



Old Republic Reports Results For The Third Quarter And First Nine Months Of 2018

October 25, 2018

CHICAGO, Oct. 25, 2018 /PRNewswire/ -- Old Republic International Corporation (NYSE: ORI) today reported the following consolidated results (a):

	Quarters Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Pretax income (loss)	\$ 335.1	\$ 59.6	\$ 575.7	\$ 370.7
Pretax investment gains (losses) included in pretax income (loss)	135.7	35.8	72.6	57.5
Pretax income (loss) excluding investment gains (losses)	<u>\$ 199.3</u>	<u>\$ 23.8</u>	<u>\$ 503.0</u>	<u>\$ 313.1</u>
Net income (loss)	\$ 275.2	\$ 46.1	\$ 477.0	\$ 260.9
Net of tax investment gains (losses) included in net income (loss)	107.2	23.2	57.4	37.3
Net income (loss) excluding investment gains (losses)	<u>\$ 167.9</u>	<u>\$ 22.8</u>	<u>\$ 419.6</u>	<u>\$ 223.5</u>

As noted on pages 2 and 3, performance comparisons among the periods reported upon are affected by two significant events in 2018, and by special operating charges in 2017. The components of net income (loss) on a per share basis are shown in the Financial Highlights below.

FINANCIAL HIGHLIGHTS (a)						
	Quarters Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Change	2018	2017	Change
SUMMARY INCOME STATEMENTS:						
Revenues:						
Net premiums and fees earned	\$ 1,504.8	\$ 1,433.4	5.0%	\$ 4,255.5	\$ 4,097.3	3.9%
Net investment income	108.7	103.3	5.3	321.5	305.7	5.2
Other income	30.4	20.4	48.5	91.1	76.3	19.5
Total operating revenues	<u>1,644.0</u>	<u>1,557.2</u>	<u>5.6</u>	<u>4,668.2</u>	<u>4,479.4</u>	<u>4.2</u>
Investment gains (losses):						
Realized from actual transactions	7.3	35.8		54.8	57.5	
Unrealized from changes in fair value of equity securities	128.4	-		17.7	-	
Total investment gains (losses)	135.7	35.8		72.6	57.5	
Total revenues	<u>1,779.7</u>	<u>1,593.0</u>		<u>4,740.9</u>	<u>4,536.9</u>	
Operating expenses:						
Claim costs	619.4	766.4	-19.2	1,820.8	1,944.7	-6.4
Sales and general expenses	815.2	751.1	8.5	2,310.0	2,173.1	6.3
Interest and other costs	9.9	15.8	-37.0	34.3	48.3	-28.9
Total operating expenses	<u>1,444.6</u>	<u>1,533.3</u>	<u>-5.8%</u>	<u>4,165.2</u>	<u>4,166.2</u>	<u>- %</u>
Pretax income (loss)	<u>335.1</u>	<u>59.6</u>		<u>575.7</u>	<u>370.7</u>	
Income taxes (credits)	<u>59.8</u>	<u>13.4</u>		<u>98.6</u>	<u>109.7</u>	
Net income (loss)	<u>\$ 275.2</u>	<u>\$ 46.1</u>		<u>\$ 477.0</u>	<u>\$ 260.9</u>	
COMMON STOCK STATISTICS:						
Net income (loss) per share:						
	Basic	<u>\$ 0.92</u>	<u>\$ 0.18</u>	<u>\$ 1.63</u>	<u>\$ 1.00</u>	
	Diluted	<u>\$ 0.92</u>	<u>\$ 0.17</u>	<u>\$ 1.59</u>	<u>\$ 0.91</u>	
Components of net income (loss) per share:						
Basic net income (loss) excluding investment gains (losses)	\$ 0.56	\$ 0.09		\$ 1.43	\$ 0.86	
Net investment gains (losses):						
Realized from actual transactions	0.02	0.09		0.15	0.14	
Unrealized from changes in fair value of equity securities	0.34	-		0.05	-	
Basic net income (loss)	<u>\$ 0.92</u>	<u>\$ 0.18</u>		<u>\$ 1.63</u>	<u>\$ 1.00</u>	
Diluted net income (loss) excluding investment gains (losses)	\$ 0.56	\$ 0.09		\$ 1.40	\$ 0.79	
Net investment gains (losses):						
Realized from actual transactions	0.02	0.08		0.14	0.12	
Unrealized from changes in fair value of equity securities	0.34	-		0.05	-	
Diluted net income (loss)	<u>\$ 0.92</u>	<u>\$ 0.17</u>		<u>\$ 1.59</u>	<u>\$ 0.91</u>	
Cash dividends on common stock	<u>\$ 0.1950</u>	<u>\$ 0.1900</u>	<u>2.6%</u>	<u>\$ 0.5850</u>	<u>\$ 0.5700</u>	<u>2.6%</u>

