OLD REPUBLIC INTERNATIONAL CORP
Form 10-Q
May 10, 2011

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

FORM 10-Q

[x]Quarterly report pursuant to section 13 or 15(d) of the Security Exchange Act of 1934
for the quarterly period ended: March 31, 2011 or

[ ]Transition report pursuant to section 13 or 15(d) of the Security Exchange Act of 1934

Commission File Number: 001-10607

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

| Delaware | No. 36-2678171 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |
| 307 North Michigan Avenue, Chicago, Illinois | 60601 |
| (Address of principal executive office) | (Zip Code) |

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

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

| | |
|---|---|
| Large accelerated filer x | Accelerated filer ¨ |
| Non-accelerated filer ¨ | Smaller reporting company ¨ |

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

| Class | Shares Outstanding March 31, 2011 |
|---|---|
| Common Stock / $1 par value | 259,268,655 |

There are 42 pages in this report

OLD REPUBLIC INTERNATIONAL CORPORATION

Report on Form 10-Q / March 31, 2011

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

| | | (Unaudited) March 31, 2011 | | December 31, 2010 |
|---|---|---|---|---|
| Assets | | | | |
| Investments: | | | | |
| Available for sale: | | | | |
| Fixed maturity securities (at fair value) (amortized cost: $8,132.8 and $8,070.4) | $ | 8,563.7 | $ | 8,532.2 |
| Equity securities (at fair value) (adjusted cost: $402.7 and $402.8) | | 666.8 | | 672.4 |
| Short-term investments (at fair value which approximates cost) | | 1,390.2 | | 1,004.0 |
| Miscellaneous investments | | 34.6 | | 40.7 |
| Total | | 10,655.5 | | 10,249.4 |
| Other investments | | 9.7 | | 9.8 |
| Total investments | | 10,665.3 | | 10,259.3 |
| | | | | |
| Other Assets: | | | | |
| Cash | | 118.1 | | 127.3 |
| Securities and indebtedness of related parties | | 14.7 | | 12.0 |
| Accrued investment income | | 108.0 | | 104.1 |
| Accounts and notes receivable | | 1,051.6 | | 1,022.9 |
| Federal income tax recoverable: Current | | 40.5 | | 44.6 |
| Deferred | | 74.8 | | 45.3 |
| Prepaid federal income taxes | | 63.5 | | 102.9 |
| Reinsurance balances and funds held | | 209.5 | | 205.4 |
| Reinsurance recoverable: Paid losses | | 100.9 | | 96.0 |
| Policy and claim reserves | | 3,145.7 | | 3,166.4 |
| Deferred policy acquisition costs | | 235.1 | | 230.6 |
| Sundry assets | | 475.5 | | 465.3 |
| | | 5,638.3 | | 5,623.4 |
| Total Assets | $ | 16,303.6 | $ | 15,882.7 |
| | | | | |
| Liabilities, Preferred Stock, and Common Shareholders’ Equity | | | | |
| Liabilities: | | | | |
| Losses, claims, and settlement expenses | $ | 8,722.0 | $ | 8,814.6 |
| Unearned premiums | | 1,270.6 | | 1,232.4 |
| Other policyholders' benefits and funds | | 191.8 | | 192.4 |
| Total policy liabilities and accruals | | 10,184.5 | | 10,239.5 |
| Commissions, expenses, fees, and taxes | | 399.9 | | 424.0 |
| Reinsurance balances and funds | | 380.5 | | 383.8 |
| Debt | | 1,021.5 | | 475.0 |
| Sundry liabilities | | 267.0 | | 238.8 |
| Commitments and contingent liabilities | | | | |
| Total Liabilities | | 12,253.5 | | 11,761.3 |
| | | | | |
| Preferred Stock (1) | | - | | - |

| | | | | |
|---|---|---|---|---|
| Common Shareholders’ Equity: | | | | |
| Common stock (1) | | 259.2 | | 259.2 |
| Additional paid-in capital | | 651.9 | | 649.6 |
| Retained earnings | | 2,733.9 | | 2,791.4 |
| Accumulated other comprehensive income (loss) | | 441.7 | | 459.1 |
| Unallocated ESSOP shares (at cost) | | (36.8) | | (38.0) |
| Treasury stock (at cost)(1) | | - | | - |
| Total Common Shareholders' Equity | | 4,050.1 | | 4,121.4 |
| Total Liabilities, Preferred Stock and Common Shareholders’ Equity | $ | 16,303.6 | $ | 15,882.7 |

(1) At March 31, 2011 and December 31, 2010, 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 259,268,655 at March 31, 2011 and 259,222,360 at December 31, 2010 were issued. At March 31, 2011 and December 31, 2010, there were 100,000,000 shares of Class B Common Stock, $1.00 par value, authorized, of which no shares were issued. There were no common shares classified as treasury stock as of March 31, 2011 and December 31, 2010.

See accompanying Notes to Consolidated Financial Statements.

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

| | | Quarters Ended March 31, | | | |
|---|---|---|---|---|---|
| | | | 2011 | | 2010 |
| Revenues: | | | | | |
| Net premiums earned | | $ | 922.8 | $ | 752.3 |
| Title, escrow, and other fees | | | 80.1 | | 76.1 |
| Total premiums and fees | | | 1,003.0 | | 828.5 |
| Net investment income | | | 91.5 | | 96.2 |
| Other income | | | 28.5 | | 4.8 |
| Total operating revenues | | | 1,123.0 | | 929.6 |
| Realized investment gains (losses): | | | | | |
| From sales | | | 6.4 | | 2.9 |
| From impairments | | | - | | - |
| Total realized investment gains (losses) | | | 6.4 | | 2.9 |
| Total revenues | | | 1,129.5 | | 932.6 |
| | | | | | |
| Benefits, Claims and Expenses: | | | | | |
| Benefits, claims and settlement expenses | | | 636.6 | | 491.6 |
| Dividends to policyholders | | | 3.5 | | 2.5 |
| Underwriting, acquisition, and other expenses | | | 503.6 | | 400.6 |
| Interest and other charges | | | 10.6 | | 6.5 |
| Total expenses | | | 1,154.4 | | 901.3 |
| Income (loss) before income taxes (credits) | | | (24.9) | | 31.2 |
| | | | | | |
| Income Taxes (Credits): | | | | | |
| Current | | | 6.2 | | 11.4 |
| Deferred | | | (18.1) | | (5.2) |
| Total | | | (11.9) | | 6.2 |
| | | | | | |
| Net Income (Loss) | | $ | (12.9) | $ | 25.0 |
| | | | | | |
| Net Income (Loss) Per Share: | | | | | |
| Basic: | | $ | (.05) | $ | .11 |
| Diluted: | | $ | (.05) | $ | .11 |
| | | | | | |
| Average shares outstanding: | Basic | | 254,769,513 | | 236,387,779 |
| | Diluted | | 254,769,513 | | 236,462,231 |
| | | | | | |
| Dividends Per Common Share: | | | | | |
| Cash: | | $ | .1750 | $ | .1725 |

Consolidated Statements of Comprehensive Income (Unaudited)

| | Quarters Ended March 31, |
|---|---|

| | 2011 | 2010 |
|---|---|---|
| Net income (loss) as reported | $ (12.9) | $ 25.0 |
| Other comprehensive income (loss): | | |
| Post-tax net unrealized gains (losses) on securities | (22.9) | 111.5 |
| Other adjustments | 5.5 | 3.1 |
| Net adjustments | (17.3) | 114.6 |
| Comprehensive income (loss) | $ (30.3) | $ 139.7 |

See accompanying Notes to Consolidated Financial Statements.

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

| | Quarters Ended March 31, | |
|---|---|---|
| | 2011 | 2010 |
| Cash flows from operating activities: | | |
| Net income (loss) | $ (12.9) | $ 25.0 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Deferred policy acquisition costs | (4.0) | 5.3 |
| Premiums and other receivables | (28.5) | (1.7) |
| Unpaid claims and related items | (54.5) | (144.5) |
| Other policyholders' benefits and funds | 19.1 | (21.3) |
| Income taxes | (13.7) | 1.7 |
| Prepaid federal income taxes | 39.4 | 85.4 |
| Reinsurance balances and funds | (12.3) | 16.4 |
| Realized investment (gains) losses | (6.4) | (2.9) |
| Accounts payable, accrued expenses and other | 22.0 | 17.2 |
| Total | (52.1) | (19.3) |
| Cash flows from investing activities: | | |
| Fixed maturity securities: | | |
| Maturities and early calls | 302.0 | 169.1 |
| Sales | 123.1 | 68.9 |
| Sales of: | | |
| Other - net | 13.2 | 1.0 |
| Purchases of: | | |
| Fixed maturity securities | (486.7) | (221.3) |
| Equity securities | - | (1.0) |
| Other-net | (8.8) | (5.7) |
| Net decrease (increase) in short-term investments | (389.5) | 43.5 |
| Other-net | - | 2.9 |
| Total | (446.7) | 57.4 |
| Cash flows from financing activities: | | |
| Issuance of debentures and notes | 537.1 | 70.0 |
| Issuance of common shares | .5 | 2.3 |
| Redemption of debentures and notes | (3.5) | (72.5) |
| Dividends on common shares | (44.5) | (40.6) |
| Other-net | - | .3 |
| Total | 489.6 | (40.5) |
| Increase (decrease) in cash: | (9.1) | (2.3) |
| Cash, beginning of period | 127.3 | 77.3 |
| Cash, end of period | $ 118.1 | $ 74.9 |

Supplemental cash flow information:

| | | | | | |
|---|---|---|---|---|---|
| Cash paid during the period for: | Interest | $ | 2.5 | $ | .4 |
| | Income taxes | $ | 1.3 | $ | 4.4 |

See accompanying Notes to Consolidated Financial Statements.

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

## 1. Accounting Policies and Basis of Presentation:

The accompanying consolidated financial statements have been prepared in conformity with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") of accounting principles generally accepted in the United States of America ("GAAP").

Pertinent accounting and disclosure pronouncements issued from time to time by the FASB are adopted by the Company as they become effective. In October 2010, the FASB issued authoritative guidance regarding the deferral of acquisition costs incurred by insurance entities. The new guidance, which is effective for interim and annual periods beginning after December 15, 2011, limits the capitalization of acquisition costs to those that are incrementally or directly related to the successful acquisition of new or renewal insurance contracts. The Company is currently evaluating this recently ratified guidance, however at this time, it does not expect the impact to have a material effect on its consolidated financial statements.

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

## 2. Common Share Data:

Earnings Per Share - Consolidated basic earnings per share excludes the dilutive effect of common stock equivalents and is computed by dividing income (loss) available to common stockholders by the weighted-average number of common shares actually outstanding for the period. 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 number of shares used in basic and diluted earnings per share calculations.

| | Quarters Ended March 31, | |
|---|---|---|
| | 2011 | 2010 |
| Numerator: | | |
| Net Income (loss) | $ (12.9) | $ 25.0 |
| Numerator for basic earnings per share - income (loss) available to common stockholders | (12.9) | 25.0 |
| Adjustment for interest expense incurred on assumed conversions of convertible senior notes | - | - |
| Numerator for diluted earnings per share - income (loss) available to common stockholders after assumed conversions | $ (12.9) | $ 25.0 |
| Denominator: | | |
| Denominator for basic earnings per share - weighted-average shares (a) | 254,769,513 | 236,387,779 |
| Effect of dilutive securities - stock based compensation awards | - | 74,452 |

| | | | | | |
|---|---|---|---|---|---|
| Effect of dilutive securities - convertible senior notes | | | - | | - |
| Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions (a) | | | 254,769,513 | | 236,462,231 |
| Earnings per share: | Basic | $ | (.05) | $ | .11 |
| | Diluted | $ | (.05) | $ | .11 |
| | | | | | |
| Anti-dilutive common share equivalents excluded from earnings per share computations: | | | | | |
| Stock based compensation awards | | | 15,990,258 | | 14,432,230 |
| Convertible senior notes | | | 36,814,753 | | 27,458,280 |
| Total | | | 52,805,011 | | 41,890,510 |

(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, have the same voting and other rights applicable to all other common shares.

