

Old Republic Reports Results For The Fourth Quarter And Full Year 2013

January 23, 2014 9:01 AM ET

CHICAGO, Jan. 23, 2014 /PRNewswire/ -- **Old Republic International Corporation (NYSE: ORI)**, today reported financial results for the fourth quarter and full year 2013.

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

Financial Highlights (*)						
	Quarters Ended December 31,			Years Ended December 31,		
	2013	2012	Change	2013	2012	Change
Operating Revenues:						
Excluding run-off business	\$ 1,248.0	\$ 1,181.6	5.6	\$ 4,941.1	\$ 4,474.9	10.4%
RFIG run-off business	82.0	97.4	-15.7	353.4	447.3	-21.0
Total	<u>\$ 1,330.1</u>	<u>\$ 1,279.0</u>	<u>4.0%</u>	<u>\$ 5,294.5</u>	<u>\$ 4,922.2</u>	<u>7.6%</u>
Net Operating Income (Loss):						
Excluding run-off business	\$ 69.2	\$ 57.6	20.1%	\$ 280.1	\$ 231.0	21.3%
RFIG run-off business	24.5	(80.6)	130.4	71.4	(330.8)	121.6
Total	93.7	(23.0)	N/M	351.6	(99.7)	N/M
Realized Investment						
Gains (Losses), net of tax	0.9	2.7	-63.9%	96.2	31.1	209.6%
Net Income (Loss)	<u>\$ 94.7</u>	<u>\$ (20.2)</u>	<u>N/M</u>	<u>\$ 447.8</u>	<u>\$ (68.6)</u>	<u>N/M</u>
Components of Net Income (Loss):						
Excluding run-off business	\$ 70.1	\$ 60.1	16.6%	\$ 381.0	\$ 253.1	50.5%
RFIG run-off business	24.6	(80.4)	130.6%	66.8	(321.8)	120.8%
Total	<u>\$ 94.7</u>	<u>\$ (20.2)</u>	<u>N/M</u>	<u>\$ 447.8</u>	<u>\$ (68.6)</u>	<u>N/M</u>
Diluted Earnings Per Share:						
Net Operating Income (Loss)						
Excluding run-off business	\$ 0.25	\$ 0.23	8.7%	\$ 1.01	\$ 0.90	12.2%
RFIG run-off business	0.08	(0.32)	125.0%	0.24	(1.29)	118.6%
Total	0.33	(0.09)	N/M	1.25	(0.39)	N/M
Realized Investment						
Gains (Losses), net of tax	-	0.01	N/M	0.32	0.12	166.7%
Net Income (Loss)	<u>\$ 0.33</u>	<u>\$ (0.08)</u>	<u>N/M</u>	<u>\$ 1.57</u>	<u>\$ (0.27)</u>	<u>N/M</u>
Components of Net Income (Loss):						
Excluding run-off business	\$ 0.25	\$ 0.23	8.7%	\$ 1.35	\$ 0.99	36.4%
RFIG run-off business	0.08	(0.31)	125.8	0.22	(1.26)	117.5
Total	<u>\$ 0.33</u>	<u>\$ (0.08)</u>	<u>N/M</u>	<u>\$ 1.57</u>	<u>\$ (0.27)</u>	<u>N/M</u>
Cash Dividends Per Share	<u>\$ 0.1800</u>	<u>\$ 0.1775</u>	<u>1.4%</u>	<u>\$ 0.7200</u>	<u>\$ 0.7100</u>	<u>1.4%</u>
Ending Book Value Per Share	<u>\$ 14.64</u>	<u>\$ 14.03</u>	<u>4.3%</u>	<u>\$ 14.64</u>	<u>\$ 14.03</u>	<u>4.3%</u>

(*) Unaudited; All amounts in this report are in millions except per share data and percentages.
N/M = Not meaningful

Consolidated operating results for the fourth quarter and full year 2013 were marked by improved underwriting performance in most of Old Republic's active and run-off operations. Year-over-year favorable comparisons were most pronounced in the

combined MI and CCI run-off segment which evidenced a further drop in claim costs and a quarterly profit for the third consecutive quarter - the first such occurrence since the second quarter of 2007. The positive momentum in title insurance operations continued on the strength of strong revenue growth associated with relatively lower claim and operating expenses. Old Republic's largest business of general insurance also posted better results for both the final quarter and full year as underwriting income benefited from higher premium revenues and lower operating costs.

