

OLD REPUBLIC INTERNATIONAL CORP  
Form 10-Q  
April 28, 2009

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

FORM 10-Q

☒ Quarterly report pursuant to section 13 or 15(d) of the Security Exchange Act of 1934  
for the quarterly period ended: March 31, 2009 or

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

Commission File Number: 001-10607

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

Delaware  
(State or other jurisdiction of  
incorporation or organization)

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

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

60601  
(Zip Code)

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

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

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

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

| Class                        | Shares Outstanding            |
|------------------------------|-------------------------------|
| Common Stock / \$1 par value | March 31, 2009<br>240,554,385 |

There are 38 pages in this report

OLD REPUBLIC INTERNATIONAL CORPORATION

Report on Form 10-Q / March 31, 2009

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

|                                                                                    | (Unaudited)<br>March 31,<br>2009 | December 31,<br>2008 |
|------------------------------------------------------------------------------------|----------------------------------|----------------------|
| Assets                                                                             |                                  |                      |
| Investments:                                                                       |                                  |                      |
| Available for sale:                                                                |                                  |                      |
| Fixed maturity securities (at fair value) (adjusted cost: \$7,391.3 and \$7,385.2) | \$ 7,496.4                       | \$ 7,406.9           |
| Equity securities (at fair value) (adjusted cost: \$373.3 and \$373.3)             | 271.9                            | 350.3                |
| Short-term investments (at fair value which approximates cost)                     | 1,083.2                          | 888.0                |
| Miscellaneous investments                                                          | 25.7                             | 29.7                 |
| Total                                                                              | 8,877.3                          | 8,675.0              |
| Other investments                                                                  | 7.8                              | 7.8                  |
| Total investments                                                                  | 8,885.2                          | 8,682.9              |
| Other Assets:                                                                      |                                  |                      |
| Cash                                                                               | 59.7                             | 63.9                 |
| Securities and indebtedness of related parties                                     | 16.3                             | 17.4                 |
| Accrued investment income                                                          | 107.4                            | 108.2                |
| Accounts and notes receivable                                                      | 817.9                            | 806.7                |
| Federal income tax recoverable: Current                                            | 18.1                             | 41.0                 |
| Prepaid federal income taxes                                                       | 221.4                            | 463.4                |
| Reinsurance balances and funds held                                                | 62.0                             | 67.6                 |
| Reinsurance recoverable: Paid losses                                               | 60.9                             | 52.2                 |
| Policy and claim reserves                                                          | 2,485.7                          | 2,395.7              |
| Deferred policy acquisition costs                                                  | 216.6                            | 222.8                |
| Sundry assets                                                                      | 341.7                            | 343.8                |
|                                                                                    | 4,408.3                          | 4,583.1              |
| Total Assets                                                                       | \$ 13,293.5                      | \$ 13,266.0          |
| Liabilities, Preferred Stock, and Common Shareholders' Equity                      |                                  |                      |
| Liabilities:                                                                       |                                  |                      |
| Losses, claims, and settlement expenses                                            | \$ 7,430.6                       | \$ 7,241.3           |
| Unearned premiums                                                                  | 1,106.7                          | 1,112.3              |
| Other policyholders' benefits and funds                                            | 182.1                            | 180.7                |
| Total policy liabilities and accruals                                              | 8,719.4                          | 8,534.3              |
| Commissions, expenses, fees, and taxes                                             | 250.9                            | 264.5                |
| Reinsurance balances and funds                                                     | 281.8                            | 264.8                |
| Federal income tax payable: Deferred                                               | 24.0                             | 77.3                 |
| Debt                                                                               | 221.1                            | 233.0                |
| Sundry liabilities                                                                 | 152.7                            | 151.5                |
| Commitments and contingent liabilities                                             |                                  |                      |