Book value per share				<u>\$ 17.76</u>	<u>\$ 18.05</u>	<u>-1.6%</u>
Common shares outstanding:						
Average basic	<u>299,006,345</u>	<u>261,380,896</u>	<u>14.4%</u>	<u>292,565,008</u>	<u>261,181,220</u>	<u>12.0%</u>
Average diluted	<u>300,374,004</u>	<u>298,529,626</u>	<u>0.6%</u>	<u>301,125,090</u>	<u>298,559,757</u>	<u>0.9%</u>
Actual, end of period				<u>302,643,075</u>	<u>263,806,691</u>	<u>14.7%</u>

(a) All amounts in this report are stated in millions except common stock data and percentages.

Effective January 1, 2018, two significant events transpired that have a bearing on the year-over-year comparability of consolidated pretax and net income. One arises from a new rule of the Financial Accounting Standards Board ("FASB") that now requires the inclusion of unrealized investment gains or losses emanating from changes in the fair value of equity (but not fixed maturity) securities in the determination of pre and post-tax income. The second relates to a reduction of nominal Federal corporate income tax rates from 35% to 21%.

The realization of investment gains or losses can be highly discretionary and can be affected by such randomly occurring factors as the timing of individual securities sales, the recording of estimated losses from write-downs of impaired securities, tax-planning and tax-rate change considerations, and modifications of investment management judgments regarding the direction of securities markets or the future prospects of individual investees or industry sectors. The inclusion, starting in 2018, of securities market-driven changes in equity investments' valuations will most likely produce, as it has in 2018, greater period-to-period fluctuations in reported net income, particularly at times of significant instability or volatility in such markets. The above-noted FASB change, however, has no effect on the determination of such critical elements as current income taxes, debt-to-equity ratios, shareholders' equity, or insurance subsidiaries' operations and their ability to pay dividends to the ORI holding company parent.

The tables on page 1 show the components of consolidated pretax and net income to highlight the effects of total realized and, beginning in 2018, unrealized investment gains or losses of equity securities on period-to-period comparisons. Management uses income exclusive of all investment gains (losses) to analyze, evaluate, and establish accountability for the results of Old Republic's basic insurance operating performance. Net income, however, is the measure of total profitability according to generally accepted accounting principles ("GAAP").

The table on the following page presents the major segmented elements of the Company's financial performance. This reflects: 1) the above-cited significant events for 2018, and 2) special operating charges for the third quarter and nine months 2017 consisting of: (a) General insurance claims provisions (\$20.0 million) associated with then current evaluations of hurricane claim exposures, and (b) additional claim and related expense provisions (\$130.0 million) applicable to final settlements and probable dispositions of all known litigated and other claims costs incurred by the Company's RFIG run-off business during the Great Recession years and their aftermath.

Underwriting and related services income (loss) consists of premiums, fees, and other income reduced by claim costs and sales and general expenses. Segmented and consolidated pretax income (loss) excluding investment gains (losses) consists of underwriting and related services income (loss) added to net investment income, and reduced by interest and other charges. In addition to the matters cited in the four paragraphs immediately above, 2018 pretax and net income excluding realized and unrealized investment gains (losses) benefitted most significantly from improved general insurance underwriting and related services performance, moderate growth in investment income, and reduced debt interest charges.

Generally speaking taxable income elements emanating from: (a) underwriting and related services and (b) investments in corporate and federal government debt securities are taxed at the nominal tax rates in effect during the reporting periods. Income emanating from: (c) investment in states' and their subdivisions' debt securities and (d) dividends earned on equity securities are taxed at a reduced nominal tax rate. The following table shows the effective income tax rate which results from application of such nominal or nominally-adjusted tax rates to the various components of taxable income.