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

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

	Quarters Ended December 31,		Years Ended December 31,	
	2013	2012	2013	2012
Operating revenues:				
General insurance	\$ 740.9	\$ 686.8	\$ 2,849.9	\$ 2,699.4
Title insurance	490.7	478.6	2,025.6	1,707.1
Corporate and other	16.3	16.0	65.6	68.3
Subtotal	1,248.0	1,181.6	4,941.1	4,474.9
RFIG run-off business	82.0	97.4	353.4	447.3
Total	\$ 1,330.1	\$ 1,279.0	\$ 5,294.5	\$ 4,922.2
Pretax operating income (loss):				
General insurance	\$ 78.8	\$ 60.5	\$ 288.3	\$ 261.0
Title insurance	25.7	20.2	124.3	73.8
Corporate and other	(1.5)	2.6	2.1	(2.7)
Subtotal	102.9	83.3	414.7	332.1
RFIG run-off business	37.8	(124.0)	110.0	(508.6)
Total	140.7	(40.7)	524.8	(176.4)
Realized investment gains (losses):				
From sales	1.5	4.4	148.1	48.1
From impairments	-	(0.2)	-	(0.2)
Net realized investment gains (losses)	1.5	4.2	148.1	47.8
Consolidated pretax income (loss)	142.2	(36.4)	672.9	(128.5)
Income taxes (credits)	47.5	(16.2)	225.0	(59.8)
Net income (loss)	\$ 94.7	\$ (20.2)	\$ 447.8	\$ (68.6)
Consolidated underwriting ratio:				
Including RFIG run-off business:				
Benefits and claim ratio	45.8%	59.2%	45.8%	61.9%
Expense ratio	48.7	50.8	49.2	48.5
Composite ratio	94.5%	110.0%	95.0%	110.4%
Excluding RFIG run-off business:				
Benefits and claim ratio	45.4%	44.5%	44.2%	45.7%
Expense ratio	51.3	54.1	52.1	52.4
Composite ratio	96.7%	98.6%	96.3%	98.1%
Components of diluted earnings per share:				
Net operating income (loss):				
General insurance	\$ 0.18	\$ 0.17	\$ 0.67	\$ 0.72
Title insurance	0.06	0.05	0.28	0.18
Corporate and other	0.01	0.01	0.06	-
Subtotal	0.25	0.23	1.01	0.90
RFIG run-off business	0.08	(0.32)	0.24	(1.29)
Total	0.33	(0.09)	1.25	(0.39)
Net realized investment gains (losses)	-	0.01	0.32	0.12

Net income (loss)	<u>\$ 0.33</u>	<u>\$ (0.08)</u>	<u>\$ 1.57</u>	<u>\$ (0.27)</u>
Cash dividends paid per share	<u>\$ 0.1800</u>	<u>\$ 0.1775</u>	<u>\$ 0.7200</u>	<u>\$ 0.7100</u>

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

	Quarters Ended		Years Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Realized Investment Gains (Losses):				
Actual net gain from sales	\$ 1.5	\$ 4.4	\$ 16.7	\$ 40.5
Accounting adjustment of gain for impairment				
charges taken in prior periods	-	-	131.3	7.5
Net gain from actual sales	1.5	4.4	148.1	48.1
Net realized losses from impairments	-	(0.2)	-	(0.2)
Net pretax realized investment gains (losses) reported herein	<u>\$ 1.5</u>	<u>\$ 4.2</u>	<u>\$ 148.1</u>	<u>\$ 47.8</u>