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|                                                                    |             |             |
|--------------------------------------------------------------------|-------------|-------------|
| Total Liabilities                                                  | 9,650.2     | 9,525.7     |
| Preferred Stock:                                                   |             |             |
| Convertible preferred stock (1)                                    | -           | -           |
| Common Shareholders' Equity:                                       |             |             |
| Common stock (1)                                                   | 240.5       | 240.5       |
| Additional paid-in capital                                         | 407.2       | 405.0       |
| Retained earnings                                                  | 3,092.7     | 3,186.5     |
| Accumulated other comprehensive income (loss)                      | (51.0)      | (41.7)      |
| Unallocated ESSOP shares (at cost)                                 | (46.1)      | (50.0)      |
| Treasury stock (at cost)(1)                                        | -           | -           |
| Total Common Shareholders' Equity                                  | 3,643.2     | 3,740.3     |
| Total Liabilities, Preferred Stock and Common Shareholders' Equity | \$ 13,293.5 | \$ 13,266.0 |

(1) At March 31, 2009 and December 31, 2008, 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 240,554,385 at March 31, 2009 and 240,520,251 at December 31, 2008 were issued. At March 31, 2009 and December 31, 2008, 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, 2009 and December 31, 2008.

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<br>March 31, |             |
|-----------------------------------------------|-----------------------------|-------------|
|                                               | 2009                        | 2008        |
| Revenues:                                     |                             |             |
| Net premiums earned                           | \$ 721.8                    | \$ 804.1    |
| Title, escrow, and other fees                 | 55.6                        | 42.5        |
| Total premiums and fees                       | 777.4                       | 846.6       |
| Net investment income                         | 93.4                        | 95.2        |
| Other income                                  | 7.6                         | 8.8         |
| Total operating revenues                      | 878.5                       | 950.7       |
| Realized investment gains (losses):           |                             |             |
| From sales                                    | -                           | .9          |
| From impairments                              | -                           | -           |
| Total realized investment gains (losses)      | -                           | .9          |
| Total revenues                                | 878.5                       | 951.6       |
| Benefits, Claims and Expenses:                |                             |             |
| Benefits, claims, and settlement expenses     | 649.2                       | 646.0       |
| Dividends to policyholders                    | 2.8                         | 2.3         |
| Underwriting, acquisition, and other expenses | 318.6                       | 342.3       |
| Interest and other charges                    | .6                          | .6          |
| Total expenses                                | 971.3                       | 991.3       |
| Income (loss) before income taxes (credits)   | (92.7)                      | (39.6)      |
| Income Taxes (Credits):                       |                             |             |
| Current                                       | 24.7                        | 19.4        |
| Deferred                                      | (63.5)                      | (40.0)      |
| Total                                         | (38.8)                      | (20.5)      |
| Net Income (Loss)                             | \$ (53.9)                   | \$ (19.0)   |
| Net Income (Loss) Per Share:                  |                             |             |
| Basic:                                        | \$ (.23)                    | \$ (.08)    |
| Diluted:                                      | \$ (.23)                    | \$ (.08)    |
| Average shares                                |                             |             |
| outstanding: Basic                            | 235,259,226                 | 230,495,852 |
| Diluted                                       | 235,259,226                 | 230,495,852 |
| Dividends Per Common Share:                   |                             |             |
| Cash                                          | \$ .17                      | \$ .16      |

See accompanying Notes to Consolidated Financial Statements.

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

|                                                      |    | Quarters Ended<br>March 31, |    |         |
|------------------------------------------------------|----|-----------------------------|----|---------|
|                                                      |    | 2009                        |    | 2008    |
| Net income (loss) as reported                        | \$ | (53.9)                      | \$ | (19.0)  |
| Other comprehensive income (loss):                   |    |                             |    |         |
| Post-tax net unrealized gains (losses) on securities |    | (9.8)                       |    | (109.4) |
| Other adjustments                                    |    | .5                          |    | (5.2)   |
| Net adjustments                                      |    | (9.2)                       |    | (114.7) |
| Comprehensive income (loss)                          | \$ | (63.1)                      | \$ | (133.7) |

See accompanying Notes to Consolidated Financial Statements.