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3. Investments:

The Company may classify its invested assets in terms of those assets relative to which it either (1) has the positive intent and ability to hold until maturity, (2) has available for sale or (3) has the intention of trading. As of March 31, 2011 and December 31, 2010, 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 no OTTI adjustments for the quarters ended March 31, 2011 and 2010.

The amortized cost and estimated fair values of fixed maturity securities are as follows:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| Fixed Maturity Securities: | | | | |
| March 31, 2011: | | | | |
| U.S. & Canadian Governments | $ 1,298.5 | $ 50.7 | $ 4.3 | $ 1,344.9 |
| Tax-exempt | 1,322.5 | 66.2 | .4 | 1,388.3 |
| Corporates | 5,511.7 | 340.6 | 21.8 | 5,830.4 |
| | $ 8,132.8 | $ 457.6 | $ 26.7 | $ 8,563.7 |
| December 31, 2010: | | | | |
| U.S. & Canadian Governments | $ 1,366.1 | $ 57.6 | $ 4.3 | $ 1,419.4 |
| Tax-exempt | 1,391.0 | 69.2 | .4 | 1,459.8 |
| Corporates | 5,313.2 | 360.2 | 20.5 | 5,652.9 |
| | $ 8,070.4 | $ 487.0 | $ 25.3 | $ 8,532.2 |

The amortized cost and estimated fair value of fixed maturity securities at March 31, 2011, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities since borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| | Amortized Cost | Estimated Fair Value |
|---|---|---|
| Fixed Maturity Securities: | | |
| Due in one year or less | $ 792.7 | $ 804.5 |
| Due after one year through five years | 4,211.5 | 4,431.6 |
| Due after five years through ten years | 2,868.4 | 3,074.1 |
| Due after ten years | 260.1 | 253.4 |
| | $ 8,132.8 | $ 8,563.7 |

A summary of the Company's equity securities reflecting reported adjusted cost, net of OTTI adjustments totaling $244.9 at March 31, 2011 and $245.4 at December 31, 2010 follows:

| | Adjusted Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| March 31, 2011 | $ 402.7 | $ 264.4 | $ .3 | $ 666.8 |
| December 31, 2010 | $ 402.8 | $ 271.7 | $ 2.2 | $ 672.4 |

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 employing fair value comparisons with an issuer’s adjusted cost at March 31, 2011 and December 31, 2010:

| | 12 Months or Less | | Greater than 12 Months | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| March 31, 2011: | | | | | | |
| Fixed Maturity Securities: | | | | | | |
| U.S. & Canadian Governments | $ 210.4 | $ 4.3 | $ - | $ - | $ 210.4 | $ 4.3 |
| Tax-exempt | 20.2 | .4 | - | - | 20.2 | .4 |
| Corporates | 1,003.3 | 21.4 | 10.1 | .4 | 1,013.4 | 21.8 |
| Subtotal | 1,234.0 | 26.3 | 10.1 | .4 | 1,244.2 | 26.7 |
| Equity Securities | 10.8 | .3 | - | - | 10.9 | .3 |
| Total | $ 1,244.9 | $ 26.7 | $ 10.1 | $ .4 | $ 1,255.1 | $ 27.1 |
| December 31, 2010: | | | | | | |
| Fixed Maturity Securities: | | | | | | |
| U.S. & Canadian Governments | $ 318.7 | $ 4.3 | $ - | $ - | $ 318.7 | $ 4.3 |
| Tax-exempt | 14.2 | .4 | - | - | 14.2 | .4 |
| Corporates | 729.5 | 19.3 | 26.0 | 1.2 | 755.5 | 20.5 |
| Subtotal | 1,062.4 | 24.1 | 26.0 | 1.2 | 1,088.5 | 25.3 |
| Equity Securities | 6.3 | - | 96.7 | 2.1 | 103.0 | 2.2 |
| Total | $ 1,068.8 | $ 24.1 | $ 122.7 | $ 3.4 | $ 1,191.6 | $ 27.5 |

At March 31, 2011, the Company held 312 fixed maturity and 3 equity securities in an unrealized loss position, representing 15.2% as to fixed maturities and 7.1% as to equity securities of the total number of such issues it held. At December 31, 2010, the Company held 283 fixed maturity and 3 equity securities in an unrealized loss position, representing 13.5% as to fixed maturities and 7.1% as to equity securities of the total number of such issues it held. Of the securities in an unrealized loss position, 3 and 5 fixed maturity securities and 1 and 2 equity securities had been in a continuous unrealized loss position for more than 12 months as of March 31, 2011 and December 31, 2010, respectively. The unrealized losses on these securities are primarily attributable to a post-purchase rising interest rate environment and/or a decline in the credit quality of some issuers. 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. The Company has not sold nor does it expect to sell investments for purposes of

generating cash to pay claim or expense obligations.

Fair value is defined as the price that would 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 securities measured at fair value.

The Company uses quoted values and other data provided by a nationally recognized independent pricing source as inputs into its quarterly process for determining fair values of its fixed maturity and equity securities. To validate the techniques or models used by pricing sources, the Company's review process includes, but is not limited to: (i) initial and ongoing evaluation of methodologies used by outside parties to calculate fair value; and (ii) comparing 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 using 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") of 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, and a restricted publicly traded common stock. Securities classified within Level 3 include non-publicly traded bonds, short-term investments, and common stocks. There were no significant changes in the fair value of assets measured with the use of significant unobservable inputs as of March 31, 2011 and December 31, 2010.

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

| | Fair value measurements as of March 31, 2011: | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Available for sale: | | | | |
| Fixed maturity securities | | | | |
| U.S. & Canadian Governments | $ 444.4 | $ 900.5 | $ - | $ 1,344.9 |
| Tax-exempt | - | 1,388.3 | - | 1,388.3 |
| Corporates | - | 5,799.7 | 30.6 | 5,830.4 |
| Equity securities | 525.2 | 139.4 | 2.1 | 666.8 |
| Short-term investments | $ 1,384.8 | $ - | $ 5.3 | $ 1,390.2 |

| | Fair value measurements as of December 31, 2010: | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Available for sale: | | | | |
| Fixed maturity securities: | | | | |
| U.S. & Canadian Governments | $ 483.9 | $ 935.4 | $ - | $ 1,419.4 |
| Tax-exempt | - | 1,459.8 | - | 1,459.8 |
| Corporates | - | 5,622.2 | 30.6 | 5,652.9 |
| Equity securities | 525.0 | 145.0 | 2.4 | 672.4 |
| Short-term investments | $ 998.6 | $ - | $ 5.4 | $ 1,004.0 |

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 state–ment 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 defer–red income taxes, are recorded directly as a component of accumulated other comprehensive income in shareholders' equity. At March 31, 2011, 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 invest–ment gains or losses for each of the years shown.

| | Quarters Ended March 31, | | | |
|---|---|---|---|---|
| | | 2011 | | 2010 |
| Investment income from: | | | | |
| Fixed maturity securities | $ | 89.1 | $ | 94.3 |
| Equity securities | | 2.4 | | .9 |
| Short-term investments | | .4 | | .3 |
| Other sources | | 1.1 | | 1.3 |
| Gross investment income | | 93.0 | | 96.9 |
| Investment expenses (a) | | 1.5 | | .7 |
| Net investment income | $ | 91.5 | $ | 96.2 |
| Realized gains (losses) on: | | | | |
| Fixed maturity securities: | | | | |
| Gains | $ | 7.5 | $ | 3.0 |
| Losses | | (1.1) | | (.1) |
| Net | | 6.5 | | 2.9 |
| Equity securities & other long-term investments | | - | | - |
| Total | | 6.4 | | 2.9 |
| Income taxes (credits)(b) | | 2.2 | | 1.0 |
| Net realized gains (losses) | $ | 4.2 | $ | 1.9 |
| Changes in unrealized investment gains (losses) on: | | | | |
| Fixed maturity securities | $ | (30.3) | $ | 44.3 |
| Less: Deferred income taxes (credits) | | (10.5) | | 15.5 |
| Net changes in unrealized investment gains (losses) | $ | (19.7) | $ | 28.7 |
| Equity securities & other long-term investments | $ | (5.1) | $ | 127.2 |
| Less: Deferred income taxes (credits) | | (1.8) | | 44.5 |
| Net changes in unrealized investment gains (losses) | $ | (3.2) | $ | 82.7 |

(a) Investment expenses consist of personnel costs and investment management and custody service fees, as well as a negligible amount of interest incurred on funds held.

(b) Reflects primarily the combination of fully taxable realized investment gains or losses and judgments about the recoverability of deferred tax assets.

4. Pension Plans:

As of March 31, 2011, the Company has four pension plans covering a portion of its work force. The four plans are the Old Republic International 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). 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. With the exception of the PMA Plan, these plans have been closed to new participants since December 31, 2004. The PMA Plan was frozen as of December

31, 2005. Under the terms of the freeze, the plan is closed to new participants and eligible employees retained all of their rights under the plan that they had vested as of December 31, 2005 but do not accrue any additional benefits thereafter. Plan assets are comprised principally of bonds, common stocks and short-term investments. Cash contributions of $7.3 were made to the pension plans in the first quarter of 2011, and additional cash contributions of $16.1 are expected to be made in the remaining portion of calendar year 2011.

5. Information About Segments of Business:

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

| | Quarters Ended March 31, | |
|---|---|---|
| | 2011 | 2010 |
| General Insurance Group: | | |
| Net premiums earned | $ 532.3 | $ 411.8 |
| Net investment income and other income | 93.2 | 67.3 |
| Total revenues before realized gains or losses | $ 625.5 | $ 479.1 |
| Income (loss) before income taxes (credits) and realized investment gains or losses (a) | $ 68.5 | $ 69.2 |
| Income tax expense (credits) on above | $ 21.2 | $ 21.1 |
| | | |
| Mortgage Guaranty Group: | | |
| Net premiums earned | $ 113.9 | $ 136.2 |
| Net investment income and other income | 17.2 | 24.2 |
| Total revenues before realized gains or losses | $ 131.2 | $ 160.5 |
| Income (loss) before income taxes (credits) and realized investment gains or losses (a) | $ (101.1) | $ (34.1) |
| Income tax expense (credits) on above | $ (35.7) | $ (13.2) |
| | | |
| Title Insurance Group: | | |
| Net premiums earned | $ 252.6 | $ 179.0 |
| Title, escrow and other fees | 80.1 | 76.1 |
| Sub-total | 332.8 | 255.2 |
| Net investment income and other income | 7.1 | 6.8 |
| Total revenues before realized gains or losses | $ 339.9 | $ 262.0 |
| Income (loss) before income taxes (credits) and realized investment gains or losses (a) | $ 2.6 | $ (8.6) |
| Income tax expense (credits) on above | $ .7 | $ (3.2) |
| | | |
| Consolidated Revenues: | | |
| Total revenues of above Company segments | $ 1,096.8 | $ 901.7 |
| Other sources (b) | 40.4 | 41.9 |
| Consolidated net realized investment gains (losses) | 6.4 | 2.9 |
| Consolidation elimination adjustments | (14.1) | (14.0) |
| Consolidated revenues | $ 1,129.5 | $ 932.6 |
| | | |
| Consolidated Income (Loss) Before Taxes (Credits): | | |
| Total income (loss) before income taxes (credits) and realized investment gains or losses of above Company segments | $ (30.0) | $ 26.5 |
| Other sources – net (b) | (1.3) | 1.8 |
| Consolidated net realized investment gains (losses) | 6.4 | 2.9 |
| Consolidated income (loss) before income taxes (credits) | $ (24.9) | $ 31.2 |
| | | |
| Consolidated Income Tax Expense (Credits): | | |
| Total income tax expense (credits) for above Company segments | $ (13.6) | $ 4.6 |
| Other sources – net (b) | (.6) | .5 |
| Income tax expense (credits) on | | |

| | | | | |
|---|---|---|---|---|
| consolidated net realized investment gains (losses) | | 2.2 | | 1.0 |
| Consolidated income tax expense (credits) | $ | (11.9) | $ | 6.2 |

| | | March 31, 2011 | | December 31, 2010 |
|---|---|---|---|---|
| Consolidated Assets: | | | | |
| General | $ | 12,226.1 | $ | 12,189.8 |
| Mortgage | | 2,387.8 | | 2,537.9 |
| Title | | 910.0 | | 915.0 |
| Other assets (b) | | 1,090.1 | | 576.7 |
| Consolidation elimination adjustments | | (310.4) | | (336.8) |
| Consolidated | $ | 16,303.6 | $ | 15,882.7 |

(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 - $5.4 and $5.3 for the quarters ended March 31, 2011 and 2010, respectively; Mortgage - $1.8 and $1.7 for the quarters ended March 31, 2011 and 2010, respectively; and Title - $1.3 and $1.3 for the quarters ended March 31, 2011 and 2010, respectively.
(b) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, and a small life and health insurance operation.

