington Bischof	79	Director since 1997. President of Pandora Capital Corporation since 1996. Formerly Senior Advisor with Prudential Securities, Inc. and prior to that, a senior investment banker with the firms of Merrill, Lynch & Co. and White, Weld & Co. His experience in business, investment banking, and international finance are of significant value to the Company's Corporate governance.
Leo E. Knight, Jr.	68	Director since 2006, and of several Old Republic subsidiaries since 1999. A CPA by training, he retired in 2006 as Chairman and Chief Executive Officer of National City Mortgage Company, Dayton, Ohio, following a thirty-two year career. He brings significant business experience in mortgage lending and the mortgage insurance industry and their risk factors to Old Republic's Board.
Charles F. Titterton	72	Director since 2004. Formerly Director – Insurance Group with Standard & Poor's Corp. until 2003. He brings significant business experience and knowledge of the risk factors connected with the insurance industry by virtue of a long career as a lending officer with a major banking institution and with the aforementioned rating agency.
Steven R. Walker	69	Director since 2006. Formerly Senior Counsel and Partner with Leland, Parachini, Steinberg, Matzger & Melnick, LLP, attorneys, San Francisco, California. He brings significant experience to Old Republic's Board as both an attorney and a business manager during a long career focused on the title insurance industry.

Continuing Members

CLASS 2 (Term expires 2016)

Jimmy A. Dew	73	Director since 1980. Formerly Vice Chairman of Old Republic's subsidiary, Republic Mortgage Insurance Company ("RMIC"), of which he was a co-founder in 1973. His knowledge of RMIC gained in an executive capacity since its founding and his long service on Old Republic's board make him fully conversant with the insurance industry and its risk factors.
John M. Dixon	74	Director since 2003. Formerly Chief Executive Partner with the law firm of Chapman and Cutler, Chicago, Illinois until his retirement in 2002. His qualifications include his extensive background as an attorney and his knowledge of corporate law and the risk factors of corporations like the Company.

Director since 2004. A CPA by training, he was the Partner in charge of the National Insurance Tax Practice of the accounting firm of KPMG LLP until his 1998 retirement. With this background he brings significant experience and knowledge of the insurance industry and its risk factors to service on Old Republic's Board.

BOARD OF DIRECTORS' RECOMMENDATION

The Board of Directors recommends a vote FOR the Class 3 directors listed above as nominees. Proxies solicited by the Board of Directors will be voted in favor of the election of these nominees unless shareholders specify to the contrary.

CORPORATE GOVERNANCE

OVERVIEW

Old Republic is organized as an independent, for-profit insurance enterprise managed for the long run. **Our Mission is to provide quality insurance security and related services to businesses, individuals, and public institutions and to be a dependable long-term steward of the trust our policyholders and shareholders place in us.** The Company's governance and operations are guided by this Mission and the inherent public interest vested in the risk taking nature of its business. Its governance endeavors to align this Mission with the substance of its business, giving due appreciation and regard for the Company's most important assets:

- The investors' capital which enables and underpins the insurance risk taking;
- The intellectual capital, know-how, and business relationships possessed by employees at various levels of the enterprise; and
- The Company's good name and reputation, cultivated over its 90-plus year history, and the even longer history of some of its major insurance subsidiaries.

Information appearing on the Company's website is not incorporated by reference in this proxy statement. However the Corporate Governance Guidelines, Code of Ethics for the Principal Executive Officer and Senior Financial Officers, and the Code of Business Conduct and Ethics, are accessible on its website at www.oldrepublic.com. Printed copies of these documents are also available to shareholders upon request to the Investor Relations Department at the Company's office.

LEADERSHIP STRUCTURE AND RISK MANAGEMENT

The Company's leadership structure and its risk management processes are overseen and monitored by the Board of Directors. The details of this leadership structure and the development of management talent have been the primary responsibilities of the Board's Executive Committee for many decades. This six member committee is currently composed of the Company's Chairman of the Board ("Chairman") and Chief Executive Officer ("CEO"), and five independent directors, including the Lead Director. The Board of Directors and its Executive Committee believe that the Company's decades-long joining of the Chairman and CEO positions is best suited to ensuring the long-term value, stability and management of its most important assets necessary for the accomplishment of its Mission. Old Republic's Board holds management singularly accountable for protecting and enhancing the value of these and all other assets. It therefore holds its CEO responsible for setting the proper tone in shaping and nurturing the institution's culture and values not solely in the shareholders' interests, but in those of its important stakeholders as well. Most critically, these include the policyholders to whom long-term promises of financial indemnity and stability are made by the Company's insurance subsidiaries, the employees who possess the intellectual capital and business relationships necessary for the conduct and success of the Company, the debt holders who extend a portion of the capital at risk, and the regulators who are charged with protecting the public interest vested in the Company's insurance enterprises. To meet these responsibilities and objectives, the Board expects the CEO to be a knowledgeable and well-rounded leader who, as chief enterprise risk manager, is fully dedicated to Old Republic's overall Mission and is best qualified to address and balance the interests of all major stakeholders.

In the Board's sole discretion, the Chairman and CEO positions may be separated and assigned to two individuals with extensive and complementary operating knowledge of the Company. Under the Board's long-standing corporate governance philosophy, this separation is intended to be temporary and to occur in unusual circumstances or during the transition of management authority.

While the Board has determined that the advantages of a joint Chairman and CEO position outweigh the theoretical benefits of a separated leadership structure, it did establish a Lead Director position over ten years ago. In Old Republic's practice, the Lead Director is appointed from among the independent directors and serves as that group's liaison to the Chairman and CEO, in addition to acting as the liaison to the Executive Committee. In his or her

capacity, the Lead Director may preside at Board meetings in the Chairman's absence, provide input to meeting agendas of the full Board or the meetings of independent directors, and act as liaison among various committees' chairmen in the resolution of inter-committee governance issues that may arise from time to time.

Old Republic's multi-faceted business is managed through a relatively flat, non-bureaucratic organizational structure. The CEO has primary responsibility for managing enterprise-wide risk exposures. The Company avoids management by committee and other organizational impediments to the free flow of information and to effective decision making. Long-established control processes are in place, and a variety of other accepted methods are utilized to coordinate system-wide risk taking and risk management objectives. These methods and processes are based on three major functions: lines of business responsibility, enterprise functions, and internal audit and peer reviews.

The lines of business operation managers are responsible for identifying, monitoring, quantifying, and mitigating all insurance underwriting risks falling within their areas of responsibility. These managers use reports covering annual, quarterly or monthly time frames to identify the status and content of insured risk, including pricing or underwriting changes. These management reports ensure the continuity and timeliness of appropriate risk management monitoring, and enterprise-wide oversight of existing or emerging issues.

The enterprise functions incorporate system-wide risk management, including asset/liability and underwriting exposure correlation controls, regulatory and public interest compliance, finance, actuarial, and legal functions. These functions are independent of the lines of business and are coordinated on an enterprise-wide basis by the CEO.

The internal audit, as well as related underwriting and claims management peer review functions and processes, provide reasonably independent assessments of management and internal control systems. Internal audit activities are intended to give reasonable assurance that resources are adequately protected and that significant financial, managerial and operating information is materially complete, accurate and reliable. This process is intended to ensure that associates' actions are in compliance with corporate policies, standards, procedures, internal control guidelines, and applicable laws and regulations.

The corporate culture, the actions of all our associates, and the continuity of their employment are most critical to the Company's risk management processes. The Company's Code of Business Conduct and Ethics provides a framework for all senior managers and employees to conduct themselves with the highest integrity in the delivery of the Company's services to its customers and in connection with all Company relationships and activities.

The Compensation Committee, at the direction of the Board, has reviewed the Company's compensation policies and practices and has concluded that they do not encourage the Company's senior executives or employees to take unnecessary or excessive risks that could adversely affect the Company.

BOARD OF DIRECTORS' RESPONSIBILITIES AND INDEPENDENCE

The Board of Directors' main responsibility is to oversee the Company's operations, directly and through several committees operating cohesively. In exercising this responsibility, each director is expected to utilize his or her business judgment in a manner reasonably believed to be in the best interests of the Company and its shareholders. The Board's oversight duties are to:

- Ascertain that strategies and policies are in place to encourage the growth of consolidated earnings and shareholders' equity over the long haul, while increasing the Company's regular dividend payout;
- Ascertain that the Company's business is managed in a sound and conservative manner that takes into account the public interest vested in its insurance subsidiaries;
- Provide advice and counsel to management on business opportunities and strategies;
- Review and approve major corporate transactions;
- Monitor the adequacy of the Company's internal control and financial reporting systems and practices to safeguard assets and to comply with applicable laws and regulations;
- Ascertain that appropriate policies and practices are in place for managing the identified risks faced by the enterprise;
- Evaluate periodically the performance of the Chairman and Chief Executive Officer in the context of the Company's Mission and performance metrics;
- Review and approve senior management's base and incentive compensation taking into account the business' performance gauged by its return on equity and growth of operating earnings;
- Periodically review senior management development and succession plans both at corporate and operating subsidiary levels;
- Select and recommend for shareholder election candidates deemed qualified for Board service;
- Select and retain independent registered public accounting firms for the principal purpose of expressing their opinion on the annual financial statements and internal controls over financial reporting of the Company and

its subsidiaries;

- Act as the Board of Directors of the Company's significant insurance company subsidiaries; and
- Monitor, review and approve the operations and major policy decisions of the Company's insurance subsidiaries.