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

|                                                                                      | Quarters Ended<br>March 31, |           |
|--------------------------------------------------------------------------------------|-----------------------------|-----------|
|                                                                                      | 2009                        | 2008      |
| Cash flows from operating activities:                                                |                             |           |
| Net income (loss)                                                                    | \$ (53.9)                   | \$ (19.0) |
| Adjustments to reconcile net income to<br>net cash provided by operating activities: |                             |           |
| Deferred policy acquisition costs                                                    | 6.1                         | 6.2       |
| Premiums and other receivables                                                       | (11.4)                      | .6        |
| Unpaid claims and related items                                                      | 118.3                       | 217.2     |
| Other policyholders' benefits and funds                                              | (22.0)                      | (17.4)    |
| Income taxes                                                                         | (40.8)                      | (24.4)    |
| Prepaid federal income taxes                                                         | 241.9                       | 35.2      |
| Reinsurance balances and funds                                                       | 13.9                        | 4.6       |
| Realized investment (gains) losses                                                   | -                           | (.9)      |
| Accounts payable, accrued expenses and other                                         | 11.2                        | (2.8)     |
| Total                                                                                | 263.3                       | 199.3     |
| Cash flows from investing activities:                                                |                             |           |
| Fixed maturity securities:                                                           |                             |           |
| Maturities and early calls                                                           | 208.8                       | 233.1     |
| Sales                                                                                | 6.9                         | 19.9      |
| Sales of:                                                                            |                             |           |
| Equity securities                                                                    | -                           | 6.1       |
| Other – net                                                                          | .3                          | 27.8      |
| Purchases of:                                                                        |                             |           |
| Fixed maturity securities                                                            | (232.6)                     | (183.9)   |
| Equity securities                                                                    | -                           | (80.8)    |
| Other – net                                                                          | (4.4)                       | (10.6)    |
| Purchase of a business                                                               | -                           | (4.3)     |
| Net decrease (increase) in short-term investments                                    | (194.9)                     | (155.2)   |
| Other-net                                                                            | .2                          | 4.8       |
| Total                                                                                | (215.6)                     | (142.9)   |
| Cash flows from financing activities:                                                |                             |           |
| Issuance of debentures and notes                                                     | 60.0                        | 3.0       |
| Issuance of common shares                                                            | .3                          | .4        |
| Redemption of debentures and notes                                                   | (72.3)                      | (.2)      |
| Dividends on common shares                                                           | (39.9)                      | (36.8)    |
| Other-net                                                                            | .1                          | .3        |
| Total                                                                                | (51.8)                      | (33.3)    |
| Increase (decrease) in cash:                                                         | (4.2)                       | 22.9      |
| Cash, beginning of period                                                            | 63.9                        | 54.0      |
| Cash, end of period                                                                  | \$ 59.7                     | \$ 76.9   |

Supplemental cash flow information:

|                      |              |    |     |    |     |
|----------------------|--------------|----|-----|----|-----|
| Cash paid during the | Interest     |    |     |    |     |
| period for:          |              | \$ | 1.2 | \$ | .6  |
|                      | Income taxes | \$ | 2.0 | \$ | 1.7 |

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 generally accepted accounting principles ("GAAP") as described in the Company's latest annual report to shareholders or otherwise disclosed herein. The financial accounting and reporting process relies on estimates and on the exercise of judgment, but in the opinion of management all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the results were 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.

The Financial Accounting Standards Board's ("FASB") Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48") provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. FIN 48 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. The Company's unrecognized tax benefits, including interest and penalty accruals, are not considered material to the consolidated financial statements and did not change significantly upon the adoption of FIN 48. 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 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 under GAAP, other than possible interest and penalties, the possible accelerated payment of tax to the IRS would not affect the annual effective tax rate. The Company classifies interest and penalties as income tax expense in the consolidated statement of income. The Company's consolidated Federal income tax returns through year-end 2004 are closed and no significant adjustments have resulted. On October 22, 2008 the IRS commenced their examination of the Company's 2006 consolidated income tax return.

The Company's adoption of Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("FAS 157") and FASB Staff Position No. 157-3, Determining Fair Value of a Financial Asset When the Market for that Asset is Not Active ("FSP 157-3"), is discussed in Note 3 of the Notes to Consolidated Financial Statements. In addition, FAS 157 was also amended by FASB Staff Position No. 157-2, Effective Date of FASB Statement No. 157 ("FSP 157-2"), which delayed the effective date of FAS 157 for nonfinancial assets and nonfinancial liabilities that are not remeasured at fair value on at least an annual basis until fiscal years beginning after November 15, 2008. The adoption of FSP 157-2 by the Company on January 1, 2009 did not have an impact on the consolidated financial statements.