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	17.9%	22.6%	17.1%	29.6%
Realized investment gains (losses)	21.0%	35.0%	21.0%	35.0%
Unrealized investment gains (losses)	21.0%	N/A	20.8%	N/A
Net income (loss) excluding investment gains (losses)	15.7%	4.0%	16.6%	28.6%

Major Segmented and Consolidated Elements of Income (Loss)

	Quarters Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Change	2018	2017	Change
Net premiums, fees, and other income:						
General insurance	\$ 841.5	\$ 801.3	5.0%	\$ 2,441.3	\$ 2,313.7	5.5%
Title insurance	640.7	596.8	7.4	1,743.6	1,670.5	4.4
Corporate and other	4.2	5.0	-14.8	11.2	14.4	-22.2
Other income	30.4	20.4	48.5	91.1	76.3	19.5
Subtotal	1,517.0	1,423.7	6.6	4,287.4	4,074.9	5.2
RFIG run-off business	18.2	30.2	-39.7	59.2	98.7	-39.9
Consolidated total	<u>\$ 1,535.2</u>	<u>\$ 1,453.9</u>	<u>5.6%</u>	<u>\$ 4,346.7</u>	<u>\$ 4,173.6</u>	<u>4.1%</u>
Underwriting and related services income (loss):						
General insurance	\$ 37.0	\$ (4.4)	935.0%	\$ 78.0	\$ 25.4	206.7%
Title insurance	58.7	59.6	-1.6	132.6	150.7	-12.0
Corporate and other (a)	(4.0)	(3.7)	-7.5	(17.4)	(15.5)	-12.1
Subtotal	91.7	51.5	78.2	193.2	160.6	20.3
RFIG run-off business	8.7	(115.1)	107.6	22.6	(104.8)	121.6

Consolidated total	\$ 100.5	\$ (63.6)	257.9%	\$ 215.8	\$ 55.8	286.8%
Consolidated composite ratio:						
Claim ratio	41.2%	53.5%		42.8%	47.5%	
Expense ratio	51.9	50.8		51.9	50.9	
Composite ratio	93.1%	104.3%		94.7%	98.4%	
Net investment income:						
General insurance	\$ 86.1	\$ 80.0	7.5%	\$ 253.8	\$ 238.0	6.6%
Title insurance	9.8	9.1	7.3	28.8	27.9	3.3
Corporate and other	8.1	8.6	-5.0	23.4	23.2	0.8
Subtotal	104.1	97.8	6.4	306.1	289.2	5.8
RFIG run-off business	4.6	5.4	-15.3	15.4	16.4	-6.1
Consolidated total	\$ 108.7	\$ 103.3	5.3%	\$ 321.5	\$ 305.7	5.2%
Interest and other charges:						
General insurance	\$ 18.0	\$ 15.8		\$ 52.7	\$ 47.2	
Title insurance	0.8	1.5		3.2	5.8	
Corporate and other (b)	(8.9)	(1.6)		(21.6)	(4.8)	
Subtotal	9.9	15.8		34.3	48.3	
RFIG run-off business	-	-		-	-	
Consolidated total	\$ 9.9	\$ 15.8	-37.1%	\$ 34.3	\$ 48.3	-28.9%
Segmented and consolidated pretax income (loss) excluding investment gains (losses):						
General insurance	\$ 105.1	\$ 59.7	75.9%	\$ 279.1	\$ 216.2	29.1%
Title insurance	67.7	67.3	0.6	158.2	172.8	-8.5
Corporate and other	13.1	6.5	101.6	27.6	12.4	121.0
Subtotal	185.9	133.5	39.2	464.9	401.5	15.8
RFIG run-off business	13.3	(109.7)	112.2	38.0	(88.3)	143.1
Consolidated pretax income (loss) excluding investment gains (losses)	199.3	23.8	735.5%	503.0	313.1	60.6%
Income taxes (credits) on above	31.3	0.9		83.4	89.6	
Net income (loss) excluding investment gains (losses)	167.9	22.8		419.6	223.5	
Pretax investment gains (losses):						
Realized from actual transactions	7.3	35.8		54.8	57.5	
Unrealized from changes in fair value of equity securities	128.4	-		17.7	-	
Total realized and unrealized investment gains (losses)	135.7	35.8		72.6	57.5	
Income taxes (credits) on investment gains (losses)	28.5	12.5		15.2	20.1	
Net of tax investment gains (losses)	107.2	23.2		57.4	37.3	
Net income (loss)	\$ 275.2	\$ 46.1		\$ 477.0	\$ 260.9	

Net operating cash flows:

Consolidated	\$ 597.1	\$ 522.1	14.4%
Exclusive of RFIG run-off business	\$ 620.0	\$ 598.6	3.6%

(a) Includes general administrative expenses.