6. Commitments and Contingent Liabilities:

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

Purported class action lawsuits are pending against the Company's principal title insurance subsidiary, Old Republic National Title Insurance Company ("ORNTIC"), in federal courts in two states – Pennsylvania (Markocki et al. v. ORNTIC, U.S. District Court, Eastern District, Pennsylvania, filed June 8, 2006), and Texas (Ahmad et al. v. ORNTIC, U.S. District Court, Northern District, Texas, Dallas Division, filed February 8, 2008). 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 rate schedules filed by ORNTIC or by state rating bureaus with the state insurance regulatory authorities. The Pennsylvania suit also alleges violations of the federal Real Estate Settlement Procedures Act ("RESPA"). The Court in the Texas suit dismissed similar RESPA allegations. Classes have been certified in both actions.

Beginning in early February 2008, some 80 purported consumer class action lawsuits were filed against the title industry's principal title insurance companies, their subsidiaries and affiliates, and title insurance rating bureaus or associations in at least 10 states. ORNTIC was a named defendant in actions filed in 5 of the states. The suits were substantially identical in alleging that the defendant title insurers engaged in illegal price-fixing agreements to set artificially high premium rates and conspired to create premium rates which the state insurance regulatory authorities could not evaluate and therefore, could not adequately regulate. Most of the suits have since been dismissed. Of those remaining, ORNTIC is currently among the named defendants in only one of these actions, in California. The anti-trust allegations in the California action have been dismissed and only the allegations of improper business practices under state law remain. The other suits in which ORNTIC was a named defendant were dismissed at the trial court level, and the dismissals are on appeal before the 3rd and 6th Circuits U.S. Courts of Appeals.

National class action suits have been filed against the Company's subsidiary, Old Republic Home Protection Company ("ORHP") in the California Superior Court, San Diego, and the U.S. District Court in Birmingham, Alabama. The California suit has been filed on behalf of all persons who made a claim under an ORHP home warranty contract from March 6, 2003 to the present. The suit alleges breach of contract, breach of the implicit covenant of good faith and fair dealing, violations of certain California consumer protection laws and misrepresentation arising out of ORHP's alleged failure to adopt and implement reasonable standards for the prompt investigation and processing of claims under its home warranty contracts. The suit seeks unspecified damages consisting of the rescission of the class members' contracts, restitution of all sums paid by the class members, punitive damages, and declaratory and injunctive relief. ORHP removed the action to the U.S. District Court for the Southern District of California, and on January 6, 2011 the Court denied plaintiff's motion for class certification. The Alabama suit alleges that ORHP pays fees to the real estate brokers who market its home warranty contracts and that the payment of such fees is in violation of Section 8(a) of RESPA. The suit seeks unspecified damages, including treble damages under RESPA. No class has been certified in the Alabama action.

On December 19, 2008, Old Republic Insurance Company ("ORIC") and Old 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 in the Circuit Court, Cook County, Illinois seeking declaratory judgment to rescind or terminate 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. In February of 2009, 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 of March 31, 2011, Old Republic had rescinded or denied coverage on more than 18,000 defaulted loans, based upon material misrepresentations either by Countrywide as to the credit characteristics of the loans or by the borrowers in their loan applications.

On November 3, 2010, Bank of America, N.A. ("B of A") filed suit against ORIC in the U.S. District Court for the Western District of North Carolina 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 money damages in excess of $320, pre- and post-judgment interest and unspecified punitive damanges.

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"). 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. RMIC has appealed the Court's ruling.

On November 23, 2010, J.P. Morgan Chase Bank, N.A. ("Chase") filed a suit against RMIC in the U.S. District Court for the District of New Jersey arising out of RMIC's rescissions of coverage on a number of mortgage loans. The law suit alleges improper unilateral rescissions of coverage and improper claims investigation practices with respect to mortgage loans that were either originated by Chase or purchased by Chase from other loan originators, as well as mortgage loans for which Chase had purchased the servicing rights. The suit alleges a breach of contract, a breach of fiduciary duty and bad faith insurance practices. Chase seeks a declaratory judgment that RMIC may not unilaterally rescind coverage and may not challenge Chase's loan underwriting process where RMIC delegated insurance underwriting authority to Chase or where RMIC performed loan underwriting services for Chase. It also seeks injunctive relief against RMIC's coverage rescissions and unspecified compensatory, treble and punitive damages.

On November 29, 2010, a purported class action was filed in the U.S. District Court, District of Columbia, against SunTrust Bank, its two captive reinsurance subsidiaries, and seven mortgage guaranty insurance companies, including RMIC (Moses v. SunTrust Banks, Inc., et al.; Case No. 1:10-CV-02029-PLF). The suit alleges that the cession of mortgage guaranty premiums to SunTrust's captive reinsurers amounted in part to a kickback to SunTrust for the referral of mortgage guaranty insurance business, in violation of RESPA. The suit also alleges violations of the federal Truth-in-Lending Act, Regulation Z, the District of Columbia's Consumer Protection Procedures Act, fraudulent misrepresentation and civil conspiracy, emanating principally from a failure by SunTrust to disclose to its mortgage loan customers its captive reinsurance arrangements. The suit seeks unspecified actual, statutory, compensatory and punitive damages, injunctive relief, attorneys' fees and costs. On March 11, 2011, the plaintiffs voluntarily dismissed all of the mortgage guaranty insurance companies, including RMIC.

On February 18, 2011, the Federal Deposit Insurance Corporation, as receiver of AmTrust Bank, filed a suit against ORIC in the U.S. District Court for the Northern District of Ohio arising out of ORIC's termination of a credit indemnity policy issued to insure home equity loans made or held by AmTrust. The suit alleges breach of contract and seeks a declaratory judgment that ORIC's attempted termination and/or cancellation of the policy did not terminate coverage of the insured loans and that ORIC remains obligated to provide coverage for such loans under the policy.

The suit seeks damages in excess of $46, declaratory relief, pre-and post-judgment interest, attorneys' fees and costs.

The ultimate impact of these lawsuits and the arbitration, all of which seek unquantified damages, attorneys' fees and expenses, is uncertain and not reasonably estimable at this time. The Company and its subsidiaries intend to defend vigorously against each of the aforementioned actions. Although the Company does not believe that these actions will have a material adverse effect on its consolidated financial condition, results of operations or cash flows, there can be no assurance in those regards.

7. Debt:

On March 9, 2011, the Company completed a public offering of $550.0 aggregate principal amount of Convertible Senior Notes. 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 of common stock per one thousand dollar note.

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

| | March 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| 3.75% Convertible Senior Notes due 2018 | $ 550.0 | $ 555.0 | $ - | $ - |
| 8% Convertible Senior Notes due 2012 | 316.2 | 376.3 | 316.2 | 399.2 |
| ESSOP debt with an average yield of 3.76% and 3.77%, respectively | 23.4 | 23.4 | 25.8 | 25.8 |
| Junior subordinated debt due 2033 - 2037 with average yields of 4.36% to 8.29% and 4.34% to 8.29%, respectively | 62.5 | 62.5 | 62.5 | 62.5 |
| 8.5% Senior Notes due 2018 | 55.6 | 55.6 | 56.4 | 56.4 |
| Surplus notes due 2035 with an average yield of 4.80% and 4.79%, respectively | 10.0 | 10.0 | 10.0 | 10.0 |
| Other miscellaneous debt | 3.6 | 3.6 | 4.0 | 4.0 |
| Total debt | $ 1,021.5 | $ 1,086.6 | $ 475.0 | $ 558.1 |

On March 4, 2011, the Company terminated a $150.0 one year commercial paper credit facility.

8. Income Taxes:

Tax positions taken or expected to be taken in a tax return by the Company are recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. To the best of management's knowledge, there are no tax uncertainties that are expected to result in significant increases or decreases to unrecognized tax benefits within the next twelve month period. The Company views its income tax exposures as primarily consisting of timing differences whereby the ultimate deductibility of a taxable amount is highly certain but the timing of its deductibility is uncertain. Such differences relate principally to the timing of deductions for loss and premium reserves. As in prior examinations, the Internal Revenue Service (IRS) could assert that claim reserve deductions were overstated thereby reducing the Company’s statutory taxable income in any particular year. The Company believes that it establishes its reserves fairly and consistently at each balance sheet date, and that it would succeed in defending its tax position in these regards. Because of the impact of deferred tax accounting, the possible accelerated payment of tax to the IRS would not necessarily affect the annual effective tax rate. Examinations of the Company’s consolidated Federal income tax returns through year-end 2006 have been completed and no significant adjustments have resulted. The Company classifies interest and penalties as income tax expense in the consolidated statement of income.

OLD REPUBLIC INTERNATIONAL CORPORATION
MANAGEMENT ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS
Quarters Ended March 31, 2011 and 2010
($ 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), Mortgage Guaranty, and Title insurance segments. A small life and health insurance business, accounting for 2.3% of consolidated operating revenues for the quarter ended March 31, 2011 and 1.6% of consolidated assets as of March 31, 2011, 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 are recent disclosure requirements pertaining to uncertainties affecting income tax provisions, methodologies for establishing the fair value and recording of other-than-temporary impairments of securities, possible consolidation of variable interest entities, and composition of plan assets held by the Company's defined benefit plans. In October 2010, the FASB also issued new guidance relative to the calculation of deferred acquisition costs incurred by insurance entities. The requisite disclosures and explanations for these matters are covered in the pertinent sections of this Management Analysis and/or footnotes to the Company's consolidated financial statements regularly included in its quarterly and annual reports to the SEC on Forms 10-Q and/or 10-K, respectively.

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 the laws of each of the 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, and the upstreaming of dividends by insurance subsidiaries to the parent holding company. The major differences between these statutory financial accounting practices and GAAP are summarized in Note 1(a) to the consolidated financial statements included in Old Republic's 2010 Annual Report on Form 10-K.

The insurance business is distinguished from most others in that the prices (premiums) charged for various insurance products are set without certainty of the ultimate benefit and claim costs that will emerge or be incurred, often many years after issuance and expiration of a policy. This basic fact casts Old Republic as a risk-taking enterprise. 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

The achievement of consistent quarterly profitability was once again delayed in this year's first quarter. A net operating loss of $17.1 was sustained in comparison with an operating gain of $23.1 in last year's first quarter. This year's quarterly loss follows a $32.4 loss in the fourth quarter of 2010.

First quarter 2011 financial data includes the accounts of PMA Capital Corporation ("PMA") whose merger with Old Republic occurred on October 1, 2010. The inclusion of PMA-related accounts in this year's first quarter had a positive effect on consolidated operating revenues and net operating results of approximately $142.0 and $7.0, respectively.

From a business segment standpoint, quarter-over-quarter comparisons reflect relatively flat profitability for Old Republic's general insurance business, a much greater operating loss in mortgage guaranty, and a positive turn to title insurance profitability for the fourth consecutive quarter.