In April 2009, the FASB issued three related Staff Positions to provide additional technical guidance regarding the application of FAS 157 to fair value measurements in the current economic environment, modify the recognition of other-than-temporary impairments of debt securities, and require companies to disclose the fair values of financial instruments in interim periods. These Staff Positions are effective for interim and annual periods ending after June 15, 2009. FASB Staff Position No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset

or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (“FSP 157-4”), supersedes FSP 157-3 and provides additional technical guidance regarding the factors that should be considered in estimating fair value in the current economic environment while reemphasizing that the objective of a fair value measurement remains an exit price. This Staff Position also contains additional interim and annual financial statement disclosure requirements which will result in more disaggregated disclosures than previously required under FAS 157. FASB Staff Position No. 115-2 and 124-2 Recognition and Presentation of Other-Than-Temporary Impairments (“FSP 115-2”), modifies the requirements for recognizing other-than-temporarily-impaired debt securities and changes the existing impairment model for such securities. This Staff Position also modifies the presentation of other-than-temporary impairment losses and increases the frequency of and expands already required disclosures about other-than-temporary impairment for debt and equity securities. FASB Staff Position No. 107-1 and APB 28-1 Interim Disclosures about Fair Value of Financial Instruments (“FSP 107-1”), relates to fair value disclosures in public entity financial statements for financial instruments that are within the scope of FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments (“FAS 107”). This Staff Position increases the frequency of fair value disclosures from annual to quarterly in an effort to provide financial statement users with more timely information about the effects of current market conditions on financial instruments. The adoption of these Staff Positions by the Company in the second quarter of 2009 is not expected to have a significant impact on the consolidated financial statements.

The above accounting policy changes result primarily in additional financial statement disclosures for GAAP reporting purposes and do not have any effect on management's conduct of the business, its financial condition or reported results.

## 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 the income (loss) and number of shares used in basic and diluted earnings per share calculations.

|                                                                                                                           |    | Quarters Ended<br>March 31, |             |
|---------------------------------------------------------------------------------------------------------------------------|----|-----------------------------|-------------|
|                                                                                                                           |    | 2009                        | 2008        |
| Numerator:                                                                                                                |    |                             |             |
| Net Income (loss)                                                                                                         | \$ | (53.9)                      | \$ (19.0)   |
| Numerator for basic earnings per share -<br>income (loss) available to common stockholders                                |    | (53.9)                      | (19.0)      |
| Numerator for diluted earnings per share -<br>income (loss) available to common stockholders<br>after assumed conversions | \$ | (53.9)                      | \$ (19.0)   |
| Denominator:                                                                                                              |    |                             |             |
| Denominator for basic earnings per share -<br>weighted-average shares (a)(b)                                              |    | 235,259,226                 | 230,495,852 |
| Effect of dilutive securities – stock options                                                                             |    | -                           | -           |
| Denominator for diluted earnings per share -<br>adjusted weighted-average shares<br>and assumed conversions (a)(b)        |    | 235,259,226                 | 230,495,852 |
| Earnings per share: Basic                                                                                                 | \$ | (.23)                       | \$ (.08)    |
| Diluted                                                                                                                   | \$ | (.23)                       | \$ (.08)    |
| Anti-dilutive outstanding stock option awards<br>excluded from earning per share computations                             |    | 16,030,334                  | 15,527,938  |

(a) All per share statistics have been restated to reflect all stock dividends and splits declared through March 31, 2009.

(b) In calculating earnings per share, GAAP 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, and may be sold at any time by the plan.

## 3. Investments:

Effective January 1, 2008, the Company adopted FAS 157, Fair Value Measurements, which establishes a framework for measuring fair value, and applies to existing accounting pronouncements that require or permit fair value measurements. FAS 157 defines fair value 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). In October 2008, the FASB issued FSP 157-3. This Staff Position, which will be superseded upon the Company’s adoption of FSP 157-4 as discussed in Note 1, provides additional technical guidance regarding the application of FAS 157 in a market that is not active, and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The adoption of FAS 157 and FSP 157-3 has had no impact on the Company’s consolidated financial statements. Following is a description of the valuation methodologies used for securities measured at fair value, as well as the general classification of such securities pursuant to the valuation hierarchy.