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

	General Insurance Group					
	Quarters Ended December 31,			Years Ended December 31,		
	2013	2012	Change	2013	2012	Change
A. Prior to reclassification/ Including CCI run-off business:						
Net premiums earned	\$ 661.4	\$ 604.9	9.3%	\$ 2,543.5	\$ 2,366.9	7.5%
Net investment income	64.4	66.4	-3.1	250.0	265.0	-5.7
Benefits and claim costs	493.9	454.7	8.6	1,894.0	1,808.9	4.7
Pretax operating income (loss)	<u>\$ 73.5</u>	<u>\$ 51.8</u>	<u>41.8%</u>	<u>\$ 272.0</u>	<u>\$ 186.0</u>	<u>46.2</u>
Claim ratio	74.7%	75.2%		74.5%	76.4%	
Expense ratio	<u>22.8</u>	<u>26.0</u>		<u>23.5</u>	<u>25.5</u>	
Composite ratio	<u>97.5%</u>	<u>101.2%</u>		<u>98.0%</u>	<u>101.9%</u>	
B. All CCI run-off business reclassification(*):						
Net premiums earned	\$ 7.2	\$ 9.4	-23.9%	\$ 29.8	\$ 42.4	-29.9%
Net investment income	0.1	-	N/M	0.4	0.1	N/M
Benefits and claim costs	11.9	16.3	-26.6	44.5	112.8	-60.6
Pretax operating income (loss)	<u>\$ (5.3)</u>	<u>\$ (8.6)</u>	<u>38.8%</u>	<u>\$ (16.2)</u>	<u>\$ (74.9)</u>	<u>78.3%</u>
Claim ratio	166.4%	172.5%		149.4%	265.7%	

Expense ratio	9.2	19.6	6.6	11.0
Composite ratio	<u>175.6%</u>	<u>192.1%</u>	<u>156.0%</u>	<u>276.7%</u>

**C. After reclassification/
Total Excluding all
CCI run-off business:**

Net premiums earned	\$ 654.2	\$ 595.4	9.9%	\$ 2,513.7	\$ 2,324.4	8.1%
Net investment income	64.2	66.4	-3.2	249.6	264.9	-5.8
Benefits and claim costs	481.9	438.4	9.9	1,849.4	1,696.0	9.0
Pretax operating income (loss)	<u>\$ 78.8</u>	<u>\$ 60.5</u>	<u>30.3%</u>	<u>\$ 288.3</u>	<u>\$ 261.0</u>	<u>10.5%</u>
Claim ratio	73.7%	73.6%		73.6%	73.0%	
Expense ratio	<u>23.0</u>	<u>26.1</u>		<u>23.7</u>	<u>25.7</u>	
Composite ratio	<u>96.7%</u>	<u>99.7%</u>		<u>97.3%</u>	<u>98.7%</u>	

(*) In connection with the previously noted MI / CCI combination, \$4.6 and \$14.0 of pretax operating losses for the fourth quarter and full year 2013, and \$6.6 and \$70.9 of pretax operating losses for the fourth quarter and full year 2012, respectively, are retained by certain general insurance companies pursuant to various quota share and stop loss reinsurance agreements. All of these amounts, however, have been reclassified and are included for segment reporting purposes such that section (B) in the above table incorporates 100% of the CCI run-off business results.

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

2013 net investment income reflected further deterioration and lessened its contribution to operating margins. While cash flow from operations was positive and additive to the invested asset base, market yields on new securities investments were constrained throughout the year.

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

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

	Title Insurance Group					
	Quarters Ended December 31,			Years Ended December 31,		
	2013	2012	Change	2013	2012	Change
Net premiums and fees earned	\$ 482.9	\$ 471.1	2.5%	\$ 1,996.1	\$ 1,677.4	19.0%
Net investment income	7.1	6.9	2.7	26.6	27.3	-2.6
Claim costs	29.4	32.9	-10.5	134.0	120.8	10.9
Pretax operating income (loss)	<u>\$ 25.7</u>	<u>\$ 20.2</u>	<u>27.2%</u>	<u>\$ 124.3</u>	<u>\$ 73.8</u>	<u>68.2%</u>
Claim ratio	6.1%	7.0%		6.7%	7.2%	
Expense ratio	<u>89.7</u>	<u>89.8</u>		<u>88.0</u>	<u>89.6</u>	
Composite ratio	<u>95.8%</u>	<u>96.8%</u>		<u>94.7%</u>	<u>96.8%</u>	