(b) Includes external interest costs, net of interest charges on intercompany financing arrangements, and consolidation/elimination entries.

General Insurance Segment Results – The table below shows the major elements affecting this segment's financial performance for the interim periods reported upon.

	General Insurance Business					
	Quarters Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Change	2018	2017	Change
Net premiums earned	\$ 841.5	\$ 801.3	5.0%	\$ 2,441.3	\$ 2,313.7	5.5%
Net investment income	86.1	80.0	7.5	253.8	238.0	6.6
Other income	30.2	20.4	48.1	90.5	75.8	19.5
Operating revenues	957.8	901.8	6.2	2,785.7	2,627.6	6.0
Claim costs (a)	595.0	608.7	-2.3	1,739.3	1,709.5	1.7
Sales and general expenses	239.6	217.4	10.2	714.5	654.5	9.2
Interest and other costs	18.0	15.8	13.9	52.7	47.2	11.5
Operating expenses	852.7	842.0	1.3	2,506.6	2,411.3	3.9
Segment pretax operating income (loss) (b)	\$ 105.1	\$ 59.7	75.9%	\$ 279.1	\$ 216.2	29.1%
Claim ratio	70.7%	76.0%		71.2%	73.9%	
Expense ratio	24.9	24.6		25.6	25.0	
Composite ratio	95.6%	100.6%		96.8%	98.9%	

- (a) General insurance pretax results for the quarter and nine months ended September 30, 2017 include hurricane-related claim costs of \$20.0.
- (b) In connection with the run-off mortgage guaranty ("MI") and consumer credit indemnity ("CCI") combination, \$0.2 and \$0.7 of pretax operating income for the third quarter and first nine months of 2018, and \$106.3 and \$123.0 of pretax operating losses for the third quarter and first nine months of 2017, respectively, were retained by certain general insurance companies pursuant to various quota share and stop loss reinsurance agreements. All of these amounts, however, have been reclassified such that 100% of the CCI run-off business is reported in the RFIG run-off segment.

With few exceptions, earned premiums grew for most types of coverages and markets served. The cumulative effects of recent years' and ongoing premium rate increases for several insurance products, along with new business production were main contributory elements to premium growth. Higher premiums stemmed primarily from commercial automobile (trucking), national accounts, auto warranty, and the various coverages offered by a new underwriting facility established in early 2015. Net investment income gained in the context of a slightly higher invested asset base and relatively stable yield environment.

As the table below indicates, year-over-year claim ratios trended down in this year's first nine months. Better performance was driven by Old Republic's large books of workers' compensation and commercial automobile (trucking) coverages in particular. The improvement in this largest of cost elements was aided by slightly lower estimates of current year claim provisions, and a lessened impact from development of prior years' reserve estimates.

The table below shows recent annual and interim periods' claim ratio trends:

	Reported Claim Ratio	Effect of Prior Periods' (Favorable)/ Unfavorable Claim Reserves Development	Claim Ratio Excluding Prior Periods' Claim Reserves Development
2013	73.6%	(0.9)%	74.5%
2014	77.9	3.9	74.0
2015	74.1	1.5	72.6
2016	73.0	0.3	72.7
2017	71.8%	0.7%	71.1%
3rd Quarter 2017	76.0%	1.7%	74.3%
3rd Quarter 2018	70.7%	(1.0)%	71.7%
1st Nine Months 2017	73.9%	1.8%	72.1%
1st Nine Months 2018	71.2%	0.3%	70.9%

As this year is progressing, the expense ratio is staying aligned with revenue trends.

Quarterly and even annual claim provisions and the trends they display may not be particularly meaningful indicators of future outcomes for Old Republic's liability-oriented mix of business. Absent significant economic and insurance industry dislocations in the foreseeable future, it is currently anticipated that reported claim ratios can be expected to fall within targeted averages in the high 60 to low 70 percent range. The current mix of business should reflect an expense ratio ranging between 23 and 25 percent.

Title Insurance Segment Results – The table below shows the major elements affecting this segment's financial performance for the interim periods reported upon.