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 market value.

Level 1 securities include U.S. and Canadian Treasury notes, publicly traded common stocks, net asset value (“NAV”) quoted mutual funds and a substantial portion of its short-term investments in highly liquid money market instruments and U.S. and Canadian Treasury bills. Level 2 securities generally include corporate bonds, municipal bonds and certain U.S. and Canadian government agency securities. Securities classified within Level 3 include non-publicly traded bonds, short-term investments and common stocks. There were no significant changes in the fair value of assets measured with the use of significant unobservable inputs during the quarter ended March 31, 2009.

The following table shows a summary of assets measured at fair value segregated among the various input levels required by FAS 157:

|                           | Fair value measurements as of March 31, 2009: |            |         |            |
|---------------------------|-----------------------------------------------|------------|---------|------------|
|                           | Level 1                                       | Level 2    | Level 3 | Total      |
| Available for sale:       |                                               |            |         |            |
| Fixed maturity securities | \$ 285.4                                      | \$ 7,190.5 | \$ 20.5 | \$ 7,496.4 |
| Equity securities         | 226.8                                         | -          | 44.9    | 271.9      |
| Short-term investments    | 1,076.8                                       | -          | 6.3     | 1,083.2    |

Net unrealized gains (losses) on investments amounted to \$1.2 at March 31, 2009. Unrealized appreciation (depreciation) of investments, before applicable deferred income taxes (credits) of \$10.1 at March 31, 2009 included gross unrealized gains (losses) of \$300.2 and \$(299.0), respectively. For the three months ended March 31, 2009 and 2008, changes in net unrealized appreciation (depreciation) of investments, net of deferred income taxes (credits), amounted to \$(9.8) and \$(109.4), respectively. The amount of unrealized gains and losses is affected by the Company’s estimates of securities that have been classified as other-than-temporarily impaired (“OTTI”).

The Company completes a detailed analysis each quarter to assess whether the decline in the value of any investment below its cost basis is deemed other-than-temporary. All securities in an unrealized loss position are reviewed. Absent issuer-specific circumstances that would result in a contrary conclusion, any equity security with an unrealized investment loss amounting to a 20% or greater decline for a six month period is considered OTTI. The decline in value of a security deemed OTTI is included in the determination of net income and a new cost basis is established for financial reporting purposes. There were no write downs for other-than-temporary declines in the estimated fair value of investments for the quarters ended March 31, 2009 and 2008.

A valuation allowance of \$64.0 was established against a deferred tax asset related to the Company’s losses on equity securities at March 31, 2009. In valuing the deferred tax asset, the Company considered certain factors including primarily the scheduled reversals of certain deferred tax liabilities and the impact of available carryback and carryforward periods. Based on these considerations, the Company believes that it is more likely than not that it will realize the benefits of the deferred tax assets related to equity investment losses, net of the existing valuation allowance at March 31, 2009.

#### 4. Pension Plans:

The Company has three pension plans covering a portion of its work force. All three plans have been closed to new participants since December 31, 2004. It is the Company’s policy to fund the plans’ costs as they accrue. Plan assets are comprised principally of bonds, common stocks and short-term investments. The Companies made cash contributions

of approximately \$2.8 to their pension plans in the first quarter 2009, and expect to make cash contributions of approximately \$2.9 to their pension plans in the remaining portion of calendar year 2009.