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

| | Quarters Ended March 31, | | |
|---|---|---|---|
| | 2011 | 2010 | Change |
| Operating revenues: | | | |
| General insurance | $ 625.5 | $ 479.1 | 30.6% |
| Mortgage guaranty | 131.2 | 160.5 | -18.2 |
| Title insurance | 339.9 | 262.0 | 29.7 |
| Corporate and other | 26.2 | 27.8 | -5.6 |
| Total | $ 1,123.0 | $ 929.6 | 20.8% |
| Pretax operating income (loss): | | | |
| General insurance | $ 68.5 | $ 69.2 | -1.1% |
| Mortgage guaranty | (101.1) | (34.1) | -196.6 |
| Title insurance | 2.6 | (8.6) | 130.2 |
| Corporate and other | (1.3) | 1.8 | -176.3 |
| Sub-total | (31.4) | 28.3 | -210.9 |
| Realized investment gains (losses): | | | |
| From sales | 6.4 | 2.9 | |
| From impairments | - | - | |
| Net realized investment gains (losses) | 6.4 | 2.9 | 117.9 |
| Consolidated pretax income (loss) | (24.9) | 31.2 | -179.6 |
| Income taxes (credits) | (11.9) | 6.2 | -292.6 |
| Net income (loss) | $ (12.9) | $ 25.0 | -151.6% |
| | | | |
| Consolidated underwriting ratio: | | | |
| Benefits and claim ratio | 63.8% | 59.6% | |
| Expense ratio | 47.0 | 47.4 | |
| Composite ratio | 110.8% | 107.0% | |
| | | | |
| Components of diluted earnings per share: | | | |
| Net operating income (loss) | $ (0.07) | $ 0.10 | -170.0% |
| Net realized investment gains (losses) | 0.02 | 0.01 | |

| | | | |
|---|---|---|---|
| Net income (loss) | $ (0.05) | $ 0.11 | -145.5% |
| Cash dividends paid per share | $ 0.1750 | $ 0.1725 | 1.4% |

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, recognition 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. Likewise, non-recurring items which may emerge from time to time can distort the comparability of the Company's results from period to period. Accordingly, management uses net operating income, a non-GAAP financial measure, to evaluate and better explain operating performance, and believes its use enhances an understanding of Old Republic's basic business results. Operating income, however, does not replace net income determined in accordance with GAAP as a measure of total profitability.

The preceding table shows both operating and net income or loss to highlight the effects of realized investment gain or loss recognition on period-to-period comparisons. The composition of realized gains shown in the preceding table is summarized below:

| | Quarters Ended March 31, | |
|---|---|---|
| | 2011 | 2010 |
| Realized gains (losses) from sales of previously impaired securities: | | |
| Actual tax basis (loss) on sales | $ - | $ - |
| Accounting adjustment for impairment charges taken in prior periods | .4 | - |
| Net amount included herein | .4 | - |
| Net realized gains from sales of all other securities | 6.0 | 2.9 |
| Net gain (loss) from actual sales | 6.4 | 2.9 |
| Net realized losses from impairments | - | - |
| Net realized investment gains (losses) reported herein | $ 6.4 | $ 2.9 |

General Insurance Results – Operating earnings for 2011's first quarter were affected by moderately higher claim costs and the above-noted inclusion of PMA's accounts. Key indicators of quarter-over-quarter performance are shown in the following table:

| | General Insurance Group Quarters Ended March 31, | | |
|---|---|---|---|
| | 2011 | 2010 | Change |
| Net premiums earned | $ 532.3 | $ 411.8 | 29.3% |
| Net investment income | 66.4 | 64.6 | 2.7 |
| Benefits and claims costs | 389.7 | 290.7 | 34.0 |
| Pretax operating income (loss) | $ 68.5 | $ 69.2 | -1.1% |
| | | | |
| Claim ratio | 73.2% | 70.6% | |
| Expense ratio | 24.9 | 26.7 | |
| Composite ratio | 98.1% | 97.3% | |

First quarter, 2011 inclusion of PMA-related accounts resulted in approximate increases of $113.7 in net premiums earned, $3.6 in net investment income, $80.8 in benefits and claims costs, and $10.9 in pretax operating income. The latter amount is stated after deduction of PMA's interest and general corporate expenses of $2.5.

Excluding PMA's contribution, the remaining portion of general insurance net premiums earned reflected basically flat quarter-over-quarter comparisons. As reported for the past several years, the combination of recessionary conditions and a soft pricing environment in the commercial insurance arena has constrained premium growth. Lessened economic activity affects such factors as insureds' sales and employment levels, both of which are important elements upon which Old Republic's insurance premiums are based.

Overall general insurance underwriting performance was relatively stable in this year's first quarter. However, the consumer credit indemnity coverage which is in temporary run off and thus reflects renewal premiums from 2008 and prior production, continued to produce significantly adverse underwriting results. As a consequence, the overall general insurance claim ratio was burdened by an additional 4.3 and 3.9 percentage points in the first quarter of 2011 and 2010, respectively.

While the PMA merger produced a meaningful addition to the General Insurance segment's invested asset base, net investment income did not grow commensurably. The lower yields available for newly investable funds and the relatively short maturity configuration of the investment portfolio continued to impede revenue growth.

Mortgage Guaranty Results – Operating performance in this year's first quarter was impacted adversely by higher claim costs and much lower net investment income from a smaller invested asset base. Key indicators of this segment's quarterly results are shown in the following tables:

| | Mortgage Guaranty Group Quarters Ended March 31, | | |
|---|---|---|---|
| | 2011 | 2010 | Change |
| Net premiums earned | $ 113.9 | $ 136.2 | -16.4% |
| Net investment income | 16.6 | 23.1 | -28.0 |
| Claims costs | 212.7 | 173.3 | 22.7 |
| Pretax operating income (loss) | $ (101.1) | $ (34.1) | -196.6% |

| | 2011 | 2010 |
|---|---|---|
| Claim ratio | 186.7% | 127.2% |
| Expense ratio | 15.1 | 13.5 |
| Composite ratio | 201.8% | 140.7% |

In the first quarter of 2010, Old Republic's mortgage guaranty subsidiaries had negotiated the terminations of various captive reinsurance and pool insurance contracts. From a financial accounting standpoint, premiums obtained upon

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terminations of captive reinsurance agreements are recognized as income when they are received rather than being deferred to future periods when the related claim costs are expected to arise. While terminations of pool insurance contracts cause a reduction of incurred claims due to the positive effect of reserves transferred, cash outflows ensue. As a result of these transactions, net premiums earned were enhanced by $5.4, net losses incurred were reduced by $30.3, and net operating cash outflows of $166.8 were sustained in last year’s first quarter.

Mortgage Guaranty Group earned premiums continued to decline in the latest quarter. The reduction stemmed from lower volumes of new insurance, premium refunds related to claim rescissions, and the above noted termination of pool insurance contracts which transferred subsequent premium flows. Moreover, new business volume reflected ongoing weakness from the downturn in overall mortgage originations, industry-wide penetration of the nation's current mortgage market, and the effects of the more selective underwriting guidelines in place since late 2007.

Net investment income declined as the result of a lower invested asset base brought about by higher claim disbursements, lower premium volume, termination of insured mortgage pools, and a low yield environment for quality securities to which the investment portfolio is directed.

Apart from the effect of the aforementioned captive and pool transactions on 2010 premiums and claim costs, mortgage guaranty recurring claim costs rose by 4.4% in this year’s first quarter. While newly reported defaults and cure rates reflected improved trends, much higher claim payments and reduced levels of claim rescissions and denials added measurably to the latest quarter’s incurred claims. The following table shows the major components of incurred claim ratios with the above noted effects of captive reinsurance and pool insurance contract terminations.

| | | Mortgage Guaranty Group Quarters Ended March 31, | |
|---|---|---|---|
| | | 2011 | 2010 |
| Components of incurred claim ratio as a percent of earned premiums: | | | |
| Paid claims: | | | |
| Excluding captive and pool transactions | | 253.0% | 114.7% |
| Captive and pool transactions | | -.3 | 121.8 |
| Paid claim ratio | | 252.7 | 236.5 |
| Claim reserve provisions: | | | |
| Excluding captive and pool transactions | | -66.1 | 41.0 |
| Captive and pool transactions | | .1 | -150.3 |
| Claim reserve provision ratio | | -66.0 | -109.3 |
| Incurred claim ratio: | As reported | 186.7% | 127.2% |
| | Excluding captive and pool transactions | 186.9% | 155.7% |

Production and other expenses declined by nearly 8% quarter-over-quarter. From an expense ratio standpoint, however, this beneficial effect was largely negated by a greater decline in the earned premium base.

Title Insurance Results – Old Republic’s title business continued to reflect the positive operating momentum that first emerged in the second quarter of 2009. Key performance indicators are shown below:

| Title Insurance Group Quarters Ended March 31, | | |
|---|---|---|
| 2011 | 2010 | Change |

| | | | |
|---|---|---|---|
| Net premiums and fees earned | $ 332.8 | $ 255.2 | 30.4% |
| Net investment income | 6.6 | 6.6 | .6 |
| Claims costs | 26.0 | 18.8 | 38.4 |
| Pretax operating income (loss) | $ 2.6 | $ (8.6) | 130.2% |

| | | |
|---|---|---|
| Claim ratio | 7.8% | 7.4% |
| Expense ratio | 93.0 | 98.5 |
| Composite ratio | 100.8% | 105.9% |

Continued growth in premiums and fees benefitted mostly from market share gains emanating from title industry dislocations and consolidation during the past three years or so. The claim ratio for this year's first quarter was slightly elevated as it reflected moderate additions to reserve levels responding to current claim emergence trends. While production and other expenses rose by 23.6% quarter-over-quarter, the increase was significantly lower than the 30.4% growth in premiums and fees revenues.

Corporate and Other Operations – The Company’s small life and health business and the net costs associated with the parent holding company and its internal services subsidiaries produced a small loss for the first quarter of 2011. Period-to-period variations in the results posted by these relatively minor elements of Old Republic’s operations usually stem from volatility inherent to the small scale of its life and health business, fluctuations in the costs of external debt, and net interest expenses on intra-system financing arrangements.

| | Quarters Ended March 31, | | |
|---|---|---|---|
| | 2011 | 2010 | Change |
| Life & health premiums earned | $ 23.8 | $ 25.1 | -5.0% |
| Net investment income | 1.7 | 1.8 | -2.9 |
| Other income | .6 | .8 | -28.6 |
| Benefits and claims | 11.6 | 11.2 | 4.1 |
| Insurance expenses | 12.6 | 12.4 | 1.5 |
| Corporate and other expenses-net | 3.2 | 2.3 | 43.1 |
| Pretax operating income (loss) | $ (1.3) | $ 1.8 | -176.3% |

Cash, Invested Assets, and Shareholders’ Equity – The following table reflects Old Republic's consolidated cash and invested assets as well as shareholders' equity accounts at the dates shown:

| | | | | | % Change | |
|---|---|---|---|---|---|---|
| | | March 2011 | December 2010 | March 2010 | March '11/ Dec '10 | March '11/ March '10 |
| Cash and invested assets: | Fair value basis | $10,891.4 | $10,490.7 | $ 9,985.9 | 3.8 % | 9.1 % |
| | Original cost basis | $10,450.3 | $10,015.1 | $ 9,561.2 | 4.3 % | 9.3 % |
| Shareholders' equity: | Total | $ 4,050.1 | $ 4,121.4 | $ 3,995.8 | -1.7 % | 1.4 % |
| | Per common share | $ 15.87 | $ 16.16 | $ 16.90 | -1.8 % | -6.1 % |
| Composition of shareholders’ equity per share: | | | | | | |
| Equity before items below | | $ 14.14 | $ 14.36 | $ 14.92 | -1.5 % | -5.2 % |
| Unrealized investment gains (losses) and other accumulated comprehensive income (loss) | | 1.73 | 1.80 | 1.98 | | |
| Total | | $ 15.87 | $ 16.16 | $ 16.90 | -1.8 % | -6.1 % |

Consolidated cash flow from operating activities produced a deficit of $52.1 for the first three months of 2011 compared to a deficit of $19.3 for the same period of 2010.