	Title Insurance Business					
	Quarters Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Change	2018	2017	Change
Net premiums and fees earned	\$ 640.7	\$ 596.8	7.4%	\$ 1,743.6	\$ 1,670.5	4.4%
Net investment income	9.8	9.1	7.3	28.8	27.9	3.3
Other income	0.1	0.1	88.5	0.6	0.5	24.9
Operating revenues	650.8	606.1	7.4	1,773.1	1,699.0	4.4
Claim costs	15.1	12.3	22.2	45.0	34.6	30.0
Sales and general expenses	567.1	524.9	8.0	1,566.6	1,485.6	5.4
Interest and other costs	0.8	1.5	-46.1	3.2	5.8	-43.8
Operating expenses	583.1	538.8	8.2	1,614.9	1,526.1	5.8
Segment pretax operating income (loss)	\$ 67.7	\$ 67.3	0.6%	\$ 158.2	\$ 172.8	-8.5%
Claim ratio	2.4%	2.1%		2.6%	2.1%	
Expense ratio	88.5	87.9		89.8	88.9	
Composite ratio	90.9%	90.0%		92.4%	91.0%	

2018 year-over-year comparisons of revenues from title premiums and fees reflect mid-single digit growth paced by independent agents' production and a slower rise in directly-produced business. By contrast, claim costs trended higher as favorable development of prior years' claim reserve estimates edged down. The following table shows recent annual and interim periods' claim ratio trends:

	Reported Claim Ratio	Effect of Prior Periods' (Favorable)/ Unfavorable Claim Reserves Development	Claim Ratio Excluding Prior Periods' Claim Reserves Development
2013	6.7%	(0.2)%	6.9%
2014	5.2	(0.8)	6.0
2015	4.9	(0.6)	5.5
2016	3.8	(1.1)	4.9
2017	0.9%	(3.3)%	4.2%
3rd Quarter 2017	2.1%	(2.1)%	4.2%
3rd Quarter 2018	2.4%	(1.8)%	4.2%
1st Nine Months 2017	2.1%	(2.1)%	4.2%

1st Nine Months 2018 2.6% (1.5)% 4.1%

Net investment income reflected a relatively stable invested asset balance and investment yield environment. The operating expense ratio is staying within range of expectations for this segment's current and foreseeable business environment.

RFIG Run-off Segment Results – The table below shows the major elements affecting this segment's financial performance for the interim periods reported upon.

	RFIG Run-off Business					
	Quarters Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Change	2018	2017	Change
A. Mortgage Insurance (MI)						
Net premiums earned	\$ 17.8	\$ 25.6	-30.3%	\$ 58.0	\$ 86.1	-32.6%
Net investment income	4.3	5.1	-13.8	14.7	15.4	-4.3
Claim costs (a)	5.5	29.9	-81.4%	23.3	51.2	-54.4
MI pretax operating income (loss)	<u>\$ 13.2</u>	<u>\$ (3.0)</u>	N/M	<u>\$ 37.9</u>	<u>\$ 35.7</u>	<u>6.2%</u>
Claim ratio (a)	31.1%	116.8%		40.2%	59.5%	
Expense ratio	19.1	14.9		19.9	16.9	
Composite ratio	<u>50.2%</u>	<u>131.7%</u>		<u>60.1%</u>	<u>76.4%</u>	
B. Consumer Credit Indemnity (CCI)						
Net premiums earned	\$ 0.3	\$ 4.5	-92.1%	\$ 1.2	\$ 12.5	-90.4%
Net investment income	0.2	0.3	-38.5	0.6	1.0	-34.5
Claim costs (a)	0.1	111.1	-99.9	0.5	135.9	-99.6
CCI pretax operating income (loss) (b)	<u>\$ -</u>	<u>\$ (106.7)</u>	<u>100.1%</u>	<u>\$ 0.1</u>	<u>\$ (124.1)</u>	<u>100.1%</u>
Claim ratio (a)	36.3%	N/M		42.1%	N/M	
Expense ratio	105.2	N/M		102.6	N/M	
Composite ratio	<u>141.5%</u>	<u>N/M</u>		<u>144.7%</u>	<u>N/M</u>	
C. Total MI and CCI run-off business:						
Net premiums earned	\$ 18.2	\$ 30.2	-39.7%	\$ 59.2	\$ 98.7	-39.9%
Net investment income	4.6	5.4	-15.3	15.4	16.4	-6.1
Claim costs (a)	5.6	141.0	-96.0	23.8	187.1	-87.3
Segment pretax operating income (loss) (b)	<u>\$ 13.3</u>	<u>\$ (109.7)</u>	<u>112.2%</u>	<u>\$ 38.0</u>	<u>\$ (88.3)</u>	<u>143.1%</u>
Claim ratio (a)	31.2%	466.6%		40.2%	189.6%	
Expense ratio	20.8	14.5		21.6	16.6	
Composite ratio	<u>52.0%</u>	<u>481.1%</u>		<u>61.8%</u>	<u>206.2%</u>	