In considering ***the qualifications and independence of Board members and candidates***, the Board of Directors, through the Governance and Nominating Committee, seeks to identify individuals who, at a minimum:

- Satisfy the requirements for director independence, as set out in the Company's Corporate Governance Guidelines, in the Listed Company Standards of the NYSE, and in the regulations of the SEC;
- Are, or have been, senior executives of businesses or professional organizations; and
- Have significant business, financial, accounting and/or legal backgrounds useful to the Company's operations, markets and customer services.

Additionally, the Board seeks to retain and attract members possessing certain critical personal characteristics, most importantly, (i) intelligence, honesty, good judgment, high ethics and standards of integrity, fairness and responsibility, (ii) respect within the candidate's social, business and professional community for his or her integrity, ethics, principles and insights; (iii) demonstrated analytic ability; and (iv) ability and initiative to frame insightful questions, to challenge questionable assumptions collegially, and to disagree in a constructive fashion, as appropriate.

The Company's insurance business is conducted through segments which, in the aggregate, are broadly diversified as to the types of insurance coverage and services provided. Each of the Company's insurance subsidiaries is highly regulated by state and federal governmental agencies as to its capital requirements, financial leverage, business conduct, and accounting and financial reporting practices. New directors receive a broad array of information upon becoming a member of the Board in order to familiarize themselves with the Company's business, strategic plans, significant financial, accounting and management issues, compliance programs, conflicts policies, Code of Business Conduct and Ethics, Corporate Governance Guidelines, principal officers and independent registered public accounting firm. Further, the Company supports directors taking advantage of and attending director education programs whenever convenient and appropriate. Even with such assistance and in part as the result of the specialized nature of the Company's businesses and their regulation, it is the Company's view that at least two to four years are typically required for a new director to develop sufficient knowledge of the company's business to become a fully productive and effective contributor to the Company's governance. Reflecting this, each director is expected to serve two or more three-year terms on the Company's classified Board, that of one or more of its key insurance subsidiaries, and on one or more Board committees.

The commitment of a substantial amount of time for meetings, preparation thereof, and related travel is essential to the performance of a director's responsibilities. As such, each director is expected to regularly prepare for and attend the meetings of the Board and each committee on which he or she serves. Owing to the risk-taking nature of much of the Company's business, a demonstrated long-term orientation in a Board member's business dealings and thought process is considered very important.

The Company's Board of Directors has been classified into three classes for many decades. Excepting the possibility of uneven distribution among the classes, one-third of the Board is therefore elected annually. This organizational structure is intended to promote continuity and stability of strategy and business direction for the best long-term interests of investors in the Corporation's securities, the confidence of insurance subsidiaries' policyholders, and the long-term expectations of other stakeholders.

Nine of the Company's directors have been affirmatively determined to qualify as "independent" directors in accordance with Section 303A.02 of the Listed Company Standards of the NYSE, Rule 10C-1 and item 407 (a) of Regulation S-K of the SEC. Neither they nor any members of their immediate families had any of the types of disqualifying relationships with the Company or any of its subsidiaries during 2013 or the two years prior to that, as set forth in subsection (b) of Section 303A.02 of the NYSE's Listed Company Standards. The independent directors, who are listed below, selected from among themselves a Lead Director and met on a regular basis during 2013 in executive sessions without management present. The Lead Director is nominated by the Governance and Nominating Committee and elected annually by the independent directors. Arnold L. Steiner was Lead Director for 2013 and continues as such through the date of this proxy statement. The entire Board and each of its standing Committees conduct an annual self-evaluation which includes a determination of each member's independence.

Membership on the Company's Audit, Compensation, and Governance and Nominating Committees consists exclusively of independent directors. The members, chairpersons and vice-chairpersons of these committees are recommended each year to the Board by the Governance and Nominating Committee in consultation with the Executive Committee. Each of the three committees has the authority and funding to retain independent advisors or counsel as necessary and appropriate in the fulfillment of its duties. The chairpersons set the agenda of their

respective committees' meetings consulting, as necessary and appropriate, with the Chairman and CEO. All directors have full and free access to the Company's management.

PROCEDURES FOR THE APPROVAL OF RELATED PERSON TRANSACTIONS

In addition to a Code of Business Conduct and Ethics and a Code of Ethics for the Principal Executive Officer and Senior Financial Officers, Old Republic also has a **conflict of interest policy** which is circulated annually and acknowledged by all directors, officers and key employees of the Company and its subsidiaries. This policy states that no director, officer, or employee of the Company or its subsidiaries may acquire or retain any interest that conflicts with the interest of the Company. This includes direct or indirect interests in entities doing business with the Company or its subsidiaries. If such a conflict occurs, the director, officer or employee is required to make a written disclosure of the conflict to the Company.

The directors, officers and affected employees are required to notify the Company of the actual or potential existence of a **related party transaction**, as defined by the Listed Company Standards of the NYSE and the SEC rules. Directors are required to notify the Chairman of the Board, unless the Chairman is an affected director, in which case he or she is required to notify the Lead Director. Executive Officers are required to notify the CEO, unless the CEO is the affected executive, in which case he or she is required to notify the Chairman or Lead Director, as appropriate. Under the procedures, the CEO, Chairman or Lead Director, as applicable, must conduct a preliminary inquiry into the facts relating to any existing or potential related party transaction. If, based upon the inquiry and the advice of legal counsel, the CEO, Chairman or Lead Director, as applicable, believes that an actual or potential related party transaction exists, he or she is required to notify the entire Board. In turn, the Board is required to conduct a full inquiry into the facts and circumstances concerning a conflicted transaction and to determine the appropriate actions, if any, for the Company to take. Any director who is the subject of an existing or potential related party transaction will not participate in the decision-making process of the Board relating to what actions, if any, shall be taken by the Company with respect to such transaction.

THE BOARD AND ITS COMMITTEES

The Board of Directors met four times, once each quarter, and participated in an interim telephone meeting in 2013. Each incumbent director attended at least 75% of the aggregate of the meetings of the Board and committees on which each served. The Company does not require its Board of Directors to attend annual meetings of its shareholders, as such meetings are conducted by the Chairman of the Board and Chief Executive Officer who is the designated spokesperson for the Corporation and represents the entire Board of Directors for these and other purposes.

The following table shows the membership in the Board of Directors and its committees at year end 2013 and as of the date of this proxy statement.

BOARD AND COMMITTEE MEMBERSHIP

<u>Director</u>	<u>Independent Directors(a)</u>	<u>Other Directors(b)</u>	<u>Executive</u>	<u>Committees</u>		
				<u>Audit</u>	<u>Governance and Nominating</u>	<u>Compensation</u>
Harrington Bischof	X		X		X	X
Jimmy A. Dew		X				
John M. Dixon	X		X		X	X(c)
James C. Hellauer	X			X(e)	X	
Leo E. Knight, Jr.	X		X	X(d)(e)		X
Arnold L. Steiner	X(f)		X		X	X
Fredricka Taubitz	X			X(c)(e)		X
Charles F. Titterton	X			X(e)	X(c)	
Dennis P. Van Mieghem	X			X(d)(e)		X(d)
Steven R. Walker	X		X	X	X(d)	
Aldo C. Zucaro		X	X(c)			
Number of scheduled and special meetings	4	4	5	5	4	3
Number of written consents and telephone meetings	1	1	1	2	-	-

(a) Independent Director as that term is defined in SEC Rules and the Listed Company Standards of the NYSE. (b) The Other Director classification includes all directors who are members of management, or do not currently meet the standard indicated in (a) above. (c) Chairman. (d) Vice-Chairman. (e) Financial Experts as that term is defined in SEC Regulation S-K. (f) Lead Director.

The **Audit Committee** is organized to assist the Board in monitoring: (1) the integrity of the Company's financial statements and the effectiveness of the Company's internal controls over financial reporting, (2) the Company's compliance with legal and regulatory requirements, (3) the qualifications and independence of the registered public accounting firm, and (4) the qualifications and performance of the Company's internal audit function. Further, it is charged with preparing the annual report required by SEC rules to be included in the Company's proxy statement (which is printed below), and serving as the audit committee of each of the Company's regulated insurance subsidiaries to the extent required by the National Association of Insurance Commissioners' Model Audit Rule. It operates pursuant to a written charter approved each year by the Board of Directors and performs an annual self-evaluation. While information appearing on the Company's website is not incorporated by reference in this proxy statement, the Committee's charter may be viewed at www.oldrepublic.com. Printed copies are available to shareholders upon request.

The Audit Committee held five meetings during 2013 and had two telephonic conference calls with the Company's independent registered public accounting firm and management, four of which were held prior to the Company's filing of quarterly reports on SEC Form 10-Q and its annual report on SEC Form 10-K.