Growth in title insurance premiums and fees benefited from the same favorable market and operating factors that have taken hold in recent times. Most importantly these include market share gains, steadily improving housing sales and related financing transactions, and a relatively low mortgage interest rate environment. From an underwriting perspective, 2013 claim ratios were

lower when compared to 2012 postings as claim frequency and severity continued to abate. Year-over-year expense ratio comparisons reflected further improvements from the combination of firm expense management and operating leverage arising from a growing book of business.

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

	RFIG Run-off Business					
	Quarters Ended December 31,			Years Ended December 31,		
	2013	2012	Change	2013	2012	Change
A. Prior to reclassification/ Excluding CCI run-off business:						
Net premiums earned	\$ 66.1	\$ 79.7	-17.1%	\$ 286.7	\$ 368.0	-22.1%
Net investment income	8.6	8.0	6.6	36.4	36.2	0.7
Claim costs	25.9	195.7	-86.7	173.2	797.5	-78.3
Pretax operating income (loss)	<u>\$ 43.1</u>	<u>\$ (115.4)</u>	<u>137.3%</u>	<u>\$ 126.3</u>	<u>\$ (433.6)</u>	<u>129.1%</u>
Claim ratio	39.3%	245.3%		60.4%	216.7%	
Expense ratio	<u>8.5</u>	<u>9.4</u>		<u>8.2</u>	<u>10.4</u>	
Composite ratio	<u>47.8%</u>	<u>254.7%</u>		<u>68.6%</u>	<u>227.1%</u>	
B. CCI run-off business reclassification(*):						
Net premiums earned	\$ 7.2	\$ 9.4	-23.9%	\$ 29.8	\$ 42.4	-29.9%
Net investment income	0.1	-	N/M	0.4	0.1	N/M
Benefits and claim costs	11.9	16.3	-26.6	44.5	112.8	-60.6
Pretax operating income (loss)	<u>\$ (5.3)</u>	<u>\$ (8.6)</u>	<u>38.8%</u>	<u>\$ (16.2)</u>	<u>\$ (74.9)</u>	<u>78.3%</u>
Claim ratio	166.4%	172.5%		149.4%	265.7%	
Expense ratio	<u>9.2</u>	<u>19.6</u>		<u>6.6</u>	<u>11.0</u>	
Composite ratio	<u>175.6%</u>	<u>192.1%</u>		<u>156.0%</u>	<u>276.7%</u>	
C. After reclassification/Total RFIG run-off MI and CCI business:						
Net premiums earned	\$ 73.3	\$ 89.2	-17.9%	\$ 316.5	\$ 410.5	-22.9%
Net investment income	8.7	8.1	7.5	36.8	36.3	1.5
Benefits and claim costs	37.9	212.0	-82.1	217.7	910.4	-76.1
Pretax operating income (loss)	<u>\$ 37.8</u>	<u>\$ (124.0)</u>	<u>130.5%</u>	<u>\$ 110.0</u>	<u>\$ (508.6)</u>	<u>121.6%</u>
Claim ratio	51.8%	237.5%		68.8%	221.8%	
Expense ratio	<u>8.6</u>	<u>10.5</u>		<u>8.1</u>	<u>10.4</u>	
Composite ratio	<u>60.4%</u>	<u>248.0%</u>		<u>76.9%</u>	<u>232.2%</u>	

(*In connection with the previously noted MI / CCI combination, \$4.6 and \$14.0 of pretax operating losses for the fourth quarter and full year 2013, and \$6.6 and \$70.9 of pretax operating losses for the fourth quarter and full year 2012, respectively, are retained by certain general insurance companies pursuant to various quota share and stop loss reinsurance agreements. All of these amounts, however, have been reclassified and are included for segment reporting purposes such that section (B) in the above table incorporates 100% of the CCI run-off business results.