- (a) RFIG run-off pretax results for the quarter and nine months ended September 30, 2017 include additional claim and related expense provisions of \$130.0 applicable to the final settlements and probable dispositions of all known litigated and other claim costs incurred by the Company's run-off Financial Indemnity business during the Great Recession years and their aftermath. Of the total charge, \$23.0 related to mortgage guaranty claim costs, and \$107.0 was attributable to additional claim provisions in the consumer credit indemnity run-off business.
- (b) In connection with the run-off mortgage guaranty ("MI") and consumer credit indemnity ("CCI") combination, \$0.2 and \$0.7 of pretax operating income for the third quarter and first nine months of 2018, and \$106.3 and \$123.0 of pretax operating losses for the third quarter and first nine months of 2017, respectively, were retained by certain general insurance companies pursuant to various quota share and stop loss reinsurance agreements. All of these amounts, however, have been reclassified such that 100% of the CCI run-off business is reported in the RFIG run-off segment.

Pretax operating results of the run-off MI and CCI business reflect the expected, continuing drop in net earned premiums from declining risk in force. For the CCI coverage in particular, the much lower premiums in this year's interim periods resulted mostly from the elimination of a major bank business relationship, which had been a significant source of both earned premiums and litigated claim costs.

The ratios of MI incurred claim costs to earned premiums were reduced by 10.4 and 25.7 percentage points in this year's third quarter and first nine months, respectively. For the same respective periods of 2017, the reductions amounted to 60.2 and 39.8 percentage points. In each instance, the reductions reflect favorable developments of prior years' claim reserves. MI claim costs for 2017's interim periods, however, had risen most significantly due to \$23.0 of additional claim provisions, which added 89.8 and 26.7 percentage points to the claim ratios for the third quarter and first nine months of 2017, respectively.

The much more favorable CCI claim ratios for this years' third quarter and first nine months reflect the absence of the aforementioned litigation-induced claim costs which had burdened this book of business for many years through 2017's third quarter. During the latter period, additional claim provisions in the amount of \$107.0 were made to cover the final settlements and probable dispositions of all known litigated and other claim costs incurred during the Great Recession and its aftermath.

Corporate and Other Results – 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 stem from volatility inherent to the small scale of the life and accident insurance line, net investment income, and net interest charges pertaining to external and intra-system financing arrangements. This year's third quarter and first nine months results were enhanced by the elimination of interest costs related to outstanding external debt converted into ORI common stock in March. The interplay of these various elements is summarized in the following table:

Corporate and Other Operations

	Quarters Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net life and accident premiums earned	\$ 4.2	\$ 5.0	\$ 11.2	\$ 14.4
Net investment income	8.1	8.6	23.4	23.2
Other operating income	-	-	-	-
Operating revenues	12.4	13.5	34.6	37.6
Claim costs	3.5	4.2	12.6	13.5
Insurance expenses	1.3	1.3	3.7	6.9
Corporate, interest and other expenses - net	(5.6)	1.5	(9.3)	4.7
Operating expenses	(0.6)	7.0	7.0	25.1
Corporate and other pretax operating income (loss)	\$ 13.1	\$ 6.5	\$ 27.6	\$ 12.4

Summary Consolidated Balance Sheet – The following table shows Old Republic's consolidated financial position at the dates shown.

	September 30, 2018	December 31, 2017	September 30, 2017
Assets:			
Cash and fixed maturity securities	\$ 9,817.2	\$ 10,145.9	\$ 10,297.2
Equity securities	3,474.3	3,265.5	3,140.2
Other invested assets	128.5	124.9	128.8
Cash and invested assets	13,420.1	13,536.4	13,566.3
Accounts and premiums receivable	1,643.0	1,469.7	1,589.8
Prepaid federal income taxes	114.3	114.3	114.3
Reinsurance balances recoverable	3,637.2	3,371.8	3,568.9
Sundry assets	987.5	911.1	907.9
Total	\$ 19,802.3	\$ 19,403.5	\$ 19,747.4
Liabilities and Shareholders' Equity:			
Policy liabilities	\$ 2,450.5	\$ 2,176.3	\$ 2,308.6
Claim reserves	9,482.9	9,237.6	9,694.4
Federal income tax payable: Current	3.7	6.5	25.2
Deferred	54.7	100.5	71.4
Debt	981.1	1,448.7	1,526.9
Sundry liabilities	1,517.9	1,700.5	1,401.5
Shareholders' equity	5,311.2 (a)	4,733.3	4,719.0
Total	\$ 19,802.3	\$ 19,403.5	\$ 19,747.4

(a) Reflects the completed conversion of the 3.75% convertible senior notes into ORI common stock in March, 2018.