Each Audit Committee member has been affirmatively determined to qualify as "independent", in accordance with SEC Rule 10A-3(b)(1) and the NYSE's Listed Company Standards. Five members of the Committee are deemed to qualify as audit committee financial experts, as that term is defined in SEC Regulation S-K. No member served on the audit committees of three or more unrelated publicly held companies. The members of the Audit Committee are as follows:

Audit Committee

James C. Hellauer
Fredricka Taubitz, Chairman
Dennis P. Van Mieghem, Vice-Chairman

Leo E. Knight, Vice-Chairman
Charles F. Titterton
Steven R. Walker

The **Compensation Committee** is responsible for: (1) evaluating the CEO's performance and setting Compensation ("Compensation" meaning annual salary, bonus, incentive and equity compensation), (2) reviewing and approving, with input from the CEO and President of the Company, the evaluation and Compensation of the other Executive Officers and senior executives of the Company and its subsidiaries, (3) reviewing and advising on general levels of Compensation of other employees, (4) reviewing the Company's pension, incentive compensation and stock option plans, (5) preparing the annual report required by SEC rules to be included in the Company's proxy statement (which is printed below), (6) retaining consultants, independent legal counsel or other advisers, and (7) taking any action as necessary to perform its functions. The Committee is also responsible for reviewing directors' compensation and subjects itself to an annual performance self-evaluation.

Each member of the Committee has been affirmatively determined to qualify as "independent" in the judgment of the Company's Board of Directors and according to the Listed Company Standards of the NYSE and the SEC rules. The Board of Directors considered all factors specifically relevant to determining whether Committee members have any relationships which would be material to the member's ability to be independent. The Committee has the sole discretion and adequate funding to retain the services of a compensation consultant, legal counsel and other advisors that will be directly responsible to the Committee. The independence of such consultants, counsels or advisors, which is required by the NYSE's Listed Company Standards and SEC Rule 10C-1, are taken into consideration when they are selected. Inquiries into any possible conflicts of interest are made when such persons are retained and annually thereafter, if their services are continued. As part of its function, the Committee has the ability to retain an independent compensation consultant, and in 2012 retained Frederic W. Cook & Co., Inc., to review the Company's compensation programs and its procedures for aligning compensation for the Company's Executive Officers. The consultant's review included a comparison of the compensation programs of companies similar in size, operation and organization to the Company, including a review of a peer group of companies determined by the Committee to be appropriate for comparison. The consultant performed no other work for the Company or any of its subsidiaries and played no role in recommending the amount and form of compensation for the Executive Officers or directors of the Company and is considered independent according to SEC Rule 10C-1 and the requirements of the Dodd-Frank Act. All compensation recommendations are made solely by the Compensation Committee following consultation with the CEO and the President regarding the Company's Executive Officers (other than the CEO and the President) and other senior members of the Company's management.

The Committee is composed of six directors and operates pursuant to a written charter approved each year by the Board of Directors. While information appearing on the Company's website is not incorporated by reference in this proxy statement, the Committee's charter may be viewed on the Company's website at www.oldrepublic.com. Printed copies are available to shareholders upon request. The members of the Compensation Committee are as follows:

Compensation Committee

Harrington Bischof
Leo E. Knight, Jr.
Fredricka Taubitz

John M. Dixon, Chairman
Arnold L. Steiner
Dennis P. Van Mieghem, Vice-Chairman

The **Executive Committee** is empowered to exercise the Board of Directors' authority between scheduled meetings, except as provided in the By-laws or otherwise limited by the provisions of the General Corporation Law of the State of Delaware. The Committee operates pursuant to a written charter and performs an annual self-evaluation. It is authorized to: (1) act as the Company's Finance Committee and review and approve the Company's investment policies, (2) review and approve the Company's dividend and capitalization policies, (3) monitor the Company's enterprise risk management, (4) analyze potential acquisitions or divestitures by the Company or its subsidiaries, (5) annually review and evaluate management development and executive succession plans, (6) oversee the Company's pension and ESSOP, and (7) make any necessary and appropriate recommendations to the Governance and Nominating Committee regarding Board and committee membership. While not incorporated by reference in this proxy statement, the Committee's charter may be viewed on the Company's website at www.oldrepublic.com. Printed copies are available to shareholders upon request. The members of the Executive Committee are as follows:

Executive Committee

Harrington Bischof
Leo E. Knight, Jr.
Steven R. Walker

John M. Dixon
Arnold L. Steiner
Aldo C. Zucaro, Chairman

The **Governance and Nominating Committee** is organized to oversee the Company's policies relative to the size, composition and qualifications of the Board of Directors. The Committee is authorized to: (1) establish procedures and qualification criteria to identify and recommend qualified candidates for election to the Board, taking into consideration any recommendations from the Executive Committee, (2) review annually the qualifications and requirements of the member directors, the structure and performance of Board committees and, jointly with the Compensation Committee, the compensation for Board members, (3) develop, recommend and annually reassess the Corporate Governance Guidelines applicable to the Company (4) periodically review, in conjunction with the Executive Committee, the Company's succession plans with respect to the CEO and other senior officers, (5) maintain and recommend changes to the Board-approved Code of Business Conduct and Ethics and the Code of Ethics for the Principal Executive Officer and Senior Financial Officer, and (6) serve in an advisory capacity to the Board and its Chairman on matters of the organizational and governance structure of the Company. The Committee operates pursuant to a written charter approved each year by the Board of Directors, and performs an annual self-evaluation.

The Board of Directors is currently composed of eleven persons of whom nine are classified as independent. It is the Company's longer-term objective to reduce the size of its Board to between nine and eleven members, and to aim for at least 80% representation by independent directors. One of the goals of the Committee is to have the Board reflect diversity with respect to professional and business experience. Race, gender and national origin are not considered by the Committee when reviewing proposed candidates or the re-nomination of existing directors. The Committee believes the Board is appropriately diverse in the context of the Company's business needs and the Board's responsibilities to shareholders and other stakeholders.

The Committee evaluates and proposes new and continuing candidates to the Board of Directors for approval and slating. The Committee can consider director candidates nominated by shareholders. Any name presented for consideration must be submitted to the Committee's Chairman with a copy to the Secretary no later than 120 days before the anniversary date of the Company's last proxy statement in order to be included in the Company's proxy statement or on its form of proxy. It should be accompanied by a comprehensive description of the person's qualifications plus additional sources of relevant information which will assist the Committee in its review of the person's background and qualifications, so the Committee may make a determination of the candidate's fitness to serve. All candidates nominated by shareholders will be evaluated on the basis of the same minimum criteria and additional background qualifications and experience discussed in this proxy statement. A candidate who does not satisfy the minimum criteria qualifications will not be recommended by the Committee for membership on the Board. Given the long-term, regulated nature of the Company's business, nominees will not be considered if they are regarded simply as representatives of a particular shareholder or group of shareholders with a short-term agenda and not oriented toward the demands of a regulated business vested with the public interest.

While not incorporated by reference in this proxy statement, the Committee's charter may be viewed on the Company's website at www.oldrepublic.com. Printed copies are available to shareholders upon request. In the judgment of the Company's Board of Directors each member of the Committee is considered independent pursuant to the Listed Company Standards of the NYSE and the rules of the SEC. The Committee's current members are as follows:

Governance and Nominating Committee

Harrington Bischof	John M. Dixon
James C. Hellauer	Arnold L. Steiner
Charles F. Titterton, Chairman	Steven R. Walker, Vice-Chairman

SHAREHOLDER COMMUNICATION WITH THE BOARD

Shareholders of the Company and other interested parties may communicate with the Lead Director, the independent directors, the Board of Directors as a whole, or with any individual director. Such communications must be in writing and sent to Old Republic International Corporation, c/o Secretary, 307 N. Michigan Ave, Chicago, IL 60601. The Secretary will promptly forward the communications to the intended recipient.

ITEM 2
RATIFICATION OF THE SELECTION OF AN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

In accordance with its charter, the Audit Committee has selected the firm of KPMG LLP ("KPMG"), an independent registered public accounting firm, to be the Company's independent registered public accounting firm for the year 2014. The selection has been approved by the Board of Directors, subject to a review of the fee proposal and the proposed scope of the audit. In the ordinary course of corporate governance, the Board of Directors is asking and recommending that the shareholders ratify this selection subject to the Committee's acceptance of KPMG's proposed fee and audit scope. The Company is not required to take any action as a result of the outcome of the vote on this proposal. However, in the event the shareholders fail to ratify this selection, the Board of Directors and the Audit Committee may investigate the reasons for the shareholders' rejection and may consider whether to retain KPMG or to appoint another independent registered public accounting firm. Even if the selection of KPMG is ratified, the Board of Directors and Audit Committee, at their discretion, may direct the appointment of a different independent registered public accounting firm if they believe that such a change would be in the best interests of the Company and its shareholders.

EXTERNAL AUDIT SERVICES

The Audit Committee selected KPMG as the Company's independent registered public accounting firm to examine its consolidated financial statements for the year 2013. A member of KPMG will be invited to attend the Company's Annual Meeting of Shareholders. He or she will be provided with an opportunity to make a statement if so desired, and will be available to respond to appropriate questions.

KPMG's aggregate fees for professional services for 2013 and 2012 are shown below.

Type of Fees	2013	2012 (a)
Audit Fees	\$3,837,715	\$3,457,268
Audit Related Fees	158,275	219,350
Tax Fees	-	-
All Other Fees	318,000	260,296
Total	\$4,313,990	\$3,936,914

(a) The total fees shown above for 2012 are \$332,832 higher than previously reported, and reflect the final fee adjustments that occurred subsequent to the preparation of the 2013 proxy statement.