The consolidated investment portfolio reflects a current allocation of approximately 80% to fixed-maturity securities and 6% to equities. As has been the case for many years, Old Republic’s invested assets are managed in consideration of enterprise-wide risk management objectives. 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 consolidated cash and invested assets base at March 31, 2011 is inclusive of net proceeds of approximately $537 from the issuance of 3.75% Convertible Senior Notes due 2018 which were sold in early March 2011.

The investment portfolio contains no significant direct insurance risk-correlated asset exposures to real estate, mortgage-backed securities, collateralized debt obligations ("CDO’s"), derivatives, junk bonds, hybrid securities, or

illiquid private equity investments. In a similar vein, the Company does not engage in hedging 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.

Old Republic's equity investments include common stock holdings in two leading publicly held mortgage guaranty ("MI") businesses (MGIC Investment Corp. and The PMI Group). These securities were acquired in 2007 and 2008 as passive long-term investment additions for a core segment of Old Republic’s business in anticipation of a cyclical recovery of the MI industry in 2010. In management’s judgment, the past three years’ depressed market valuations of companies operating in the housing and mortgage-lending sectors of the American economy have been impacted significantly by cyclical and macroeconomic conditions affecting these sectors, and by the systemic dysfunctionality of the banking and mortgage-lending industries. As shown in the following table, the March 31, 2011 aggregate fair value of the two securities was still significantly below their original cost but approximately 92% above the other-than-temporarily-impaired level to which they were written down in 2008.

| | | As of and for Periods Ended: | | |
|---|---|---|---|---|
| | | March 31, | December 31 | |
| | | 2011 | 2010 | 2009 |
| Total value of the two MI investments: | Original cost | $ 313.2 | $ 313.2 | $ 416.4 |
| | Impaired cost | 75.6 | 75.6 | 106.8 |
| | Fair value | 144.8 | 167.9 | 130.7 |
| | Underlying equity(*) | $ 124.4 | $ 136.2 | $ 274.6 |
| Pretax other-than-temporary impairments recorded in income statement of the period | | $ - | $ - | $ - |
| Pretax unrealized investment gains (losses) recorded directly in shareholders' equity account: | | | | |
| For the period | | $ (23.0) | $ 68.4 | $ 48.0 |
| Cumulatively | | $ 69.2 | $ 92.3 | $ 23.9 |

(*) Underlying equity based on latest reports (which may lag by one quarter) issued by investees.

Substantially all changes in the shareholders' equity account reflect the Company's net income or loss, dividend payments to shareholders, and impairments or changes in market valuations of invested assets during the periods shown below:

| | Shareholders' Equity Per Share Quarters Ended March 31, | |
|---|---|---|
| | 2011 | 2010 |
| Beginning balance | $ 16.16 | $ 16.49 |
| Changes in shareholders' equity: | | |
| Net operating income (loss) | (0.07) | 0.10 |
| Net realized investment gains (losses): | | |
| From sales | 0.02 | 0.01 |
| From impairments | - | - |
| Subtotal | 0.02 | 0.01 |
| Net unrealized investment gains (losses) | (0.09) | 0.47 |
| Total realized and unrealized investment gains (losses) | (0.07) | 0.48 |
| Cash dividends | (0.17) | (0.17) |
| Stock issuance, foreign exchange, and other transactions | 0.02 | - |
| Net change | (0.29) | 0.41 |
| Ending balance | $ 15.87 | $ 16.90 |

## DETAILED MANAGEMENT ANALYSIS

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

## FINANCIAL ACCOUNTING AND REPORTING POLICIES

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

Old Republic believes that its most critical accounting estimates relate to: a) the determination of other-than-temporary impairments ("OTTI") in the value of fixed maturity and equity investments; b) the establishment of deferred acquisition costs which vary directly with the production of insurance premiums; c) the recoverability of reinsured paid and/or outstanding losses; and d) the establishment of reserves for losses and loss adjustment expenses. The major assumptions and methods used in setting these estimates are discussed in the Company's 2010 Annual Report on Form 10K.

In recent years, the Financial Accounting Standards Board ("FASB") has issued various releases requiring additional financial statement disclosures, and to provide guidance relative to the application of such releases. Of particular relevance to the Company's financial statements are recent disclosure requirements pertaining to uncertainties affecting income tax provisions, methodologies for establishing the fair value and recording of other-than-temporary impairments of securities, possible consolidation of variable interest entities, and composition of plan assets held by the Company's defined benefit plans. The requisite disclosures and explanations of these matters have been included in the footnotes to the Company's financial statements. In October 2010, the FASB also issued new guidance relative to the calculation of deferral of acquisition costs incurred by insurance entities. This new guidance is discussed further in Note 1 of the Notes to Consolidated Financial Statements.

## FINANCIAL POSITION

The Company's financial position at March 31, 2011 reflected increases in assets and liabilities of 2.7% and 4.2%, respectively, and a decrease in common shareholders' equity of 1.7% when compared to the immediately preceding year-end. Cash and invested assets represented 66.8% and 66.1% of consolidated assets as of March 31, 2011 and December 31, 2010, respectively. As of March 31, 2011, the invested asset base rose by 4.0% to $10,665.3 principally as a result of investing the net proceeds from a public offering of convertible senior notes (see Note 7) offset by negative consolidated operating cash flows, a decline in the fair value of investments, and the payment of cash dividends to common shareholders.

Investments - During the first quarter of 2011 and 2010, the Company committed the majority of investable funds to short to intermediate-term fixed maturity securities. At both March 31, 2011 and 2010, 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 March 31,

2011, 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 March 31, 2011. 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, 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)

| | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Aaa | 19.8% | 21.3% |
| Aa | 19.9 | 20.6 |
| A | 31.5 | 29.9 |
| Baa | 27.6 | 26.9 |
| Total investment grade | 98.8 | 98.7 |
| All other (b) | 1.2 | 1.3 |
| Total | 100.0% | 100.0% |

(a)

Credit quality ratings used are those assigned primarily by Moody's for U.S. Governments, Agencies and Corporate issuers and by Standard & Poor's ("S&P") for U.S. and Canadian Municipal issuers, which are converted to equivalent Moody's 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

| | March 31, 2011 | |
|---|---|---|
| | Amortized Cost | Gross Unrealized Losses |
| Fixed Maturity Securities by Industry Concentration: | | |
| Banking | $ 7.4 | $ .1 |
| Total | $ 7.4(c) | $ .1 |

(c) Represents .09% of the total fixed maturity securities portfolio.

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

| | March 31, 2011 | |
|---|---|---|
| | Amortized Cost | Gross Unrealized Losses |
| Fixed Maturity Securities by Industry Concentration: | | |
| Municipals | $ 110.5 | $ 5.9 |
| U.S. Governments and Agencies | 202.3 | 4.1 |
| Utilities | 170.9 | 4.1 |
| Industrials | 71.5 | 1.9 |
| Other (includes 17 industry groups) | 708.0 | 10.4 |
| Total | $ 1,263.4(d) | $ 26.6 |

(d) Represents 15.5% of the total fixed maturity securities portfolio.

Gross Unrealized Losses Stratified by Industry Concentration for Equity Securities

| | March 31, 2011 | |
|---|---|---|
| | Cost | Gross Unrealized Losses |
| Equity Securities by Industry Concentration: | | |
| Health Care | $ 6.3 | $ .3 |
| Utilities | 4.8 | - |
| Insurance | - | - |
| Total | $ 11.2(e) | $ .3(f) |

(e) Represents 2.8% of the total equity securities portfolio.

(f) Represents .1% of the adjusted cost of the total equity securities portfolio, while gross unrealized gains represent 65.7% of the portfolio.

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

| | March 31, 2011 | | | |
|---|---|---|---|---|
| | Amortized Cost of Fixed Maturity Securities | | Gross Unrealized Losses | |
| | All | Non-Investment Grade Only | All | Non-Investment Grade Only |
| Maturity Ranges: | | | | |
| Due in one year or less | $ 57.3 | $ - | $ .1 | $ - |
| Due after one year through five years | 461.3 | 7.4 | 6.6 | .1 |
| Due after five years through ten years | 561.7 | - | 12.4 | - |
| Due after ten years | 190.4 | - | 7.3 | - |

| Total | $ | 1,270.9 | $ | 7.4 | $ | 26.7 | $ | .1 |
|---|---|---|---|---|---|---|---|---|

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Gross Unrealized Losses Stratified by Duration and Amount of Unrealized Losses

| | March 31, 2011<br>Amount of Gross Unrealized Losses | | | |
|---|---|---|---|---|
| | Less than 20% of Cost | 20% to 50% of Cost | More than 50% of Cost | Total Gross Unrealized Loss |
| Number of Months in Loss Position: | | | | |
| Fixed Maturity Securities: | | | | |
| One to six months | $ 26.3 | $ - | $ - | $ 26.3 |
| Seven to twelve months | - | - | - | - |
| More than twelve months | .1 | .2 | - | .4 |
| Total | $ 26.4 | $ .2 | $ - | $ 26.7 |
| Equity Securities: | | | | |
| One to six months | $ .3 | $ - | $ - | $ .3 |
| Seven to twelve months | - | - | - | - |
| More than twelve months | - | - | - | - |
| Total | $ .3 | $ - | $ - | $ .3 |
| Number of Issues in Loss Position: | | | | |
| Fixed Maturity Securities: | | | | |
| One to six months | 308 | - | - | 308 |
| Seven to twelve months | 1 | - | - | 1 |
| More than twelve months | 2 | 1 | - | 3 |
| Total | 311 | 1 | - | 312(g) |
| Equity Securities: | | | | |
| One to six months | 2 | - | - | 2 |
| Seven to twelve months | - | - | - | - |
| More than twelve months | - | 1 | - | 1 |
| Total | 2 | 1 | - | 3(g) |

(g) At March 31, 2011, the number of issues in an unrealized loss position represent 15.2% as to fixed maturities, and 7.1% as to equity securities of the total number of such issues held by the Company.

The aging of issues with unrealized losses is based on balance sheet date fair value comparisons with an issue's original cost net of other-than-temporary impairment adjustments. The percentage reduction from such adjusted cost reflects the decline as of a specific point in time (March 31, 2011 in the above table) and, accordingly, is not indicative of a security's value having been consistently below its cost at the percentages and throughout the periods shown.

Age Distribution of Fixed Maturity Securities

| | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Maturity Ranges: | | |
| Due in one year or less | 9.7% | 10.5% |
| Due after one year through five years | 51.8 | 52.2 |
| Due after five years through ten years | 35.3 | 34.6 |

| | | |
|---|---|---|
| Due after ten years through fifteen years | 1.3 | 1.3 |
| Due after fifteen years | 1.9 | 1.4 |
| Total | 100.0% | 100.0% |
| | | |
| Average Maturity in Years | 4.7 | 4.6 |
| Duration (h) | 3.9 | 3.8 |

(h) Duration is used as a measure of bond price sensitivity to interest rate changes. A duration of 3.9 as of March 31, 2011 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 3.9%.

Composition of Unrealized Gains (Losses)

| | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Fixed Maturity Securities: | | |
| Amortized cost | $ 8,132.8 | $ 8,070.4 |
| Estimated fair value | 8,563.7 | 8,532.2 |
| Gross unrealized gains | 457.6 | 487.0 |
| Gross unrealized losses | (26.7) | (25.3) |
| Net unrealized gains (losses) | $ 430.9 | $ 461.7 |
| | | |
| Equity Securities: | | |
| Original cost | $ 647.7 | $ 648.3 |
| Adjusted cost(*) | 402.7 | 402.8 |
| Estimated fair value | 666.8 | 672.4 |
| Gross unrealized gains | 264.4 | 271.7 |
| Gross unrealized losses | (.3) | (2.2) |
| Net unrealized gains (losses) | $ 264.0 | $ 269.5 |

(*) 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 variable costs of producing specific types of insurance policies, and evaluating their recoverability on the basis of recent trends in claims costs. The Company's deferred policy acquisition cost balances have not fluctuated substantially from period-to-period and do not represent significant percentages of assets or shareholders' equity.