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

Cash, Invested Assets, and Shareholders' Equity							
			% Change				
			Sept. 30, 2018	Dec. 31, 2017	Sept. 30, 2017	Sept. '18/ Dec. '17	Sept. '18/ Sept. '17
Cash and invested assets:							
Invested assets, carried at fair value			\$ 12,369.6	\$ 12,468.9	\$ 12,493.2	-0.8%	-1.0%
Held to maturity, carried at amortized cost			1,050.5	1,067.4	1,073.0	-1.6%	-2.1%
Total per balance sheet			\$ 13,420.1	\$ 13,536.4	\$ 13,566.3	-0.9%	-1.1%
Total at original cost for all			\$ 12,886.1	\$ 12,783.4	\$ 12,764.3	0.8%	1.0%
Shareholders' equity:							
Total			\$ 5,311.2	\$ 4,733.3	\$ 4,719.0	12.2%	12.5%
Per common share			\$ 17.76	\$ 17.72	\$ 18.05	0.2%	-1.6%
Composition of shareholders' equity per share:							
Equity before items below			\$ 16.76	\$ 16.26	\$ 16.36	3.1%	2.4%
Unrealized investment gains (losses) and other accumulated comprehensive income (loss)			1.00	1.46	1.69		
Total			\$ 17.76	\$ 17.72	\$ 18.05	0.2%	-1.6%
Segmented composition of shareholders' equity per share:							
Excluding run-off segment			\$ 16.26	\$ 16.14	\$ 16.67	0.7%	-2.5%
RFIG run-off segment			1.50	1.58	1.38		
Consolidated total			\$ 17.76	\$ 17.72	\$ 18.05	0.2%	-1.6%

Old Republic's invested assets portfolio is directed in consideration of enterprise-wide risk management objectives. Most importantly, these are intended to

ensure solid funding of the insurance subsidiaries' long-term obligations to policyholders and other beneficiaries, as well as the long-term stability of the subsidiaries' capital accounts. To this end, the investment portfolio contains no significant insurance risk-correlated asset exposures to real estate, mortgage-backed securities, collateralized debt obligations ("CDO's"), derivatives, hybrid securities, or illiquid private equity and hedge fund investments. Moreover, the Company does not engage in hedging or securities lending transactions, nor does it invest in securities whose values are predicated on non-regulated financial instruments exhibiting amorphous or unfunded counter-party risk attributes.

As of September 30, 2018, the consolidated investment portfolio reflected an allocation of approximately 74% to fixed-maturity and short-term investments, and 26% to high quality, dividend-paying equity securities. The asset quality of the fixed maturity portfolio has remained at high levels.

Changes in shareholders' equity per share are reflected in the following table. As shown, these resulted mostly from net income, dividend payments to shareholders, and changes in the value of invested assets carried at fair value.

	Shareholders' Equity Per Share			
	Quarter Ended Sept. 30, 2018	Nine Months Ended September 30,		Year Ended Dec. 31, 2017
		2018	2017	
Beginning balance	\$ 17.08	\$ 17.72	\$ 17.16	\$ 17.16
Changes in shareholders' equity:				
Net income (loss) excluding net investment gains (losses)	0.56	1.43	0.86	1.21
Net of tax realized investment gains (losses) from actual transactions	0.02	0.15	0.14	0.93
Net of tax unrealized investment gains (losses) on securities carried at fair value:				
Reported in net income (loss)	0.34	0.05	-	-
Reported as other comprehensive income (loss)	(0.06)	(0.62)	0.40	0.28
Subtotal	0.28	(0.57)	0.40	0.28
Total net of tax realized and unrealized investment gains (losses)	0.30	(0.42)	0.54	1.21
Cash dividends (a)	(0.1950)	(0.5850)	(0.5700)	(1.7600)
Debt conversion, stock issuance, and other transactions	0.02	(0.38)	0.06	(0.10)
Net change	0.68	0.04	0.89	0.56
Ending balance	\$ 17.76	\$ 17.76	\$ 18.05	\$ 17.72
Percentage change for the period	4.0%	0.2%	5.2%	3.3%

(a) Full year 2017 includes a special cash dividend of \$1.00 per share.