The term "Audit Fees" refers to expenses covering: (a) professional services rendered by the auditors for the audit of the Company's consolidated annual financial statements included in the Company's Form 10-K, (b) reviews without audit of financial statements included in the Company's Forms 10-Q, and (c) services normally provided by the auditors in connection with mandated audits of statutory financial statements and filings. "Audit Related Fees" refers to charges for assurance and related services by the auditors that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees". Audits of most employee benefit plans are performed by an independent audit firm other than KPMG. "Tax Fees" refers to fees for professional services rendered by the auditors for tax compliance. The term "All Other Fees" refers to fees for products and services provided by the auditors, other than those reported under the preceding categories, and consisted of fees for security assessment of the Company's various information technology operations.

The charter of the Audit Committee requires that it pre-approve all non-audit work by the Company's independent registered public accounting firm. In determining whether to approve non-audit services, the Committee considers whether the services in question facilitate the performance of the audit, improve the Company's financial reporting process or are otherwise in the Company's and its shareholders' interests. All of the Audit-Related Fees, Tax Fees and All Other Fees billed to the Company in 2013 and 2012 were approved by the Audit Committee pursuant to the pre-approval waiver requirements of SEC Regulation S-X. The Audit Committee has determined that the other services and products provided in 2013 and 2012 by KPMG were not incompatible with KPMG's independence as the Company's independent registered public accounting firm.

KPMG has advised the Committee that all of their employees engaged in the Company's audits were independent of the Company.

BOARD OF DIRECTORS' RECOMMENDATION

The Board of Directors recommends a vote FOR the selection of KPMG as the company's independent registered public accounting firm, subject to the Audit Committee's approval of that firm's fee and audit scope proposal for 2014. Proxies solicited by the Board of Directors will be voted in favor of the selection of this firm unless shareholders specify to the contrary.

AUDIT COMMITTEE REPORT FOR 2013

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

In accordance with its written charter, the Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities. As part of its function, the Audit Committee appointed KPMG as the Company's independent registered public accounting firm for 2013.

The Audit Committee met with its internal auditors and independent registered public accounting firm (KPMG), with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. During 2013, the Audit Committee reviewed the interim financial and other information contained in each quarterly report on Form 10-Q filed with the Securities and Exchange Commission with the Chief Executive Officer, Chief Financial Officer, and KPMG prior to its filing. The Annual Report on Form 10-K was similarly reviewed. In addition, the Audit Committee discussed with KPMG matters required to be discussed by the Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 16. In addition, the Audit Committee received the written disclosures and the letter from KPMG required by applicable requirements of the PCAOB regarding KPMG's communications with the Audit Committee concerning independence, and discussed with KPMG its independence. The Audit Committee met regularly with the Company's legal counsel to review the status of litigation involving the Company or its subsidiaries and to ascertain that the Company complied with applicable laws and regulations.

Following all of these discussions and reviews, the Audit Committee recommended to the Board of Directors and the Board approved the inclusion of the audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

James C. Hellauer
Fredricka Taubitz, Chairman
Dennis P. Van Mieghem, Vice-Chairman

Leo E. Knight, Vice-Chairman
Charles F. Titterton
Steven R. Walker

COMPENSATION MATTERS

COMPENSATION COMMITTEE REPORT FOR 2013

The following Report of the Compensation Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

The Compensation Committee met its oversight responsibilities for the year 2013 by reviewing and discussing with the Company's management the Compensation Discussion and Analysis ("CD&A") contained in this proxy statement. Based upon this review, its discussions and its activities, the Compensation Committee recommended that the CD&A be included in this proxy statement.

Harrington Bischof
Leo E. Knight, Jr.
Fredricka Taubitz

John M. Dixon, Chairman
Arnold L. Steiner
Dennis P. Van Mieghem, Vice-Chairman

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee has served as an officer or employee of the Company or any of its subsidiaries, nor has any Executive Officer of the Company served as a director or member of a compensation committee for any company that employs any director of the Company or member of the Compensation Committee.

Directors' Compensation

Independent directors received an annual retainer of \$110,000 plus an additional annual fee of \$10,000 for each committee on which they serve. The Lead Director, Mr. Steiner, and the chairmen of the Governance and Nominating and Compensation Committees, Messrs. Titterton and Dixon, respectively, each receive an additional annual retainer of \$10,000. Ms. Taubitz as Chairman of the Audit Committee is paid an additional annual retainer of \$15,000. Each of the Committees' Vice-Chairmen receives an additional retainer of \$5,000. Independent directors also serve as directors of regulated subsidiaries of the Company and these fees cover service on such subsidiary boards and related committees. Directors' compensation is reviewed annually, and any changes are recommended by the Compensation Committee, in consultation with the CEO and any independent consultant retained by the Compensation Committee for that purpose. The Compensation Committee's recommendations are, in turn, voted upon by the full Board. Directors who are employees of the Company or its subsidiaries receive no compensation for their services as directors or committee members.

Non-employee directors are not currently eligible for stock awards, stock options, incentive compensation awards, deferred compensation awards, pensions, or any other compensation programs or arrangements which the Company might offer to its employees or those of its subsidiaries. Independent directors may not receive any form of compensation from the Company other than director's fees in order to remain qualified as independent in the Company's judgment. As a result, the fees shown below are the total fees paid to directors. Mr. Zucaro, as an employee and Chief Executive Officer of the Company, has his compensation reported in the Summary Compensation Table shown elsewhere in this proxy statement. Mr. Dew, who is retired from Republic Mortgage Insurance Company ("RMIC"), a subsidiary of the Company, receives no compensation from RMIC or the Company other than the annual retainer that other directors receive.

The table below lists the compensation paid to each director of the Company. In addition to director fees, the Company and its subsidiaries either directly pay or reimburse directors for travel, lodging and related expenses incurred in attending director or committee meetings.

2013 Directors' Compensation

Name	Fees Earned Or Paid in Cash
Harrington Bischof.....	\$140,000
Jimmy A. Dew	110,000(*)
John M. Dixon	150,000
James C. Hellauer.....	130,000
Leo E. Knight, Jr.....	145,000
Arnold L. Steiner	150,000
Fredricka Taubitz	145,000
Charles F. Titterton	140,000
Dennis Van Mieghem.....	140,000
Steven R. Walker	145,000

(*) Mr. Dew's compensation reflects the fact that he has no committee responsibilities.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy and Objectives

Compensation levels are set to enable the Company to attract, reward and retain key executives and other associates critical to its long-term success. The Company believes that compensation paid to Executive Officers with major policy setting responsibilities should be closely aligned with the performance of the Company on both a short-term and long-term basis. In this regard, performance is evaluated principally on the basis of achieved returns on equity and growth in operating earnings over multi-year periods. For all other Executive Officers and senior members of the Company's management and key employees, compensation is based in part on the foregoing financial factors, as well as on their individual performances.

Neither the CEO, Chief Financial Officer ("CFO"), nor any other Executive Officer of the Company have employment contracts. They and all other associates of the Company and its subsidiaries are employees "at-will". Compensation for most senior members of the Company's management is set annually by the Compensation Committee of the Board of Directors based either on its sole determination or in consultation with the CEO and the President. The Company does not set any salary, incentive award or stock option targets or conditions for its Executive Officers which will automatically result in salary increases or awards based solely on the achievement of such targets or conditions. Rather, the Company attempts to make the total compensation paid to Executive Officers, the most senior members of the Company's management and its other employees reflective of the financial performance achieved by the Company and the individual divisions or units for which they work. In certain cases, employees' individual performance is subjectively evaluated and their incentive compensation is set at levels reasonably competitive with other companies in the insurance industry. In reaching compensation decisions, the Company does not measure each individual element of compensation against similar elements paid by other companies or its peer group, nor is any compensation element or the total compensation paid to any executive based solely on comparisons with those of other companies or their executives.

The Company's Board of Directors and Compensation Committee reviewed last year's shareholder vote concerning Executive Compensation and considered that vote when reviewing and determining compensation amounts and when making incentive awards for Executive Officers and other senior members of the Company's management for the current year. Further, that vote and future votes concerning Executive Compensation will be considered if any future changes in compensation programs occur.

The companies Old Republic selected as members of its peer group for 2013 are: Ace Limited, American Financial Group, Inc., The Chubb Corporation, Cincinnati Financial Corporation, Fidelity National Financial, Inc., First American Financial Corporation, Markel Corporation, Stewart Information Services Corporation, Travelers Companies, Inc. and XL Group PLC. A comparison of the aggregate stock performance of this peer group and Old Republic appears in the chart in Part II of the Company Annual Report on Form 10-K.

Executive Performance Considered in Reaching Compensation Decisions

The Company rewards performance which the Compensation Committee believes will lead to both short-term and long-term success. The Committee evaluates the Company's CEO performance and compensation primarily in the context of the following factors.

- Vision and planning for the Company's future, principally on a long-term basis;
- Strategies established and implemented to realize these plans;
- Leadership qualities;
- Judgment in making decisions regarding plans and general management of the Company's affairs;
- Commitment to achieving goals, especially when faced with adversity;
- Ability in setting objectives and promoting the best interests of the Company's shareholders, the beneficiaries of its subsidiaries' insurance policies, and those of other stakeholders; and
- Adherence to high ethical standards that promote and protect the Company's good name and reputation.

No particular component is given any greater weight than another. Rather, each Compensation Committee member subjectively reviews these characteristics in the aggregate and exercises his or her best business judgment in reaching conclusions. The Committee evaluates the CEO's performance and compensation itself and the other Executive Officers' performance and compensation in consultation with the CEO and other members of the Office of the Chief Executive in the context of the above noted factors. The performance of non-policy-making senior members of the Company's management is likewise reviewed by the Committee in consultation with the CEO.