## 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, and 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<br>March 31, |            |
|-----------------------------------------------------------------------------------------|-----------------------------|------------|
|                                                                                         | 2009                        | 2008       |
| General Insurance Group:                                                                |                             |            |
| Net premiums earned                                                                     | \$ 457.3                    | \$ 512.7   |
| Net investment income and other income                                                  | 66.3                        | 68.8       |
| Total revenues before realized gains or losses                                          | \$ 523.7                    | \$ 581.5   |
| Income (loss) before income taxes (credits) and realized investment gains or losses (a) | \$ 58.2                     | \$ 89.8    |
| Income tax expense (credits) on above                                                   | \$ 15.6                     | \$ 26.5    |
| Mortgage Guaranty Group:                                                                |                             |            |
| Net premiums earned                                                                     | \$ 145.3                    | \$ 147.6   |
| Net investment income and other income                                                  | 25.9                        | 24.7       |
| Total revenues before realized gains or losses                                          | \$ 171.2                    | \$ 172.4   |
| Income (loss) before income taxes (credits) and realized investment gains or losses     | \$ (144.6)                  | \$ (122.3) |
| Income tax expense (credits) on above                                                   | \$ (51.9)                   | \$ (44.2)  |
| Title Insurance Group:                                                                  |                             |            |
| Net premiums earned                                                                     | \$ 98.6                     | \$ 118.1   |
| Title, escrow and other fees                                                            | 55.6                        | 42.5       |
| Sub-total                                                                               | 154.3                       | 160.7      |
| Net investment income and other income                                                  | 5.9                         | 6.3        |
| Total revenues before realized gains or losses                                          | \$ 160.2                    | \$ 167.1   |
| Income (loss) before income taxes (credits) and realized investment gains or losses (a) | \$ (9.0)                    | \$ (12.6)  |
| Income tax expense (credits) on above                                                   | \$ (3.5)                    | \$ (4.9)   |
| Consolidated Revenues:                                                                  |                             |            |
| Total revenues of above Company segments                                                | \$ 855.3                    | \$ 921.1   |
| Other sources (b)                                                                       | 35.1                        | 38.4       |
| Consolidated net realized investment gains (losses)                                     | -                           | .9         |
| Consolidation elimination adjustments                                                   | (11.9)                      | (8.8)      |
| Consolidated revenues                                                                   | \$ 878.5                    | \$ 951.6   |
| Consolidated Income (Loss) Before Taxes (Credits):                                      |                             |            |
| Total income (loss) before income taxes (credits) and                                   | \$ (95.4)                   | \$ (45.2)  |

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|                                                               |    |        |           |
|---------------------------------------------------------------|----|--------|-----------|
| realized investment gains or losses of above Company segments |    |        |           |
| Other sources – net (b)                                       |    | 2.6    | 4.6       |
| Consolidated net realized investment gains (losses)           |    | -      | .9        |
| Consolidated income (loss) before income taxes (credits)      | \$ | (92.7) | \$ (39.6) |
| Consolidated Income Tax Expense (Credits):                    |    |        |           |
| Total income tax expense (credits) for above Company segments | \$ | (39.8) | \$ (22.5) |
| Other sources – net (b)                                       |    | .9     | 1.6       |
| Income tax expense (credits) on                               |    |        |           |
| consolidated net realized investment gains (losses)           |    | -      | .3        |
| Consolidated income tax expense (credits)                     | \$ | (38.8) | \$ (20.5) |

|                                       | March 31,<br>2009 | December 31,<br>2008 |
|---------------------------------------|-------------------|----------------------|
| Consolidated Assets:                  |                   |                      |
| General                               | \$ 9,485.0        | \$ 9,482.9           |
| Mortgage                              | 3,055.7           | 2,973.1              |
| Title                                 | 761.3             | 762.4                |
| Other assets (b)                      | 404.8             | 509.5                |
| Consolidation elimination adjustments | (413.3)           | (462.0)              |
| Consolidated                          | \$ 13,293.5       | \$ 13,266.0          |

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

- (a) Income (loss) before taxes (credits) is reported net of interest charges on intercompany financing arrangements with Old Republic's holding company parent for the following segments: General - \$2.6 and \$3.5 for the quarters ended March 31, 2009 and 2008, respectively; Mortgage - \$1.8 and \$ - for the quarters ended March 31, 2009 and 2008, respectively; and Title - \$.9 and \$.7 for the quarters ended March 31, 2009 and 2008, 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 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 legal proceedings 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 state and federal courts in Connecticut, New Jersey, Ohio, Pennsylvania and Texas. 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 suit in Texas also alleges violation of the federal Real Estate Settlement Procedures Act ("RESPA"). Substantially similar lawsuits are also pending against other unaffiliated title insurance companies in these and other states as well, and additional lawsuits based upon similar allegations could be filed against ORNTIC in the future. Classes have been certified in the New Jersey and Pennsylvania actions, and a settlement agreement, which is not expected to cost ORNTIC more than \$2.2, has received preliminary approval in the New Jersey action.