Liquidity - The parent holding company meets its liquidity and capital needs principally through dividends 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 $306.5 in dividends from its subsidiaries in 2011 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. From time to time additional cash needs are also met by accessing the debt and equity capital markets. At March 31, 2011, the Company's consolidated debt to equity ratio was 25.2%, a level it currently does not expect to exceed for the immediate future.

Capitalization - Old Republic's total capitalization of $5,071.7 at March 31, 2011 consisted of debt of $1,021.5 and common shareholders' equity of $4,050.1. Changes in the common shareholders' equity account reflect primarily operating results for the period then ended, dividend payments, and changes in market valuations of invested assets. Old Republic has paid cash dividends to its shareholders without interruption since 1942, and has increased the annual rate in each of the past 30 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.

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. If a company’s risk to capital ratio exceeds the limit or its capital falls below the minimum prescribed levels, absent expressed regulatory approval, it may be prohibited from writing new business until its risk to capital ratio falls below the limit or it reestablishes the required minimum levels of capital. At March 31, 2011, the statutory risk to capital ratio was 31.6:1 for the three companies combined. A continuation of operating losses could further reduce statutory surplus thus increasing the risk to capital ratio which the Company evaluates on a quarterly basis.

The Company’s principal mortgage insurance subsidiary, Republic Mortgage Insurance Company ("RMIC"), breached the minimum capital requirement during the third quarter of 2010. In anticipation of this occurrence, RMIC had previously requested and currently operates under waivers or forbearance of the minimum policyholder position requirements from the regulatory authorities in states with such requirements with the exception of Ohio and Missouri. These waivers are subject to monitoring and other conditions which vary by state. The waivers in several states, including the domiciliary state of North Carolina, expire on July 1, 2011, and as a result the Company has petitioned the State of North Carolina for an extension of the waiver. In all cases, waivers may be withdrawn at anytime at a regulator's discretion. Absent a waiver, RMIC could be barred from writing any new business in one or all of these states unless and until its capital base has necessarily recovered. New insurance written in the states that have not issued a waiver to RMIC represented 8.5% of such new insurance for the quarter ended March 31, 2011.

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.

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 Mortgage Guaranty Group's risk factors discussion on premium income and long-term claim exposures in the Company's 2010 Annual Report on Form 10-K under Item 1A - Risk Factors, there is a risk that the revenue recognition for insured loans is not appropriately matched to the risk exposure and the consequent recognition of both normal and catastrophic loss occurrences.

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 30.2% 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 69.8% 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 major sources of Old Republic’s consolidated earned premiums and fees for the periods shown were as follows:

| | Earned Premiums and Fees | | | | | |
|---|---|---|---|---|---|---|
| | General | Mortgage | Title | Other | Total | % Change from prior period |
| Years Ended December 31: | | | | | | |
| 2008 | $ 1,989.3 | $ 592.5 | $ 656.1 | $ 80.1 | $ 3,318.1 | -7.9% |
| 2009 | 1,782.5 | 644.5 | 888.4 | 73.3 | 3,388.9 | 2.1 |
| 2010 | 1,782.1 | 498.8 | 1,211.0 | 81.4 | 3,573.5 | 5.4 |
| Quarters Ended March 31: | | | | | | |
| 2010 | 411.8 | 136.2 | 255.2 | 25.1 | 828.5 | 6.6 |
| 2011 | $ 532.3 | $ 113.9 | $ 332.8 | $ 23.8 | $ 1,003.0 | 21.1% |

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

General Insurance Earned Premiums by Type of Coverage

| | Commercial Automobile (mostly trucking) | Workers' Compensation | Financial Indemnity | Inland Marine and Property | General Liability | Other |
|---|---|---|---|---|---|---|
| Years Ended December 31: | | | | | | |
| 2008 | 34.9% | 21.0% | 16.1% | 9.7% | 7.5% | 10.8% |
| 2009 | 36.6 | 21.7 | 13.5 | 9.5 | 8.0 | 10.7 |
| 2010 | 38.0 | 25.2 | 11.2 | 8.9 | 6.4 | 10.3 |
| Quarters Ended March 31: | | | | | | |
| 2010 | 39.3 | 22.9 | 11.5 | 9.5 | 7.1 | 9.7 |
| 2011 | 32.4% | 37.0% | 9.0% | 7.5% | 5.8% | 8.3% |

Earned premiums included in the above table within the Financial Indemnity Coverages category and related risk in force pertaining to the Company's consumer credit indemnity ("CCI") coverage have reflected a generally declining trend since 2008. The decline is largely due to a temporary discontinuation of active sales efforts due to the lack of market demand for the Company's current offerings. 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 | | |
|---|---|---|---|
| | Amount | % of General Insurance Group | Risk in Force |
| Years Ended December 31: | | | |
| 2008 | $ 204.3 | 10.3% | $ 2,613.8 |
| 2009 | 121.4 | 6.8 | 2,004.8 |
| 2010 | 87.9 | 4.9 | 1,518.6 |
| Quarters Ended March 31: | | | |
| 2010 | 17.7 | 4.3 | 1,819.6 |
| 2011 | $ 20.8 | 3.9% | $ 1,427.4 |

The following tables provide information on production and related risk exposure trends for Old Republic's Mortgage Guaranty Group:

| | Mortgage Guaranty Production by Type | | | |
|---|---|---|---|---|
| New Insurance Written: | Traditional Primary | Bulk | Other | Total |
| Years Ended December 31: | | | | |
| 2008 | $ 20,861.9 | $ 3.5 | $ 1,123.5 | $ 21,989.0 |
| 2009 | 7,899.2 | - | .5 | 7,899.8 |
| 2010 | 3,990.2 | - | - | 3,990.2 |
| Quarters Ended March 31: | | | | |
| 2010 | 748.3 | - | - | 748.3 |
| 2011 | $ 688.2 | $ - | $ - | $ 688.2 |

| New Risk Written by Type: | Traditional Primary | Bulk | Other | Total |
|---|---|---|---|---|
| Years Ended December 31: | | | | |
| 2008 | $ 4,815.0 | $ .6 | $ 11.8 | $ 4,827.5 |
| 2009 | 1,681.7 | - | - | 1,681.7 |
| 2010 | 930.0 | - | - | 930.0 |
| Quarters Ended March 31: | | | | |
| 2010 | 168.2 | - | - | 168.2 |
| 2011 | $ 160.2 | $ - | $ - | $ 160.2 |

| | Earned Premiums | | Persistency | |
|---|---|---|---|---|
| Premium and Persistency Trends by Type: | | | Traditional | |
| Years Ended December 31: | Direct | Net | Primary | Bulk |
| 2008 | $ 698.4 | $ 592.5 | 83.9% | 88.4% |
| 2009 | 648.6 | 644.5 | 82.8 | 88.3 |
| 2010 | 529.5 | 498.8 | 82.1 | 88.0 |
| Quarters Ended March 31: | | | | |
| 2010 | 145.8 | 136.2 | 83.6 | 88.3 |
| 2011 | $ 120.0 | $ 113.9 | 81.6% | 86.3% |

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 6.6% of total net risk in force as of March 31, 2011, 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: | | | | |
| 2008 | $ 20,463.0 | $ 2,055.0 | $ 457.0 | $ 22,975.1 |
| 2009 | 18,727.9 | 1,776.7 | 297.2 | 20,801.9 |
| 2010 | 16,557.4 | 1,187.0 | 256.1 | 18,000.6 |
| As of March 31: | | | | |
| 2010 | 18,209.6 | 1,507.4 | 274.8 | 19,991.9 |
| 2011 | $ 16,058.7 | $ 1,149.5 | $ 248.6 | $ 17,457.0 |

Analysis of Risk in Force

| Risk in Force Distribution By FICO Scores: | FICO less than 620 | FICO 620 to 680 | FICO Greater than 680 | Unscored/ Unavailable |
|---|---|---|---|---|
| Traditional Primary: | | | | |
| As of December 31: | | | | |
| 2008 | 7.0% | 30.5% | 60.5% | 2.0 % |
| 2009 | 6.5 | 28.8 | 63.1 | 1.6 |
| 2010 | 6.4 | 27.5 | 64.7 | 1.4 |
| As of March 31: | | | | |
| 2010 | 6.5 | 28.5 | 63.4 | 1.6 |
| 2011 | 6.3% | 27.3% | 65.0% | 1.4 % |
| Bulk(a): | | | | |
| As of December 31: | | | | |
| 2008 | 18.2% | 33.7% | 47.9% | .2 % |
| 2009 | 17.6 | 33.1 | 49.2 | .1 |
| 2010 | 23.2 | 32.1 | 44.6 | .1 |
| As of March 31: | | | | |
| 2010 | 20.2 | 33.4 | 46.3 | .1 |
| 2011 | 23.5% | 32.1% | 44.3% | .1 % |

| Risk in Force Distribution By Loan to Value ("LTV") Ratio: | LTV 85.0 and below | LTV 85.01 To 90.0 | LTV 90.01 To 95.0 | LTV Greater than 95.0 |
|---|---|---|---|---|
| Traditional Primary: | | | | |
| As of December 31: | | | | |
| 2008 | 5.1 % | 35.5 % | 31.6 % | 27.8 % |
| 2009 | 5.3 | 36.4 | 31.6 | 26.7 |
| 2010 | 5.2 | 36.5 | 32.3 | 26.0 |
| As of March 31: | | | | |
| 2010 | 5.3 | 36.5 | 31.6 | 26.6 |
| 2011 | 5.2% | 36.3% | 32.5% | 26.0 % |

| | | | | |
|---|---|---|---|---|
| Bulk(a): | | | | |
| As of December 31: | | | | |
| 2008 | 63.5 % | 20.1 % | 8.6 % | 7.8 % |
| 2009 | 65.9 | 18.4 | 7.8 | 7.9 |
| 2010 | 57.7 | 22.8 | 9.6 | 9.9 |
| As of March 31: | | | | |
| 2010 | 61.8 | 20.6 | 8.7 | 8.9 |
| 2011 | 57.4% | 22.9% | 9.8% | 9.9 % |

(a) Bulk pool risk in-force, which represented 31.7% of total bulk risk in-force at March 31, 2011, has been allocated pro-rata based on insurance in-force.