Elements of Compensation and the Factors and Rationale in Determining Compensation Amounts

The compensation paid by the Company to its CEO, other Executive Officers and senior members of the Company's management is usually composed of the following basic elements:

- Annual Salary;
- Incentive awards, including both cash and deferred amounts, based on earnings and return on equity achieved by the Company and its subsidiaries over multi-year periods and, in certain cases, bonuses based upon their individual performances;
- Stock option awards; and
- Miscellaneous other benefits: such as health insurance programs.

The following table shows the segmented sources of Old Republic's pretax and post-tax operating income. The level and trends in earnings of such segments and their past and most recent contributions to the Company's growth in the shareholders' equity account are important considerations in the determination of cash and stock option incentive compensation for certain Executive Officers and other senior members of the Company's management.

	Segmented Operating Results (\$ in Millions)				
	2013	2012	2011	2010	2009
Pretax operating income (loss) (a):					
General insurance	\$ 288.3	\$ 261.0	\$ 353.9	\$ 316.7	\$ 311.4
Title insurance	124.3	73.8	36.2	9.4	2.1
Corporate and other (b)	2.1	(2.7)	(14.6)	(2.8)	4.0
Subtotal	414.7	332.1	375.5	323.2	317.7
RFIG run-off business	110.0	(508.6)	(727.8)	(404.8)	(597.7)
Total	524.8	(176.4)	(352.2)	(81.5)	(279.9)
Income taxes (credits) on operating income (loss)	173.2	(76.6)	(133.7)	(40.9)	(122.7)
Net operating income (loss) (a)	<u>\$ 351.6</u>	<u>\$ (99.7)</u>	<u>\$ (218.5)</u>	<u>\$ (40.6)</u>	<u>\$ (157.2)</u>

(a) Operating income is a non-GAAP reflection of the Company's business results inasmuch as it excludes investment gains or losses from sales of securities or impairments in the value of portfolio securities.

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

The following table shows the compensation summary for the Chairman of the Board and Chief Executive Officer, the Chief Financial Officer and the Executive Officers responsible for the operations of the Company and its major segments. Bonus and stock option awards for Messrs. Zucaro and Kellogg were based to a significant degree on the Corporation's consolidated results; those of Messrs. Rager and Yeager were based primarily on the results of the General and Title Insurance segments, respectively. The compensation of Mr. Mueller, non-policy-making Executive Officers and the other senior members of the Company's management were based on a composite of Old Republic's segmented and consolidated results, as well as on subjective individual performance evaluations.

Summary Compensation Table

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Name and Principal Positions	Year	Salary	Bonus (1)	Value of Stock Option Awards(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (3)	All Other (4) Compensation	Total (\$)
Aldo C. Zucaro Chairman and Chief Executive Officer	2013	\$ 828,333	\$283,340	\$ 119,700	\$ 69,315	\$ 13,677	\$1,314,365
	2012	810,000	155,197	89,654	224,997	13,544	1,293,392
	2011	792,049	138,146	189,500	228,242	12,415	1,360,352
	2010	776,146	237,780	-	195,168	22,003	1,231,097
	2009	776,146	40,748	-	183,129	22,577	1,022,600
Karl W. Mueller Senior Vice President and Chief Financial Officer	2013	431,667	171,469	55,575	25,395	8,568	692,674
	2012	421,667	152,045	41,625	56,292	7,984	679,613
	2011	411,667	138,026	56,850	53,376	7,386	667,505
	2010	400,000	183,000	31,325	37,677	6,797	658,799
	2009	385,000	113,446	13,116	24,886	7,216	543,664
James A. Kellogg Executive Vice Chairman	2013	432,885	66,208	-	114,675	19,595	633,363
	2012	491,539	57,000	44,827	200,148	16,892	810,406
	2011	485,000	68,342	94,750	230,096	19,768	897,956
	2010	472,400	118,374	-	194,119	26,538	811,431
	2009	476,034	18,821	-	156,585	23,031	674,471
R. Scott Rager (5) President and Chief Operating Officer; President - General Insurance	2013	476,667	388,708	55,575	-	24,763	945,713
	2012	466,667	336,115	41,625	-	21,547	865,954
	2011	456,667	429,988	56,850	-	33,685	977,190
	2010	446,000	419,267	23,270	-	13,060	901,597
	2009	433,667	386,152	8,744	-	5,364	833,927
Rande K. Yeager Senior Vice President - Title Insurance	2013	471,250	400,656	51,300	53,308	16,683	993,197
	2012	455,833	250,000	27,537	175,807	13,053	922,230
	2011	439,583	140,000	39,785	207,486	13,053	839,907
	2010	404,167	-	35,800	169,870	10,195	620,032
	2009	357,167	-	17,488	107,229	10,951	492,835

(1) In this table, the awards are attributed to the year on which the award was based, even though the award was granted in the following calendar year. The table includes the combined cash and deferred incentive compensation awards granted under the Company's performance recognition plans or similar plans maintained by subsidiaries of the Company. For Messrs. Rager and Yeager, the first \$25,000 of an award is paid in cash and the balance is split with 50% being paid in cash and the balance being deferred. The deferred amounts included in this column are usually not payable before the person retires at 55 years of age or later. The deferred amounts accrue interest for awards made after 2004. No incentive compensation awards were granted between 2009 and 2013 under the Company's Key Employee Performance Recognition Plan as this plan has been suspended due to poor consolidated results. However, certain subsidiary plans have remained in place and certain Executive Officers and other employees have been granted bonus awards based on segmented results or on the basis of a subjective evaluation of their individual performance. The bonus awards shown for Messrs. Mueller, Rager and Yeager represent such awards. The awards for all Executive Officers include interest on their deferred balances for prior years. For the year 2009, Messrs. Zucaro and Kellogg were credited only with interest on their deferred balances; for the years 2010 to 2013, their awards represent a subjectively determined bonus and interest on their deferred balances. No interest was accrued for Mr. Yeager prior to 2013.

(2) The value of options is calculated pursuant to the Black-Scholes model. The option values represent the estimated present value as of the date options were granted. Accordingly, the option awards included under this column were granted in the years shown and reflect, among other factors previously noted, an evaluation of earnings trends and returns on equity for prior years.

The significant facts and assumptions incorporated in the Black-Scholes model used to estimate the value of the options include the following:

- Options are issued with an exercise price equal to 100% of the per share value at the close of trading (the "Fair Market Value") of Common Stock on the business day immediately preceding the date of grant (the "Grant Date").
- The term of each option is 10 years (unless such terms are otherwise shortened or forfeited due to termination of employment) but it is assumed that these executives will hold these options for an average of 8 years.
- Specific interest rates are used for valuing the awards. Such rates are predicated on the interest rate on U.S. Treasury securities on the date of grant with a maturity date corresponding to that of the expected option life.
- A stock price volatility factor is utilized in valuing the option awards. This factor is calculated using daily stock prices for the period prior to the grant date corresponding with the expected option life.
- Expected annual dividend yields ranging between 6.0% and 8.0% are used in the calculation of the awards.

The ultimate value of the options will depend on the future market price of the Company's Common Stock which cannot be forecasted with reasonable accuracy. The actual value that an optionee may realize upon exercise of an option, if any, will depend on the excess of the market value over the exercise price on the date the option is exercised.

- (3) Represents the aggregate change in the actuarial present value of the accumulated benefits under the Company's defined benefit pension plan. The Company does not have any non-qualified deferred compensation plans that credit above market or preferential earnings to participants.
- (4) Includes all minor amounts covering the Company's matching contribution to the Executive Officers' ESSOP accounts; the value of the Company's group term life insurance plan treated as income; the value of the personal use of any vehicle supplied for Company business; and the personal value of meals and club dues incurred for Company business.
- (5) Mr. Rager became President of the Company effective June 1, 2012.

Annual Salary

The Company's objective for all of its employees is to set annual salaries at amounts which:

- Are reasonably competitive in the context of prevailing salary scales in the insurance industry; and
- Provide a fixed, reasonable source of annual income.

The primary factors which are considered in varying degrees when establishing annual salaries for certain Executive Officers and other senior members of the Company's management are:

- Business size and complexity of the operations with which the person is associated;
- The person's level of responsibility and experience; and
- The success of the business unit to which the person is assigned and the evaluation of his or her contribution to that success.

When making these evaluations, prevailing salary scales in the insurance industry, the annual consumer price index, trends in salary levels in published or private compilations and reports, and data contained in the proxy statements of publicly held insurance organizations are taken into account. No formula, set benchmark or matrix is used in determining annual salary adjustments. The decision regarding each Executive Officer is subjectively based upon all of the above factors, with the Compensation Committee members exercising their business judgment in consultation with the CEO, as to Executive Officers other than the CEO himself.

The salaries of the Executive Officers are reviewed on an annual basis during the first quarter of the year, and concurrently with a promotion or other significant change in responsibilities. Prior compensation, prior cash and/or deferred incentive awards, bonuses and prior gains from the exercise of stock options are not taken into account when setting current annual salaries for the CEO and other Executive Officers of the Company.

Incentive Awards and Bonuses

The Company uses incentive awards, comprised of cash and deferred amounts, as well as bonuses. Incentive awards and bonuses are intended to reward and retain eligible Executive Officers, other senior members of the Company's management and certain key employees. They are also intended to provide an opportunity and incentive to increase compensation based on management's and the Compensation Committee's review of their performance.