Capitalization – The following table shows the components of ORI's total capitalization. The most significant change during the fiscal twelve-months ended September 30, 2018 relates to the completed conversion of the 3.75% convertible senior notes into ORI common stock in March 2018.

	Capitalization		
	September 30, 2018	December 31, 2017	September 30, 2017
Debt:			
3.75% Convertible Senior Notes due 2018	\$ -	\$ 470.6	\$ 549.1
4.875% Senior Notes due 2024	396.6	396.2	396.1
3.875% Senior Notes due 2026	545.5	545.1	545.0
ESSOP debt	-	4.2	4.2
Other miscellaneous debt	38.8	32.4	32.4
Total debt	981.1	1,448.7	1,526.9
Common shareholders' equity	5,311.2	4,733.3	4,719.0
Total capitalization	\$ 6,292.3	\$ 6,182.0	\$ 6,245.9
Capitalization ratios:			
Debt	15.6%	23.4%	24.4%
Common shareholders' equity	84.4	76.6	75.6
Total	100.0%	100.0%	100.0%

Managing Old Republic's Insurance Business for the Long-Run

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 claim costs that will emerge, often many years after issuance and expiration of a policy. Old Republic's business is therefore conducted with a primary focus on achieving favorable underwriting results over cycles, and on the maintenance of financial soundness in support of its insurance subsidiaries' long-term obligations to insurance beneficiaries.

In this light, the Company's affairs are managed for the long run and without significant regard to the arbitrary strictures of quarterly or even annual reporting periods that the American industry must observe. In Old Republic's view, such short reporting time frames do not comport well with the long-term nature of much of its business. Management therefore believes that the Company's operating results and financial condition can best be evaluated by observing underwriting and overall operating performance trends over succeeding five- or preferably ten-year intervals. A ten-year period in particular can likely encompass at least one economic and/or underwriting cycle and thereby provide an appropriate time frame for such cycle to run its course, and for premium rate changes and reserved claim costs to be quantified and emerge in financial results with greater finality and effect.

Accompanying Financial Data and Other Information:

- About Old Republic
- Safe Harbor Statement

Financial Supplement:

- A financial supplement to this news release is available on the Company's website: www.oldrepublic.com

About Old Republic

Chicago-based Old Republic International Corporation is one of the nation's 50 largest publicly held insurance organizations. It is a member of the *Fortune 500* listing of America's largest companies. Its most recent financial statements reflect consolidated assets of approximately \$19.80 billion and common shareholders' equity of \$5.31 billion, or \$17.76 per share. Its current stock market valuation is approximately \$6.00 billion, or \$19.83 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 coverages has devolved to a run-off operating mode in recent years. Old Republic's general insurance business ranks among the nation's 50 largest, while its title insurance operations are the third largest in its industry.

The nature of Old Republic's business requires that it be managed for the long run. For the 25 years ended in 2017, the Company's total market return, with dividends reinvested, has grown at a compounded annual rate of 9.1% per share. For the same period, the total market return, with dividends reinvested, for the S&P 500 Index has grown at a 9.7% annual compound rate. During those years, Old Republic's shareholders' equity account, inclusive of cash dividends, has risen at an average annual rate of 9.2% per share, and the regular cash dividend has grown at an 8.7% 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. Moreover, Old Republic has paid a cash dividend without interruption since the World War II year of 1942 (77 years), and it has raised the annual cash dividend pay-out for each of the past 37 years.

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 particularly affected 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 investment yields and inflation rates, and periodic changes in claim frequency and severity patterns caused by natural disasters, weather conditions, accidents, illnesses, work-related injuries, and unanticipated external events. Title Insurance and RFIG run-off results can be affected by similar factors, and by changes in national and regional housing demand and values, the availability and cost of mortgage loans, employment trends, and default rates on mortgage loans. Life and accident insurance earnings can be affected by the levels of employment and consumer spending, variations in mortality and health trends, and changes in policy lapsation rates. At the parent holding company level, operating earnings or losses are generally reflective of the amount of debt outstanding and its cost, interest income on temporary holdings of short-term investments, and period-to-period variations in the costs of administering the Company's widespread operations.

A more detailed listing and discussion of the risks and other factors which affect the Company's risk-taking insurance business are included in Part I, Item 1A - Risk Factors, of the Company's 2017 Form 10-K Annual Report and Part II, Item 1A - Risk Factors, of the Company's recent Form 10-Q filings 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.

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