Risk in Force Distribution By Top Ten States:

| | Traditional Primary | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FL | TX | GA | IL | OH | CA | NJ | PA | VA | NC |
| As of December 31: | | | | | | | | | | |
| 2008 | 8.3% | 8.1% | 5.2% | 5.2% | 3.2% | 5.5% | 3.1% | 3.8% | 2.9% | 4.4% |
| 2009 | 8.1 | 8.5 | 5.2 | 5.1 | 3.2 | 5.5 | 3.1 | 4.0 | 2.9 | 4.5 |
| 2010 | 7.5 | 8.7 | 5.2 | 5.0 | 3.3 | 5.1 | 3.1 | 4.2 | 2.9 | 4.7 |
| As of March 31: | | | | | | | | | | |
| 2010 | 8.0 | 8.5 | 5.2 | 5.1 | 3.2 | 5.4 | 3.1 | 4.0 | 2.9 | 4.5 |
| 2011 | 7.5% | 8.7% | 5.2% | 4.9% | 3.3% | 5.1% | 3.1% | 4.2% | 3.0% | 4.7% |

| | Bulk (a) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FL | TX | GA | IL | OH | CA | NJ | PA | AZ | NY |
| As of December 31: | | | | | | | | | | |
| 2008 | 10.0% | 4.6% | 4.0% | 3.9% | 3.1% | 18.2% | 3.4% | 2.7% | 4.3% | 5.4% |
| 2009 | 10.4 | 4.6 | 4.0 | 4.0 | 3.2 | 17.8 | 3.5 | 2.6 | 4.1 | 5.4 |
| 2010 | 9.9 | 5.3 | 4.3 | 4.0 | 3.9 | 15.8 | 3.3 | 3.1 | 3.5 | 6.0 |
| As of March 31: | | | | | | | | | | |
| 2010 | 9.9 | 5.1 | 4.1 | 4.0 | 3.5 | 16.2 | 3.5 | 2.9 | 3.9 | 5.8 |
| 2011 | 10.0% | 5.3% | 4.3% | 4.0% | 3.9% | 15.6% | 3.3% | 3.1% | 3.5% | 6.1% |

| Risk in Force Distribution By Level of Documentation: | Full Docu–- Mentation | Reduced Docu–- Mentation |
|---|---|---|
| Traditional Primary: | | |
| As of December 31: | | |
| 2008 | 90.0% | 10.0% |
| 2009 | 91.1 | 8.9 |
| 2010 | 92.4 | 7.6 |
| As of March 31: | | |
| 2010 | 91.4 | 8.6 |
| 2011 | 92.5% | 7.5% |
| Bulk (a): | | |
| As of December 31: | | |
| 2008 | 49.1% | 50.9% |
| 2009 | 49.4 | 50.6 |
| 2010 | 57.7 | 42.3 |
| As of March 31: | | |
| 2010 | 53.1 | 46.9 |
| 2011 | 57.8% | 42.2% |

| Risk in Force Distribution By Loan Type: | Fixed Rate & ARMS with resets >= 5 years | ARMS with resets < 5 years |
|---|---|---|
| Traditional Primary: | | |
| As of December 31: | | |

| | | |
|---|---|---|
| 2008 | 95.8% | 4.2% |
| 2009 | 96.3 | 3.7 |
| 2010 | 96.8 | 3.2 |
| As of March 31: | | |
| 2010 | 96.4 | 3.6 |
| 2011 | 96.8% | 3.2% |
| | | |
| Bulk (a): | | |
| As of December 31: | | |
| 2008 | 74.4% | 25.6% |
| 2009 | 75.4 | 24.6 |
| 2010 | 69.6 | 30.4 |
| As of March 31: | | |
| 2010 | 72.6 | 27.4 |
| 2011 | 69.8% | 30.2% |

(a) Bulk pool risk in-force, which represented 31.7% of total bulk risk in-force at March 31, 2011, has been allocated pro-rata based on insurance in-force.

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: | | |
| 2008 | 36.8% | 63.2% |
| 2009 | 38.5 | 61.5 |
| 2010 | 35.6 | 64.4 |
| Quarters Ended March 31: | | |
| 2010 | 36.6 | 63.4 |
| 2011 | 30.2% | 69.8% |

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 | Mortgage | Title | Corporate and Other | Total | | |
| As of December 31: | | | | | | | |
| 2009 | $ 5,670.9 | $ 2,466.3 | $ 615.2 | $ 355.2 | $ 9,107.8 | $ 580.6 | $ 9,688.4 |
| 2010 | 6,451.2 | 2,039.2 | 636.0 | 394.1 | 9,520.5 | 738.7 | 10,259.3 |
| As of March 31: | | | | | | | |
| 2010 | 5,700.4 | 2,379.2 | 598.1 | 368.2 | 9,046.1 | 752.3 | 9,798.5 |
| 2011 | $ 6,479.5 | $ 1,934.2 | $ 649.2 | $ 899.8 | $ 9,962.8 | $ 702.4 | $ 10,665.3 |

| | Net Investment Income | | | | | Yield at | |
|---|---|---|---|---|---|---|---|
| | General | Mortgage | Title | Corporate and Other | Total | Original Cost | Fair Value |
| Years Ended December 31: | | | | | | | |
| 2008 | $ 253.6 | $ 86.8 | $ 25.1 | $ 11.6 | $ 377.3 | 4.27% | 4.33% |
| 2009 | 258.9 | 92.0 | 25.2 | 7.2 | 383.5 | 4.15 | 4.17 |
| 2010 | 260.1 | 84.9 | 26.5 | 7.3 | 379.0 | 3.94 | 3.80 |
| Quarters Ended March 31: | | | | | | | |
| 2010 | 64.6 | 23.1 | 6.6 | 1.8 | 96.2 | 4.09 | 3.95 |
| 2011 | $ 66.4 | $ 16.6 | $ 6.6 | $ 1.7 | $ 91.5 | 3.66% | 3.50% |

Revenues: Net Realized Gains (Losses)

The Company's investment policies are not designed to maximize or emphasize the realization of investment gains. Rather, these policies aim for a stable source of income from interest and dividends, protection of capital, and the providing of sufficient liquidity to meet insurance underwriting and other obligations as they become payable in the future. Dispositions of fixed maturity securities generally arise from scheduled maturities and early calls; for the first quarters of both 2011 and 2010, 71.0%, 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 2010 realized gains on fixed maturity securities reflect the sale of certain tax-exempt municipal bonds. The gains on equity securities generally reflect the recovery of value realized upon the sale of common stocks 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.

| | Realized Gains (Losses) on Disposition of Securities | | | Impairment Losses on Securities | | | |
|---|---|---|---|---|---|---|---|
| | Fixed maturity securities | Equity securities and miscell-aneous investments | Total | Fixed maturity securities | Equity securities and miscell-aneous investments | Total | Net realized gains (losses) |
| Years Ended December 31: | | | | | | | |
| 2008 | $ (25.0) | $ 20.9 | $ (4.1) | $ (11.5) | $ (470.7) | $ (482.3) | $ (486.4) |
| 2009 | 4.2 | 11.7 | 15.9 | (1.5) | (8.0) | (9.5) | 6.3 |
| 2010 | 79.1 | 31.2 | 110.3 | - | (1.2) | (1.2) | 109.1 |
| Quarters Ended March 31: | | | | | | | |
| 2010 | 2.9 | - | 2.9 | - | - | - | 2.9 |
| 2011 | $ 6.5 | $ - | $ 6.4 | $ - | $ - | $ - | $ 6.4 |

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 March 31, 2011 and December 31, 2010:

| | Claim and Loss Adjustment Expense Reserves | | | |
|---|---|---|---|---|
| | March 31, 2011 | | December 31, 2010 | |
| | Gross | Net | Gross | Net |
| Commercial automobile (mostly trucking) | $ 1,120.5 | $ 934.3 | $ 1,111.8 | $ 917.5 |
| Workers' compensation | 3,495.9 | 1,818.7 | 3,508.5 | 1,823.0 |
| General liability | 1,328.2 | 653.7 | 1,317.3 | 650.4 |
| Other coverages | 606.2 | 386.1 | 624.6 | 387.9 |
| Unallocated loss adjustment expense reserves | 188.1 | 146.2 | 191.0 | 149.1 |
| Total general insurance reserves | 6,739.1 | 3,939.1 | 6,753.5 | 3,928.1 |
| Mortgage guaranty | 1,640.1 | 1,538.7 | 1,729.7 | 1,614.0 |
| Title | 290.1 | 290.1 | 281.2 | 281.2 |
| Life and health | 26.6 | 21.0 | 24.2 | 20.0 |
| Unallocated loss adjustment expense reserves - other coverages | 25.8 | 25.8 | 25.8 | 25.8 |
| Total claim and loss adjustment expense reserves | $ 8,722.0 | $ 5,815.0 | $ 8,814.6 | $ 5,869.3 |
| Asbestosis and environmental claim reserves included in the above general insurance reserves: | | | | |
| Amount | $ 191.5 | $ 142.6 | $ 195.7 | $ 144.9 |
| % of total general insurance reserves | 2.8% | 3.6% | 2.9% | 3.7% |

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Changes in aggregate claim and loss adjustment expense reserve estimates are shown in the following table:

| | Quarters Ended March 31, | |
|---|---|---|
| | 2011 | 2010 |
| Net reserve increase (decrease): | | |
| General Insurance | $ 11.0 | $ 3.0 |
| Mortgage Guaranty | (75.3) | (148.9) |
| Title Insurance | 9.0 | (.4) |
| Other | .9 | 2.0 |
| Total | $ (54.2) | $ (144.3) |

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

| | March 31, 2011 | December 31, 2010 |
|---|---|---|
| General Insurance | $ 1,930.6 | $ 1,905.1 |
| Mortgage Guaranty | 51.2 | 46.2 |
| Title Insurance | 230.3 | 216.5 |
| Other | 5.1 | 5.0 |
| Total | $ 2,217.4 | $ 2,172.9 |

The Company’s reserve for loss and loss adjustment expenses represents the accumulation of estimates of ultimate losses, 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. Most of the decline in mortgage guaranty reserves at March 31, 2010 resulted from the previously discussed cancellation of certain pool insurance policies.

Overview of Loss Reserving Process

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’ ("E&O/D&O") 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 90% 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 IBNR or whose ultimate costs may not become fully apparent until a future time. Additionally, the Company establishes unallocated loss adjustment expense reserves for loss settlement costs that are not directly related to individual claims. Such reserves are based on prior years’ cost experience and trends, and are intended to cover the unallocated costs of claim departments’ administration of case and IBNR claims over time. Long-term, disability-type workers’ compensation reserves are discounted to present value based on interest rates that range from 3.5% to 4.0%.

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.

Mortgage guaranty insurance reserves for unpaid claims and claim adjustment expenses are recognized only upon an instance of default. The latter is defined as an insured mortgage loan that has missed two or more consecutive monthly payments. Loss reserves are therefore 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 ("IBNR"). 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. Historically, coverage rescissions and claims denials as a result of material misrepresentation in key underwriting information or non-compliance with terms of the master policy have not been material; however, they have increased significantly since early 2008.

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.

Incurred Loss Experience

Management believes that the Company’s overall reserving practices have been consistently applied over many years. For at least the past ten years, previously established aggregate reserves have produced reasonable estimates of the cumulative ultimate net costs of claims incurred. However, there are no guarantees that such outcomes will continue, and, accordingly, no representation is made that ultimate net claim and related costs will not develop in future years to be greater or lower than currently established reserve estimates. In management’s opinion, however, such potential development is not likely to have a material effect on the Company’s consolidated financial position, although it could affect materially its consolidated results of operations for any one annual or interim reporting period. See further discussion in the Company’s 2010 Annual Report on Form 10-K under Item 1A - Risk Factors.

During 2010's second half, various news accounts cited possible widespread issues pertaining to the loan foreclosure procedures of lending institutions. Basically, these news reports point to faulty documentation of such foreclosure procedures. In the Company's opinion, the possible impact on its operating segments from foreclosure delays is summarized as follows: General Insurance -- the CCI coverage is largely unaffected because foreclosure is not a condition precedent to the filing of a claim by an insured lending institution. Mortgage guaranty -- a delay in the foreclosure proceedings will have the effect of delaying the filing and ultimate payment of claims. It is not anticipated that this will increase the number of delinquent loans that ultimately go to claim but will result in distressed loans remaining in the later stage of delinquency until the ultimate foreclosure is resolved. Title insurance -- the current foreclosure issues could impact this line of business by legal costs associated with defending title issues created by flaws in the foreclosure proceedings. In an extreme case, a title company could be forced to reimburse the buyer of the home as a result of a faulty foreclosure proceeding. In this event, the Company would look to the protections afforded it in the policy and seek remedies from the foreclosing lender. It is unlikely that these issues would have a material financial impact on our title insurance company.