Performance Recognition Plans

Under the Company's Key Employee Performance Recognition Plan ("KEPRP"), prior to its suspension in 2007, a performance recognition pool had been calculated each year for allocation among eligible key employees of the Company and its participating subsidiaries, including the CEO, CFO, Executive Officers and other senior members of the Company's management. Employees eligible to share in this pool had been selected by the Compensation Committee in consultation with the CEO. The CEO recommended the total amount of the pool for participants in the plan and the Compensation Committee made the sole determination with regard to the total amount of the pool; and the award thereunder, if any, granted to the CEO. The Committee also approved the award recommendations for the CFO, the other Executive Officers and senior members of management based upon their performance and the CEO's recommendation. The eligibility and awards of other key employees was also approved by the Compensation Committee following the recommendations made by the CEO. All awards have been based on the positions and responsibilities of the key employees, the perceived value of their accomplishments to the Company, their expected future contributions to Old Republic, and other relevant factors. The Compensation Committee's evaluation of all such factors has been subjective and based on the business judgment of its members.

Each year's pool amount took into account pre-established objectives approved by the Compensation Committee for return on equity and year-over-year growth in earnings. Calculation of the pool was made in accordance with a detailed formula affected by: (a) the eligible participating employees' annual salaries, (b) the current year's earnings in excess of the prior year's earnings (excluding income from realized investment gains or losses), multiplied by a factor determined by the increase in the Company's earnings per share, and (c) the latest year's return on equity in excess of a minimum target return on equity equal to two times the mean of the five-year average post-tax yield on 10-year and 20-year U.S. Treasury Securities. The pool was limited to a percentage of plan participants' aggregate annual base salaries, ranging from 10% to 150%, depending upon the amount by which the current year's actual return on equity exceeded the minimum target return on equity for the year. Up to 50% of any one year's pool

amount was carried forward for up to three years for later allocation. There was no prescribed guarantee or limit as to how much of the year's available pool would be awarded to each participant.

Under the KEPRP as created, the first \$25,000 of any award, including any multiplier applied to a deferred balance, was paid in cash. For awards in excess of that amount, 50% of the excess was paid in cash and 50% was deferred. The deferred balance of the award vests at the rate of 10% per year of participation. The deferred balance, if any, is credited with interest at a rate approved annually by the Compensation Committee. Pursuant to the terms of the plan, participants become vested in their deferred account balances upon total and permanent disability, death, upon the earlier of attaining age 55 or being employed for 10 years after first becoming eligible or upon a change of control of the Company. Benefits are payable in a set number of equal installments, beginning no earlier than age 55, following termination of employment, death, disability, retirement or a change in control of the Company. Distributions for Executive Officers can begin no earlier than six months following their termination from service.

In addition to the KEPRP, the Company also maintains a number of separate plans for several individual subsidiaries, or segments of business. Such plans provide for the achievement of certain financial results and objectives as to each such entity. Each of these plans has operated in the same basic fashion as the Company's Plan. The award pools for each plan are also established according to detailed formulas that take into account the increases in earnings, returns on equity in excess of a minimum target percentage, and other factors pertinent to each operating entity. Each separate subsidiary's or operating center's plan has a similar cash and deferred element. Mr. Yeager's awards have been based on such a plan since 2011.

Incentive awards are typically granted annually during the first quarter of the year to eligible employees who are employed as of the award date. This follows the receipt of the independent registered public accounting firms' reports on the financial statements of the preceding year, and an evaluation of any pertinent and significant post balance sheet events and business trends.

Bonuses

The awards shown in the "Bonus" column of the preceding Summary Compensation Table were approved by the Compensation Committee. As a result of the substantial decline in the earnings between 2008 and 2012 of the Company's consolidated business and of its run-off Mortgage Guaranty business, in particular, no incentive awards were made under the KEPRP for the years shown in the above table. In light of current business and financial conditions, the Compensation Committee, in consultation with the Chairman and CEO, suspended the Company's KEPRP. However, certain purely subjective awards were made to policy-making Executive Officers responsible for the operations of the Company and its subsidiaries. The Compensation Committee also granted bonus awards to non-policy-making Executive Officers, senior members of the Company's management and other employees based upon a composite of the Company's segmented and consolidated results as well as those employees' individual performance evaluations. The manner of deciding who shall receive these bonuses and the amounts of such bonuses is the same as outlined in the first paragraph of the above section.

The following table sets forth certain information regarding non-qualified deferred compensation awards made to the persons listed in the Summary Compensation Table and shows the pro forma balances of such accounts as of December 31, 2013. The individuals listed had no discretion as to whether they wished to defer any awards made to them by the Company and were not permitted to voluntarily make contributions of their own to the Company's KEPRP. The amounts shown as contributed to the named persons' accounts were based upon their performance for that year even though the award itself was made after year end following the receipt of the independent registered public accounting firm's reports on the financial statements of the Company, review of any significant post-balance sheet events, and their continued employment. Similarly, the amount earned on prior year balances and the aggregate balances for these persons are presented as of the date coincident with the calculation and the making of awards in mid-March 2014.

Nonqualified Deferred Compensation

Name	Company's Contributions 2013	Aggregate Earnings 2013	Aggregate Deferred Balance as of December 31, 2013
Aldo C. Zucaro	-	\$33,340	\$6,763,778
Karl W. Mueller	-	11,469	514,473
James A. Kellogg	-	16,208	1,542,726
R. Scott Rager	\$162,500	38,708	2,750,101
Rande K. Yeager	150,000	656	292,562

Stock Option Awards

The Company believes that its CEO, Executive Officers, other senior members of the Company's management and other key employees who make a substantial contribution to long-term performance should have an equity interest in the Company. The Company's current Incentive Plan was approved by shareholders in 2006 and replaced a similar non-qualified stock option plan that had been in place for more than twenty-five years. Pursuant to the existing Plan, as amended, a set number of shares (originally 14,500,000) are available for award until the Incentive Plan terminates in 2016. At year-end 2013, 10,877,713 shares were available for future awards pursuant to this Plan.

The objective of the Plan is to encourage:

- An alignment of stockholder and employee interests;
- Employee efforts to grow shareholder value; and
- A long-term commitment to the Company by participating employees.

Accordingly, stock option grants have not been limited solely to the CEO and Executive Officers but have been available to a number of Company employees. The factors considered when making stock option awards include:

- The achievements of the individual;
- The overall performance of the Company or, in certain cases, segmented results; and
- The anticipated contributions of the individual to the Company's future success.

No formula, set benchmark or matrix is used in determining stock option awards. The relative significance of the above factors with respect to awards granted to the CEO, other Executive Officers and all other employees is determined subjectively by the Compensation Committee taking into consideration the segmented and consolidated results of the Company, with each member using their business judgment, and following consultation with the CEO for awards other than his own. The aggregate number of option shares granted over the past three years to all employees, including the CEO, the Executive Officers of the Company and all senior members of the Company has been less than 0.5% of the then outstanding Common Stock of the Company.

Option awards are made once a year, usually during the first quarter following receipt of the independent registered public accounting firm's report on the financial statements for the preceding year. The Compensation Committee approves the total pool of option shares and the options granted to the CEO, the President, the other Executive Officers, and a number of the senior members of the Company's management and its subsidiaries. The options' exercise price is the fair market value of the Company's Common Stock on the Grant Date. When making these awards, the other sources of compensation for the participant, such as base salary and any other incentive awards, are taken into account so as to achieve a reasonable balance of cash and future income or value. The grant of options and their strike price are not linked to any Company action such as the release of earnings and have typically occurred during March of each year.

STOCK OPTION GRANTS AND EXERCISES

The following table sets forth certain information regarding options to purchase shares of Common Stock granted in 2013 to the Executive Officers listed in the Summary Compensation Table:

Name	Grant Date	Stock Option Grants		
		All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Option Award
Aldo C. Zucaro	3/20/13	70,000	\$12.57	\$119,700
Karl W. Mueller	3/20/13	32,500	12.57	55,575
James A. Kellogg	3/20/13	-	-	-
R. Scott Rager	3/20/13	32,500	12.57	55,575
Rande K. Yeager	3/20/13	30,000	12.57	51,300

The purchase price per share of Common Stock subject to an option was fixed by the Compensation Committee. Such purchase price was the fair market value of the Company's Common Stock on the Grant Date.

The term of each option was 10 years from the Grant Date. Options are exercisable in accordance with the following vesting schedule: 10% at the end of the year of grant, and thereafter, annually at the rates of 15%, 20%, 25% and 30% so that at the end of the 5th fiscal year after the grant they are 100% vested. If the optionee dies, retires in good standing after age 57, or becomes disabled, vesting acceleration occurs. In such cases and if a change in control of the Company occurs, vesting accelerates to the extent of the higher of 10% of the shares

covered for each year of service by the optionee or the actual vested percentage plus 50% of the unvested remaining shares. For any option granted after January 1, 2014 to an optionee who, as of the date of the grant (i) has attained age 65, (ii) is currently an employee of the Company or a subsidiary, (iii) has been employed by the Company or a subsidiary for ten (10) years or longer, such option shall be fully vested as of the date of the grant. All option shares granted prior to 2010 are now fully vested.

Exercises of Stock Options

None of the Executive Officers named in the Summary Compensation Table exercised any stock options during 2013.