Since early February 2008, approximately 80 purported consumer class action lawsuits have been filed nationwide 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. The suits are 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. The Company and ORNTIC are currently among the named defendants in 35 of these actions in 5 states. A second subsidiary, American Guaranty Title Insurance Company, was originally named in some of the same suits but has been dismissed from all such actions. No class has yet been certified in any of these suits against the Company and ORNTIC, and none of the actions against them allege RESPA violations.

Also pending certification as a class action is a suit against ORNTIC and Old Republic Title, Ltd. in the U.S. District Court for the Western District of Washington. Filed in May, 2008, the suit alleges that ORNTIC and its affiliate deceptively charged fees for reconveyancing services they did not perform and split the fees with settlement service providers in violation of RESPA. The action seeks damages, declaratory and injunctive relief. No class has yet been certified in the action.

Except in New Jersey where a preliminary settlement agreement has been approved, the ultimate impact of these lawsuits, all of which seek unquantified damages, attorneys' fees and expenses, is uncertain and not reasonably estimable. The Company and its subsidiaries intend to defend vigorously against each of the aforementioned actions. Although the Company does not believe that these lawsuits 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.

A putative national class action suit has been filed against the Company's subsidiary, Old Republic Home Protection Company ("ORHP") in the California Superior Court, San Diego, 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, declaratory and injunctive relief. No class has been certified. ORHP has removed the action to the U.S. District Court for the Southern District of California. Similar suits, filed by the same law firm, are believed to be pending in California against two other home warranty companies. It is too early in the proceeding to evaluate ORHP's exposure or the likely outcome of the case. ORHP intends to vigorously oppose class certification and to defend against the action.

7. Subsequent Event:

On April 23 the Company announced the pricing of its public offering of \$275.0 million aggregate principal amount of 8% convertible senior notes due 2012. Old Republic has granted the underwriters a 30-day option to purchase up to an additional \$41.25 million aggregate principal amount of such convertible notes on the same terms and conditions to cover overallotments, if any. The Company anticipates closing the transaction on April 29, 2009.

OLD REPUBLIC INTERNATIONAL CORPORATION  
MANAGEMENT ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS  
Quarters Ended March 31, 2009 and 2008  
(\$ 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 2.5% of consolidated operating revenues for the quarter ended March 31, 2009 and 1.9% of consolidated assets as of March 31, 2009, is included within the corporate and other caption of this report. The consolidated accounts are presented on the basis of generally accepted accounting principles (“GAAP”). This management analysis should be read in conjunction with the consolidated financial statements and the footnotes appended to them.

The insurance business is distinguished from most others in that the prices (premiums) charged for various insurance products are set without certainty of the ultimate benefit and claim costs that will emerge or be incurred, often many years after issuance and expiration of a policy. This basic fact casts Old Republic as a risk-taking enterprise managed for the long run. Management therefore conducts the business with a primary focus on achieving favorable underwriting results over cycles, and on the maintenance of financial soundness in support of the insurance subsidiaries’ long-term obligations to insurance beneficiaries. To achieve these objectives, adherence to insurance risk management principles is stressed, and asset diversification and quality are emphasized. In addition to income arising from Old Republic’s basic underwriting and related services functions, significant investment income is earned from invested funds generated by those functions and from shareholders’ capital. Investment management aims for stability of income from interest and dividends, protection of capital, and sufficient liquidity to meet insurance underwriting and other obligations as they become payable in the future. Securities trading and the realization of capital gains are not objectives. The investment philosophy is therefore best characterized as emphasizing value, credit quality, and relatively long-term holding periods. The Company’s ability to hold both fixed maturity and equity securities for long periods of time is in turn enabled by the scheduling of maturities in contemplation of an appropriate matching of assets and liabilities.

In light of the above factors, the Company’s affairs are managed without 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.