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 its consolidated results were as follows:

| | General | Mortgage | | Title | | Consolidated | |
|---|---|---|---|---|---|---|---|
| Years Ended December 31: | | | | | | | |
| 2008 | 73.0% | 199.3 | % | 7.0 | % | 81.8 | % |
| 2009 | 76.3 | 176.0 | | 7.9 | | 76.7 | |
| 2010 | 76.4 | 153.6 | | 8.0 | | 63.4 | |
| Quarters Ended March 31: | | | | | | | |
| 2010 | 70.6 | 127.2 | | 7.4 | | 59.6 | |
| 2011 | 73.2% | 186.7 | % | 7.8 | % | 63.8 | % |

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

| | General Insurance Claims Ratios by Type of Coverage | | | | | | |
|---|---|---|---|---|---|---|---|
| | All Coverages | Commercial Automobile (mostly trucking) | Workers' Compensation | Financial Indemnity | Inland Marine and Property | General Liability | Other |
| Years Ended December 31: | | | | | | | |
| 2008 | 73.0% | 76.1% | 69.4% | 95.0% | 60.5% | 64.4% | 53.9% |
| 2009 | 76.3 | 71.5 | 74.9 | 117.8 | 63.0 | 65.6 | 60.1 |
| 2010 | 76.4 | 73.0 | 70.7 | 126.9 | 62.8 | 64.6 | 67.1 |
| Quarters Ended March 31: | | | | | | | |
| 2010 | 70.6 | 76.5 | 72.2 | 85.4 | 49.7 | 52.4 | 71.6 |
| 2011 | 73.2% | 78.4% | 71.6% | 104.7% | 59.4% | 56.8% | 60.1% |

Excluding the impact of Old Republic's CCI business, 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. The higher claim ratio for financial indemnity coverages in the periods shown was driven principally by greater claim frequencies experienced in Old Republic's CCI coverage. Even though consumer loan delinquency rates have subsided

fairly steadily over the past year, the greater CCI claims costs in the current 2011 quarter were driven by the retention of higher reserve levels until there is greater certainty around these indicated trends.



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

| | CCI Claim Costs | | | | Effect on General Insurance Claim Ratio (b) | Reported Delinquency Rate at End of Period | Claim Rescissions and Denials |
|---|---|---|---|---|---|---|---|
| | Paid | | Incurred | | | | |
| | Amount | Ratio (a) | Amount | Ratio (a) | | | |
| Years Ended December 31: | | | | | | | |
| 2008 | $ 250.4 | 122.6 % | $ 258.6 | 126.6% | 6.1% | 6.0 % | $ 268.9 |
| 2009 | 256.9 | 211.6 | 214.7 | 176.9 | 7.3 | 6.8 | 974.0 |
| 2010 | 265.4 | 301.8 | 212.5 | 241.7 | 8.6 | 4.6 | 621.5 |
| Quarters Ended March 31: | | | | | | | |
| 2010 | 42.0 | 237.5 | 28.0 | 158.4 | 3.9 | 6.8 | 232.7 |
| 2011 | $ 36.4 | 174.8 % | $ 37.1 | 178.1% | 4.3% | 4.8 % | $ 59.6 |

(a) Percent of net CCI earned premiums.
(b) Represents the percentage point increase in the general insurance claim ratio.

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, by ongoing development of asbestos and environmental ("A&E") claim reserves, and by unfavorable development of the CCI reserves.

CCI claims ratios in the above table include only those costs actually or expected to be paid by the Company and exclude claims not paid by virtue of coverage rescissions and claims denials as well as unsubstantiated claim submissions. Certain claim rescissions and denials may from time to time become the subject 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.

Unfavorable developments attributable to A&E claim reserves are 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 fifteen or more years ago 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 6.6 years (gross) and 10.6

years (net of reinsurance) as of March 31, 2011 and 5.9 years (gross) and 10.0 years (net of reinsurance) as of December 31, 2010. The survival ratios are presented on a pro forma basis 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 .6% of general insurance group net incurred losses for the five years ended December 31, 2010.

The mortgage guaranty claim ratio in the first quarter of 2011 was affected mostly by higher claim payments and reduced levels of claim rescissions and denials. As indicated in the above Executive Summary, Old Republic's mortgage guaranty subsidiaries negotiated the termination of various captive reinsurance and pool insurance contracts during the first quarter of 2010. Taken together all of these transactions reduced the incurred claims ratio by 28.5 percentage points for the first quarterof 2010. These claim ratios had risen through year-end 2009 principally as a result of higher reserve provisions and paid losses. 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 increasing unemployment. Trends in expected and actual claim frequency and severity have been impacted 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 investigations costs, legal fees, and accumulated interest expenses.

In common with all other insurance lines, mortgage guaranty paid and incurred claim and claim adjustment expenses 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 shown in the table below. In a similar vein, changes in mortgage guaranty aggregate case, IBNR, and loss adjustment expense reserves entering into the determination of incurred claim costs take into account a large number of variables one of which relates to changes in claim cost estimates for anticipated coverage rescissions and claims denials. The effect of changes in anticipated coverage rescissions and claims denials on period end claim reserve estimates resulted in increases to incurred losses of $96.1 and $268.2 for the quarters ended March 31, 2011 and 2010, respectively.

Certain mortgage guaranty average claims related trends are listed below:

| | Average Paid Claim Amount (c) | | Reported Delinquency Ratio at End of Period | | Claim |
|---|---|---|---|---|---|
| | Traditional Primary | Bulk | Traditional Primary | Bulk | Rescissions and Denials |
| Years Ended December 31: | | | | | |
| 2008 | $ 43,532 | $ 56,481 | 10.34% | 17.17% | $ 211.0 |
| 2009 | 48,492 | 59,386 | 16.83 | 30.81 | 719.5 |
| 2010 | 47,954 | 58,184 | 15.55 | 24.54 | 748.8 |
| Quarters Ended March 31: | | | | | |
| 2010 | 47,874 | 61,878 | 16.89 | 28.72 | 198.0 |
| 2011 | $ 47,552 | $ 57,626 | 14.47% | 25.47% | $ 108.4 |

(c) Amounts are in whole dollars.

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

| | FL | TX | GA | IL | OH | CA | NJ | PA | VA | NC |
|---|---|---|---|---|---|---|---|---|---|---|
| As of December 31: | | | | | | | | | | |
| 2008 | 21.9% | 7.1% | 11.1% | 10.8% | 11.0% | 19.8% | 11.4% | 7.7% | 8.1% | 7.6% |
| 2009 | 34.1 | 10.6 | 18.8 | 19.5 | 16.4 | 30.5 | 21.1 | 11.6 | 13.9 | 12.3 |
| 2010 | 32.6 | 9.6 | 17.3 | 19.2 | 16.0 | 22.6 | 20.7 | 11.5 | 11.7 | 11.9 |
| As of March 31: | | | | | | | | | | |
| 2010 | 34.5 | 10.5 | 19.1 | 19.8 | 16.2 | 30.5 | 21.4 | 11.4 | 14.2 | 12.8 |
| 2011 | 31.1% | 8.3% | 15.9% | 18.5% | 14.9% | 20.9% | 20.7% | 10.7% | 10.9% | 11.0% |

Bulk Delinquency Ratios for Top Ten States (d):

| | FL | TX | GA | IL | OH | CA | NJ | PA | NY | AZ |
|---|---|---|---|---|---|---|---|---|---|---|
| As of December 31: | | | | | | | | | | |
| 2008 | 27.0% | 10.2% | 16.3% | 19.1% | 17.1% | 22.4% | 16.0% | 19.8% | 13.8% | 18.2% |
| 2009 | 46.5 | 16.3 | 27.6 | 35.7 | 23.4 | 41.3 | 33.3 | 21.7 | 26.8 | 37.5 |
| 2010 | 37.0 | 15.2 | 22.3 | 28.6 | 23.2 | 27.7 | 27.9 | 20.6 | 23.2 | 24.6 |
| As of March 31: | | | | | | | | | | |
| 2010 | 42.9 | 16.6 | 27.6 | 34.9 | 23.7 | 35.1 | 34.2 | 22.5 | 27.4 | 33.1 |
| 2011 | 38.9% | 15.2% | 24.1% | 30.2% | 23.6% | 27.8% | 30.8% | 21.0% | 23.5% | 25.0% |

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

| | FL | TX | GA | IL | OH | CA | NJ | PA | VA | NC |
|---|---|---|---|---|---|---|---|---|---|---|
| As of December 31: | | | | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | 21.3% | 7.2% | 11.2% | 10.2% | 11.4% | 17.2% | 12.1% | 8.1% | 7.3% | 6.8% |
| 2009 | 36.4 | 11.2 | 19.4 | 20.5 | 17.2 | 33.9 | 24.1 | 12.9 | 14.0 | 11.5 |
| 2010 | 32.1 | 9.9 | 17.1 | 19.1 | 16.6 | 23.2 | 21.5 | 12.1 | 10.6 | 10.9 |
| As of March 31: | | | | | | | | | | |
| 2010 | 35.1 | 11.1 | 19.4 | 20.8 | 17.1 | 31.1 | 24.1 | 12.7 | 13.4 | 12.0 |
| 2011 | 31.4% | 8.7% | 16.2% | 18.7% | 15.6% | 22.2% | 21.9% | 11.5% | 10.6% | 10.6% |

(d) As determined by risk in force as of March 31, 2011, these 10 states represent approximately 49.8%, 59.0%, and 50.1%, of traditional primary, bulk, and total risk in force, respectively.

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 for business underwritten since 1992 in particular. Though still reasonably contained, claim ratios have risen for the first quarter of 2011 and most recent three years due to the continuing downturn and economic stresses in the housing and related mortgage lending industries.

Reinsurance Programs

To maintain premium production within its capacity and limit maximum losses and risks for which it might become liable under its policies, Old Republic may cede a portion or all of its premiums and liabilities on certain classes of insurance, individual policies, or blocks of business to other insurers and reinsurers. Further discussion of the Company’s reinsurance programs can be found in Part 1 of the Company’s 2010 Annual Report on Form 10-K.

Expenses: Underwriting Acquisition and Other Expenses

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

| | General | Mortgage | Title | Consolidated |
|---|---|---|---|---|
| Years Ended December 31: | | | | |
| 2008 | 24.2% | 15.7% | 103.6% | 39.1% |
| 2009 | 25.8 | 12.6 | 93.8 | 41.8 |
| 2010 | 26.6 | 14.4 | 93.0 | 48.0 |
| Quarters Ended March 31: | | | | |
| 2010 | 26.7 | 13.5 | 98.5 | 47.4 |
| 2011 | 24.9% | 15.1% | 93.0% | 47.0% |

Variations in the Company’s consolidated expense ratios reflect a continually chang–ing 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.

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 | Mortgage | Title | Consolidated |
|---|---|---|---|---|
| Years Ended December 31: | | | | |
| 2008 | 97.2% | 215.0% | 110.6% | 120.9% |
| 2009 | 102.1 | 188.6 | 101.7 | 118.5 |
| 2010 | 103.0 | 168.0 | 101.0 | 111.4 |
| Quarters Ended March 31: | | | | |
| 2010 | 97.3 | 140.7 | 105.9 | 107.0 |
| 2011 | 98.1% | 201.8% | 100.8% | 110.8% |

Expenses: Income Taxes

The effective consolidated income tax rates (credits) were (48.0)% in the first quarter of 2011, compared to 19.8% in the first quarter of 2010. The rates for each period 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, and underwriting and service income, and judgments about the recoverability of deferred tax assets.

## OTHER INFORMATION

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

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

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

A more detailed listing and discussion of the risks and other factors which affect the Company's risk-taking insurance business are included in Part I, Item 1A – Risk Factors, of the Company's 2010 Annual Report to the Securities and Exchange Commission, which Item is specifically incorporated herein by reference.

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

OLD REPUBLIC INTERNATIONAL CORPORATION

## Item 3 - Quantitative and Qualitative Disclosure About Market Risk

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

Old Republic's market risk exposures at March 31, 2011, have not materially changed from those identified in the Company's 2010 Annual Report on Form 10-K.

## Item 4 - Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

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

### Changes in Internal Control

During the three month period ended March 31, 2011, there were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### Management's Report on Internal Control Over Financial Reporting

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

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

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

Item 1 – Legal Proceedings

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

Item 1A – Risk Factors

There have been no material changes with respect to the risk factors disclosed in the Company's 2010 Annual Report on Form 10-K.

Item 6 – Exhibits

(a) Exhibits

31.1 Certification by Aldo C. Zucaro, Chief Executive Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification by Karl W. Mueller, Chief Financial Officer, pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by Aldo C. Zucaro, Chief Executive Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

SIGNATURE

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

Old Republic International Corporation
(Registrant)

Date: May 6, 2011

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

EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|
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