Equity Compensation Plan Information

The following table sets forth certain information regarding securities authorized for issuance under equity compensation plans as of year-end 2013. The Company only has equity compensation plans that have been approved by the Company's shareholders.

Equity Compensation Plan Status as of Year End 2013

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	12,807,272	\$ 16.97	10,877,713
Equity compensation plans not approved by security holders	-	-	-
Total	<u>12,807,272</u>	<u>\$ 16.97</u>	<u>10,877,713</u>

The following table sets forth information regarding the unexercised options held by the persons listed in the Summary Compensation Table. This table shows the option exercise price for each exercisable and unexercisable option held by each individual and the date upon which each option expires.

Outstanding Equity Awards at Year End 2013

Name	Number of Securities		Option Exercise Price	Option Expiration Date
	Underlying Unexercised Options Exercisable	Underlying Unexercised Options Unexercisable		
Aldo C. Zucaro	346,875	-	\$19.32	03/09/14*
	112,500	-	18.41	04/11/15
	280,000	-	21.48	05/26/16
	200,000	-	21.77	03/13/17
	45,000	55,000	12.33	03/23/21
	17,500	52,500	10.80	03/21/22
	7,000	63,000	12.57	03/20/23
Karl W. Mueller	37,500	-	20.02	10/01/14
	12,500	-	18.41	04/11/15
	35,000	-	21.48	05/26/16
	38,000	-	21.77	03/13/17
	25,000	-	12.95	03/18/18
	15,000	-	10.48	03/25/19
	12,250	5,250	12.08	03/25/20
	13,500	16,500	12.33	03/23/21
	8,125	24,250	10.80	03/21/22
3,250	29,250	12.57	03/20/23	
James A. Kellogg	25,000	-	19.32	03/09/14*
	37,500	-	18.41	04/11/15
	60,000	-	21.48	05/26/16
	85,000	-	21.77	03/13/17
	20,000	30,000	12.33	03/23/21
	8,750	26,250	10.80	03/21/22
R. Scott Rager	27,500	-	19.32	03/09/14*
	28,750	-	18.41	04/11/15
	47,000	-	21.48	05/26/16
	55,000	-	21.77	03/13/17
	37,500	-	12.95	03/18/18
	10,000	-	10.48	03/25/19
	9,100	3,900	12.08	03/25/20
	13,500	16,500	12.33	03/23/21
	8,125	24,375	10.80	03/21/22
	3,250	29,250	12.57	03/20/23
Rande K. Yeager	18,750	-	19.32	03/09/14*
	13,750	-	18.41	04/11/15
	15,000	-	21.48	05/26/16
	5,000	-	21.77	03/13/17
	30,000	-	12.95	03/18/18
	20,000	-	10.48	03/25/19
	14,000	6,000	12.08	03/25/20
	9,450	11,550	12.33	03/23/21
	5,375	16,125	10.80	03/21/22
	3,000	27,000	12.57	03/20/23

(*) These options expired on March 9, 2014 without being exercised.

The following table sets forth a summary of all stock options that have been granted to Company employees, including those persons listed in the Summary Compensation Table, as of December 31, 2013. This table is intended to highlight that the compensation of employees, in the form of stock options, has suffered due to the decline in price of the Company's Common Stock since 2007. Note that the options granted prior to 2008 are currently "out of the money", and that the options granted in 2004 expired without value to the employees holding them on March 9, 2014.

Ranges of Exercise Prices	Year(s) Of Grant	Options Outstanding			Options Exercisable	
		Number Out- Standing	Weighted – Average		Number Exercisable	Weighted Average Exercise Price
			Remaining Contractual Life	Exercise Price		
\$19.32 to \$20.02	2004 (a)	1,850,852	0.25	\$19.33	1,850,852	\$19.33
\$18.41 to \$20.87	2005	1,572,059	1.25	18.45	1,572,059	18.45
\$21.36 to \$22.35	2006	2,089,525	2.25	22.00	2,089,525	22.00
\$21.78 to \$23.16	2007	1,971,475	3.25	21.78	1,971,475	21.78
\$7.73 to \$12.95	2008	1,048,370	4.25	12.93	1,048,370	12.93
\$10.48	2009	698,133	5.25	10.48	698,133	10.48
\$12.08	2010	690,225	6.25	12.08	490,234	12.08
\$10.51 to \$14.31	2010 (b)	67,745	0.25	12.96	67,745	12.96
\$12.33	2011	945,413	7.25	12.33	442,146	12.33
\$10.80	2012	953,475	8.25	10.80	246,711	10.80
\$12.57	2013	920,000	9.25	12.57	105,048	12.57
Total		12,807,272		\$16.97	10,582,298	\$18.03

(a) These options expired on March 9, 2014 without being exercised.

(b) Represents the replacement options issued pursuant to the PMA merger.

Pension Plan and Baseline Security Plan

During 2013, the Old Republic International Corporation Salaried Employees Restated Retirement Plan ("Company Plan") assumed the obligations and assets of the other retirement plans maintained by subsidiaries of the Company. Participation in the Company Plan and the other plans maintained by subsidiaries had been closed to new employees for many years. Individuals who became employed after participation was closed were not eligible for participation in the Company Plan, but were permitted to participate in the Company's 401(k) ESSOP, subject to its eligibility rules. Effective December 31, 2013, the accrued benefit levels available to each participant in the Company Plan were frozen and no new benefits will accrue to participants after that date.

Under the Company Plan, as it applies to Messrs. Zucaro, Mueller and Kellogg, benefits are determined based upon 1.5% of the participant's "Final Average Monthly Earnings" (1/60th of the aggregate earnings of the employee during the period of the five consecutive years of service out of the last ten consecutive years of service which results in the highest "Final Average Monthly Earnings") multiplied by the participant's years of service. Earnings include base salary and commissions, but exclude bonuses and cash and deferred incentive compensation awards granted under any Company or subsidiaries' Incentive Plan or KEPRP. Early retirement benefits are available under the Company Plan for persons who are eligible and elect to retire after attaining age 55 provided they have at least five years of vested service with the Company. In this case, early retirement benefits are adjusted based upon the participant's age at retirement. The adjustment begins at 50% of normal benefits at age 55. For participants age 55 to 60 the early retirement benefits increase by 3.33% per year. Between ages 60 and 65, they increase by 6.66% per year until they reach 100%. Only Mr. Kellogg is currently eligible for early retirement benefits under the Company Plan and Mr. Rager is not a participant in the Company Plan.

Under the Company Plan, as it applies to Mr. Yeager, the monthly benefit is 1.20% of the participants Final Average Monthly Earnings up to the Social Security Integration Level, and 1.75% of the amount in excess of that level, multiplied by the participant's years of credited service limited to a maximum of 30 years. Early retirement benefits are available for persons who are eligible and elect to retire after attaining age 55 and completing 10 years of vesting service, or after attaining age 60. In the case of early retirement, benefits are reduced by .458% for each month preceding the participant attaining age 65.

The Company also maintains the Old Republic International Corporation Executives Excess Benefit Plan ("Excess Benefit Plan") to provide certain key executives with pension benefits in excess of those provided by the Company Plan because of legal limitations that cap benefit payments. The Excess Benefit Plan is administered by the Compensation Committee of the Board of Directors, which selected the employees to participate in this plan from those who are participants in the Company Plan. Mr. Zucaro is the only listed Executive Officer who qualified for participation under the Excess Benefit Plan as this plan was closed to new participants as of December 31, 2004.

Further, the accrued benefits under this plan were frozen as of December 31, 2013 and no additional future benefits will accrue to Mr. Zucaro or others under it.

Effective January 1, 2014, the Baseline Security Plan ("BSP") was established by the Company, in part, as a replacement for the Company Plan. Eligibility for participation in the BSP is similar to eligibility under the Company's 401(k) ESSOP. The BSP is noncontributory by participants and no employee contributions are permitted under it except for IRA roll-over contributions. The BSP contributions will be performance-based with an emphasis on the long-term underwriting results of the Company. The annual contribution will be approved each year by ORI's Board of Directors following the receipt of all pertinent audit reports for the Company, and its individual subsidiaries and operating centers ("BSP Cells"), as profit sharing contributions will be performance-based on each BSP Cell. Any contribution will be characterized as a percentage of each eligible employee's annual base salary. The initial base year for determining the Company's contribution to the BSP will be 2014. Following the Board of Directors' approval of a contribution, if any, the first contributions under the BSP shall be allocated to participants' accounts in early 2015.

The following table sets forth the present value of the estimated benefits payable to Executive Officers under the above described pension plans.

Pension Benefits				
Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit (1)	Payments During Last Fiscal Year
Aldo C. Zucaro	Company Plan	36.4	\$2,023,910	-
	Excess Benefit Plan	36.4	4,437,610	-
Karl W. Mueller	Company Plan	8.3	243,226	-
James A. Kellogg	Company Plan	36.8	1,605,056	-
R. Scott Rager	None	-	-	-
Rande K. Yeager	Company Plan	26.6	1,317,076	-

(1) The present value of accumulated benefits payable following assumed retirement is calculated using interest and mortality assumptions consistent with those used for financial reporting purposes with respect to the companies' audited financial statements. No discount is assumed for separation prior to retirement due to death, disability or termination of employment. The amount shown is based upon accrued service through year end 2013.