Both MI and CCI premiums registered further declines throughout 2013 – the natural outcome of a run-off book of business devoid of new premium production since at least 2011. Last year's net investment income trends were affected adversely by a pervasively low yield environment and the segment's declining invested asset base.

The substantial improvement in last year's mortgage guaranty operating income arose mostly from much lower claim provisions. These emanated from the combined effects of further drops in newly reported defaults and a rising rate at which previously reported defaults have cured or otherwise been resolved without payment. These factors led to highly favorable developments of year-end 2012 claim reserves during 2013. The (favorable) reserve developments accounted for (reductions) of (29.3) and (88.2) percentage points in the reported claim ratio for last year's fourth quarter and for all of 2013, respectively. By contrast, unfavorable developments of year-end 2011 reserves in 2012 raised the latter year's reported claim ratios by .7 and 31.6 percentage points for the same respective periods. The disparate development patterns in previously established claim reserves are reflective of improving trends in home prices, foreclosure activity, and real estate markets generally.

Section (B) in the above table shows 100% of CCI results fully reclassified for segment reporting purposes. 2013 performance was most favorably affected by lower claim provisions resulting from improving delinquency trends and greater than anticipated claim salvage recoveries.

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

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

Corporate and Other Operations						
Quarters Ended December 31,				Years Ended December 31,		
	2013	2012	Change	2013	2012	Change
Life & accident premiums earned	\$ 14.8	\$ 13.5	9.6%	\$ 59.3	\$ 58.6	1.2%
Net investment income	1.3	2.1	-34.9	5.6	7.9	-29.5
Other income	-	0.3	-81.5	0.6	1.8	-62.1
Benefits and claim costs	11.6	9.0	29.1	37.3	38.3	-2.4
Insurance expenses	7.1	6.6	7.5	28.4	26.8	6.0
Corporate, interest, and other expenses-net	(0.8)	(2.2)	60.7	(2.3)	6.0	-139.0
Pretax operating income (loss)	<u>\$ (1.5)</u>	<u>\$ 2.6</u>	<u>-159.6%</u>	<u>\$ 2.1</u>	<u>\$ (2.7)</u>	<u>175.8%</u>

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

Cash, Invested Assets, and Shareholders' Equity				
December 31,				
		2013	2012	Change
Cash and invested assets:	Fair value basis	<u>\$ 11,109.1</u>	<u>\$ 10,800.6</u>	<u>2.9%</u>
	Original cost basis	<u>\$ 10,503.7</u>	<u>\$ 10,071.4</u>	<u>4.3%</u>
Shareholders' equity:	Total	<u>\$ 3,775.0</u>	<u>\$ 3,596.2</u>	<u>5.0%</u>
	Per common share	<u>\$ 14.64</u>	<u>\$ 14.03</u>	<u>4.3%</u>

Composition of shareholders' equity per share:

Equity before items below	\$ 13.17	\$ 12.15	8.4%
---------------------------	----------	----------	------

Unrealized investment gains (losses) and other accumulated comprehensive income (loss)	1.47	1.88	
Total	<u>\$ 14.64</u>	<u>\$ 14.03</u>	<u>4.3%</u>

**Segmented composition of
shareholders' equity per share:**

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

Cash flow from consolidated operating activities was \$686.7 for the year ended December 31, 2013 compared to \$532.0 for the year-earlier period.

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

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

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

	Shareholders' Equity Per Share		
	December 31,		
	2013	2012	2011
Beginning balance	<u>\$ 14.03</u>	<u>\$ 14.76</u>	<u>\$ 16.16</u>
Changes in shareholders' equity:			
Net operating income (loss)	<u>1.37</u>	<u>(.39)</u>	<u>(.86)</u>
Net realized investment gains (losses):			
From sales	.37	.12	.44
From impairments	-	-	(.13)
Subtotal	<u>.37</u>	<u>.12</u>	<u>.31</u>
Net unrealized investment gains (losses)	<u>(.64)</u>	<u>.29</u>	<u>.03</u>
Total realized and unrealized investment gains (losses)	<u>(.27)</u>	<u>.41</u>	<u>.34</u>
Cash dividends	(.72)	(.71)	(.70)
Stock issuance, foreign exchange, and other transactions	<u>.23</u>	<u>(.04)</u>	<u>(.18)</u>
Net change	<u>.61</u>	<u>(.73)</u>	<u>(1.40)</u>
Ending balance	<u>\$ 14.64</u>	<u>\$ 14.03</u>	<u>\$ 14.76</u>

Conference Call Information

Old Republic has scheduled a conference call at 3:00 p.m. ET (2:00 p.m. CT) today, to discuss its fourth quarter and full year 2013 performance and to review major operating trends and business developments. To access this call live in listen-only mode:

- **Log on to the Company's website** at www.oldrepublic.com 15 minutes before the call to download the necessary software, or, **alternatively**
- **the call can also be accessed by phone at 888-364-3109.**

Interested parties may also listen to a replay of the call through January 30, 2014 by dialing 877-870-5176, passcode 7539319, or by accessing it on Old Republic International's website through February 23, 2014.

About Old Republic

Chicago-based Old Republic International Corporation is one of the nation's 50 largest publicly held insurance organizations. Its most recent financial statements reflect consolidated assets of approximately \$16.53 billion and common shareholders' equity of \$3.77 billion, or \$14.64 per share. Its current stock market valuation is approximately \$4.39 billion, or \$16.87 per share.

The Company is organized as an insurance holding company whose subsidiaries actively market, underwrite, and provide risk management services for a wide variety of coverages mostly in the general and title insurance fields. A long-term interest in mortgage guaranty and consumer credit indemnity lines has devolved to a run-off operating mode in recent years.

The nature of Old Republic's business requires that it be managed for the long run. For the 25 years ended in 2013, the Company's total market return, with dividends reinvested, has grown at a compounded annual rate of 12.0 percent per share. For the same period, the total market return, with dividends reinvested, for the S&P 500 Index has grown at a 10.3 percent annual compound rate. During those years, Old Republic's shareholders' equity account, inclusive of cash dividends, has risen at an average annual rate of 10.0 percent per share, and the regular cash dividend has grown at a 9.7 percent annual compound rate. According to the most recent edition of *Mergent's Dividend Achievers*, Old Republic is one of just 100 qualifying companies, out of thousands considered, that have posted at least 25 consecutive years of annual dividend growth.

Accompanying Financial Data:

- Summary Financial Statements and Common Stock Statistics
- Safe Harbor Statement

Financial Supplement

A financial supplement to this news release is available on the Company's website.

Old Republic International Corporation Summary Financial Statements and Common Stock Statistics (Unaudited)

SUMMARY BALANCE SHEETS:	December 31,	
	2013	2012
Assets:		
Cash and fixed maturity securities	\$ 9,990.6	\$ 9,932.4
Equity securities	1,004.2	739.7
Other invested assets	114.3	128.4
Cash and invested assets	11,109.1	10,800.6
Accounts and premiums receivable	1,190.5	1,134.7
Federal income tax recoverable: Current	114.7	71.9
Deferred	48.4	148.1
Reinsurance balances recoverable	3,215.7	3,237.1
Sundry assets	855.7	834.1
Total	<u>\$ 16,534.4</u>	<u>\$ 16,226.8</u>
Liabilities and Shareholders' Equity:		
Policy liabilities	\$ 1,695.7	\$ 1,566.3
Benefit and claim reserves	9,433.5	9,303.3
Debt	569.2	572.9
Sundry liabilities	1,060.8	1,188.0
Shareholders' equity	3,775.0	3,596.2
Total	<u>\$ 16,534.4</u>	<u>\$ 16,226.8</u>