Employees Savings and Stock Ownership Plan

Under the Company's 401(k) qualified ESSOP, eligible employees who elect to participate may have their savings, up to a maximum of 6%, matched by employer contributions ranging from 20% to 140% of such savings in accordance with a formula based upon the percentages saved and the increase in the Company's average net operating earnings per share for the five years ending with the calendar year immediately prior to the year for which the contribution is made. The Company's matching contribution applies to annual compensation up to a maximum of \$150,000. Employees' contributions are invested, at the employees' direction, in a number of publicly-traded mutual funds, and employees may elect to purchase the Company's Common Stock as an investment option. Employer contributions are invested exclusively in the stock of the Company. Employees with three or more years of service as of the prior years' end may diversify the annual contribution of Company stock into alternative investments. Further, such employees may also diversify all of the prior contributions of Company stock at any time. The alternative investment choices include a number of publicly-traded stock and bond mutual funds. Employees may also change their investments from the alternate investments permitted into investments in the Company's stock. However, the number of times an employee may change their investments into or out of the Company's stock is annually limited. A participant becomes vested in the account balance allocated from employer contributions upon being totally and permanently disabled, dying, or upon the earlier of attaining age 65 or being employed for 6 years. Vesting also occurs in increments of 20% per year, beginning after one year of service. Benefits are payable upon termination of service, death or disability, or following retirement and are subject to minimum distribution requirements set forth in Treasury regulations under the Internal Revenue Code. At the election of the participant, benefits derived from employer contributions are payable either in cash or the Company's Common Stock.

In addition to the Company's ESSOP, Mr. Rager participated in the GWC Profit Sharing Plan ("GWC Plan") that was terminated on December 31, 2013 and the existing account balances of each GWC Plan participant were absorbed by with the BSP described above. While Mr. Rager had a balance with the GWC Plan, he has not received or made a contribution to the GWC Plan since joining the Company's Senior Management in late 2007. The GWC Plan was a 401(k) qualified plan, similar to the Company's ESSOP, and covered substantially all employees of GWC and its affiliates. As of January 1, 2014, no new participants were permitted to join the GWC Plan and existing GWC participants automatically became members of the BSP while remaining eligible for participation in the Company's ESSOP.

Other Benefits

The Company's philosophy on compensation does not encompass the disbursement of significant values by way of perquisites or personal benefits to its Executive Officers and other employees. Such benefits, as are in fact provided, include the personal value attributed to the use of Company-supplied automobiles, the personal value of club memberships, and the value of personal meals. The value of these benefits to the CEO, CFO and other listed Executive Officers are shown in the "All Other Compensation" column of the Summary Compensation Table shown elsewhere in this proxy statement. The Company and most of its subsidiaries provide other employment benefits that are generally available to most other employees and include: 401(k) and profit sharing plans based on each subsidiary's or operating unit's profitability; group life insurance plans; group health insurance plans; paid holidays and vacations.

ITEM 3 VOTE ON EXECUTIVE COMPENSATION

Background

The Company is committed to full disclosure concerning compensation, transparent corporate governance and the interest that shareholders have in knowing the compensation philosophy of the Company. At the Company's 2013 Shareholder Meeting, more than 98.5% of the shares voted to approve the Company's executive compensation. However, in accordance with the Company's desire to fully inform shareholders about the methods and amounts of executive compensation, and as prescribed by law and regulation, shareholders are again asked to endorse the Company's handling of these matters by adopting the following resolution that is commonly called a "Say-on-Pay" proposal.

The Board of Directors and the Compensation Committee, in particular, review the elements of Company compensation each year. Special attention is devoted to the compensation of the Executive Officers and other senior members of the Company's management. In general, the Company seeks to align executive compensation with shareholder value on an annual and long-term basis through a combination of base pay, annual incentives and long-term incentives. The Company believes that its history of long-term growth over the last several decades is, in part, a result of its compensation programs that encourage a longer-term pursuit of growth goals, rather than short-term results. A more detailed review of those programs and the awards made during 2012 to the Executive Officers of the Company are reported elsewhere in this proxy statement. The Board of Directors and Compensation Committee believe the Company's performance and executive compensation have been aligned and balanced with shareholder returns in recent years. Annual incentive or bonus compensation and stock option awards made to several Executive Officers and other senior members of management have been eliminated or reduced during several of those years in conformity with the Company's financial results. This vote is not intended to address any one specific element of compensation or the compensation paid to any one individual. Rather, the resolution concerns the overall philosophy, makeup and amounts of compensation paid to Executive Officers as a group.

2013 Executive Compensation Vote

At the Company's 2013 Annual Shareholder Meeting more than 98.5% of shares present voted to approve the Company's executive compensation for 2012. The Compensation Committee and Board of Directors considered this vote when it reviewed executive compensation for 2013.

Proposed Resolution

Resolved, that the shareholders of the Company approve the compensation policies, practices and procedures as set forth in the Compensation Discussion and Analysis section of this proxy statement for its Executive Officers for the year 2013.

Vote Required

This vote is advisory and is not binding upon the Board of Directors. The vote is intended to be a measure of the shareholders' overall approval of the handling of the Company's Executive Compensation matters. Therefore, the vote will not result in a change or clawback of any existing or future compensation of any individual. Nor will this vote necessarily result in a change in the elements or compensation programs of the Company, as those decisions remain vested in the Board of Directors. However, if the shareholders fail to give this proposal a favorable vote, the Board of Directors and Compensation Committee shall investigate the reasons the resolution did not receive a majority vote. Further, this vote will be taken into consideration when future changes are considered in the elements of compensation, when compensation programs are adopted or changed, and when compensation amounts or incentive awards are approved for Executive Officers and the other senior members of the Company's management.

The results of this vote shall be disclosed in a filing made with the SEC shortly after the Annual Shareholders' Meeting and will be available for review on the Company's website, www.oldrepublic.com.

BOARD OF DIRECTORS' RECOMMENDATION

The Board of Directors recommends a vote FOR this proposal. Proxies solicited by the Board of Directors shall be voted in favor of this proposal unless shareholders specify to the contrary in their proxies.

OTHER INFORMATION

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's Executive Officers and directors, and persons who own more than ten percent of the Company's Common Stock, to file reports of ownership and changes in ownership with the SEC. Based solely on reports and other information submitted by Executive Officers, directors and such other persons required to file, the Company believes that during the year ended December 31, 2013 all reports required by Section 16(a) have been properly filed.

Change of Control, Severance or Retirement

None of the Executive Officers have employment contracts, and all are considered "at-will" employees of the Company. Further, the Company has no change of control or severance agreements such as "golden parachutes" in place for any of its Executive Officers. However, the benefit plans referred to above would be affected, in limited ways, by a change of control of the Company. Such an event would not result in additional compensation or benefits being paid to any Executive Officer or employee for the Company. Rather, the effect would be to accelerate the vesting of benefits under these plans and require the immediate payment of all deferred balances under the Company's Performance Recognition Plans.

The above notwithstanding, the Company and its Board of Directors retain the right to enter into employment contracts or institute "golden parachutes" and similar benefits for its Executive Officers and other key employees immediately, and at any time as circumstances may warrant, to protect the Company's business interests. There is no assurance, however, that any of the selected executives would agree to such contracts.

Financial Restatement

The Company has adopted a policy that if it is ever required to prepare an accounting restatement due to a material noncompliance with any financial reporting requirement under the securities laws, it will attempt, to the extent permitted by law, to recover or clawback the excess incentive-based compensation received by each current or former Executive Officer during the three years preceding the required restatement, over what, if any, incentive compensation such officers would have received based on the accounting restatement.

Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, places a limit of \$1,000,000 on the amount of compensation that the Company may deduct in any one year with respect to each of its five most highly paid Executive Officers. There is an exception to the \$1,000,000 limitation for performance-based compensation meeting certain requirements. Annual cash incentive compensation and stock option awards generally are performance-based compensation meeting those requirements and, as such, are fully deductible. In light of the above rule, the Company has not adopted any policy with respect to compensation in excess of \$1,000,000 being paid to Executive Officers.

Stock Ownership Guidelines

The Company encourages all of its employees to own Company stock directly or through employee benefit plans such as its 401(k) ESSOP. All of its Executive Officers and directors own shares of the Company's stock. The Table on page 3 shows the nature and amount of such holdings.

The Company has an equity ownership policy for its directors and senior officers. Pursuant to this policy, directors are required to acquire holdings in the Company's Common Stock with a value of at least \$250,000. This policy allows new directors three years during which to acquire such ownership, with the valuation of such stock based upon the greater of current market value attained at any point in time, or the original acquisition cost. All of the

Company's directors currently hold in excess of this requirement. For the most senior officers of the Company, the recommended value of Common Stock ownership is based upon the following multiples of the officer's base salary:

CEO of the Company	6 times
President of the Company	4 times
Certain other senior officers of the Company and its subsidiaries	<u>1.5 times</u>

The value of all shares of Company Common Stock owned directly or held in employee benefit accounts by such officers, together with the value of deferred compensation accounts, are considered in meeting these objectives. Newly elected senior officers have five years to meet the pertinent requirement. Senior officers who are promoted to a position that suggests additional ownership of the Company's Common Stock have three years from such promotion to meet the applicable requirement.

This proxy statement is filed by order of the Board of Directors.

Spencer LeRoy III
Senior Vice President,
General Counsel, and
Secretary

Chicago, Illinois
April 15, 2014

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This document is not intended to represent a solicitation or offer to buy or sell the Corporation's securities.



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