SUMMARY INCOME STATEMENTS:	Quarters Ended December 31,		Years Ended December 31,	
	2013	2012	2013	2012
Net premiums and fees earned	\$ 1,225.4	\$ 1,169.5	\$ 4,885.6	\$ 4,471.0
Net investment income	81.5	83.6	318.7	336.5
Other income	23.1	25.8	90.1	114.5
Net realized investment gains (losses)	1.5	4.2	148.1	47.8
Total revenues	1,331.6	1,283.2	5,442.7	4,970.1
Benefits and claims	561.1	692.4	2,238.3	2,765.3
Sales and general expenses	623.4	621.5	2,509.7	2,297.1
Interest and other costs	4.8	5.7	21.6	36.2
Total expenses	1,189.3	1,319.7	4,769.7	5,098.7
Pretax income (loss)	142.2	(36.4)	672.9	(128.5)
Income taxes (credits)	47.5	(16.2)	225.0	(59.8)
Net income (loss)	\$ 94.7	\$ (20.2)	\$ 447.8	\$ (68.6)

COMMON STOCK STATISTICS:					
Net income (loss):	Basic	\$.37	\$ (.08)	\$ 1.74	\$ (.27)
	Diluted	\$.33	\$ (.08)	\$ 1.57	\$ (.27)
Components of earnings per share:					
	Basic, net operating income (loss)	\$.37	\$ (.09)	\$ 1.37	\$ (.39)
	Realized investment gains (losses)	-	.01	.37	.12
	Basic net income (loss)	\$.37	\$ (.08)	\$ 1.74	\$ (.27)
	Diluted, net operating income (loss)	\$.33	\$ (.09)	\$ 1.25	\$ (.39)
	Realized investment gains (losses)	-	.01	.32	.12
	Diluted net income (loss)	\$.33	\$ (.08)	\$ 1.57	\$ (.27)
	Cash dividends on common stock	\$.1800	\$.1775	\$.7200	\$.7100
	Book value per share			\$ 14.64	\$ 14.03
Common shares outstanding:					
	Average basic	257,706,005	256,086,431	257,443,999	255,812,888
	Average diluted	294,396,055	256,086,431	293,684,035	255,812,888
	Actual, end of period			257,937,126	256,392,462

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME (LOSS):				
Net income (loss) as reported	\$ 94.7	\$ (20.2)	\$ 447.8	\$ (68.6)
Post-tax net unrealized gains (losses)	(8.6)	(10.8)	(166.2)	73.8
Other adjustments	10.2	(19.1)	62.7	(8.2)
Net adjustments	1.6	(29.9)	(103.5)	65.6
Comprehensive income (loss)	\$ 96.4	\$ (50.2)	\$ 344.3	\$ (3.0)

Safe Harbor Statement

Historical data pertaining to the operating results, liquidity, and other performance indicators applicable to an insurance enterprise such as Old Republic are not necessarily indicative of results to be achieved in succeeding years. In addition to the factors cited below, the long-term nature of the insurance business, seasonal and annual patterns in premium production and incidence of claims, changes in yields obtained on invested assets, changes in government policies and free markets affecting inflation rates and

general economic conditions, and changes in legal precedents or the application of law affecting the settlement of disputed and other claims can have a bearing on period-to-period comparisons and future operating results.

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

A more detailed listing and discussion of the risks and other factors which affect the Company's risk-taking insurance business are included in Part I, Item 1A - Risk Factors, of the Company's 2012 Form 10-K annual report and Part II, Item 1A - Risk Factors, of the Company's most recent Form 10-Q quarterly report to the Securities and Exchange Commission, which Items are 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.

For the latest news releases and other corporate documents on Old Republic:

Please write to:

Investor Relations

Old Republic International Corporation

307 North Michigan Avenue

Chicago, IL 60601

312-346-8100

or visit us at www.oldrepublic.com

SOURCE Old Republic International Corporation

At Old Republic, A. C. Zucaro, Chairman & CEO, (312) 346-8100; or At Financial Relations Board, Analysts/Investors, Scott Eckstein, (212) 827-3766