EXECUTIVE SUMMARY

Old Republic’s consolidated operating results, which exclude net realized investment gains, declined year over year. The reduced performance stemmed from ongoing weakness in the Company’s housing-related mortgage guaranty and title insurance lines, and from lower general insurance profits. As noted in each quarterly report since 2007’s third quarter, the substantial dislocations that have enveloped all businesses with housing and mortgage-lending exposures are likely to exert earnings pressures throughout 2009, and most likely into 2010 as well. In comparison with the final quarter of 2008, however, both mortgage guaranty and title insurance segments registered some improvement in underwriting performance, while year over year loss costs were greater for mortgage guaranty and slightly lower for

title. Year over year general insurance earnings were dampened by greater loss costs for nearly all coverages.

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, |           |          |
|-------------------------------------------|--------------------------|-----------|----------|
|                                           | 2009                     | 2008      | Change   |
| Operating revenues:                       |                          |           |          |
| General insurance                         | \$ 523.7                 | \$ 581.5  | -9.9 %   |
| Mortgage guaranty                         | 171.2                    | 172.4     | -.7      |
| Title insurance                           | 160.2                    | 167.1     | -4.1     |
| Corporate and other                       | 23.2                     | 29.6      |          |
| Total                                     | \$ 878.5                 | \$ 950.7  | -7.6 %   |
| Pretax operating income (loss):           |                          |           |          |
| General insurance                         | \$ 58.2                  | \$ 89.8   | -35.2 %  |
| Mortgage guaranty                         | (144.6)                  |           |          |
|                                           | )                        | (122.3)   | -18.2    |
| Title insurance                           | (9.0)                    | (12.6)    | 28.7     |
| Corporate and other                       | 2.6                      | 4.6       |          |
| Sub-total                                 | (92.8)                   | (40.5)    | -128.6   |
| Realized investment gains (losses):       |                          |           |          |
| From sales                                | -                        | 0.9       |          |
| From impairments                          | -                        | -         |          |
| Net realized investment gains (losses)    | -                        | 0.9       |          |
| Consolidated pretax income (loss)         | (92.7)                   | (39.6)    | -134.0   |
| Income taxes (credits)                    | (38.8)                   | (20.5)    | -88.7    |
| Net income (loss)                         | \$ (53.9)                | \$ (19.0) | -183.0 % |
| Consolidated underwriting ratio:          |                          |           |          |
| Benefits and claims ratio                 | 83.9 %                   | 76.6 %    |          |
| Expense ratio                             | 39.6                     | 39.1      |          |
| Composite ratio                           | 123.5 %                  | 115.7 %   |          |
| Components of diluted earnings per share: |                          |           |          |
| Net operating income (loss)               | \$ (0.23)                | \$ (0.08) | -187.5 % |
| Net realized investment gains (losses)    | -                        | -         |          |
| Net income (loss)                         | \$ (0.23)                | \$ (0.08) | -187.5 % |
| Cash dividends paid per share             | \$ 0.17                  | \$ 0.16   | 6.3 %    |

The above table shows both operating and net income to highlight the effects of realized investment gain or loss recognition and any non-recurring items on period-to-period comparisons. Operating income, however, does not replace net income computed in accordance with Generally Accepted Accounting Principles (“GAAP”) as a measure of total profitability.

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 for 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.

General Insurance Results – First quarter 2009 general insurance earnings were mainly affected by a lower earned premium base and the higher claim ratio shown in the following table:

|                                | General Insurance Group<br>Quarters Ended March 31, |          |        |
|--------------------------------|-----------------------------------------------------|----------|--------|
|                                | 2009                                                | 2008     | Change |
| Net premiums earned            | \$ 457.3                                            | \$ 512.7 | -10.8% |
| Net investment income          | 63.4                                                | 64.5     | -1.6   |
| Pretax operating income (loss) | \$ 58.2                                             | \$ 89.8  | -35.2% |
| Claims ratio                   | 74.8%                                               | 69.9%    |        |
| Expense ratio                  | 25.6                                                | 24.4     |        |
| Composite ratio                | 100.4%                                              | 94.3%    |        |

A moderately declining rate environment for most commercial insurance prices in the past three years or so and the current economic slowdown have precluded meaningful additions to Old Republic's premium base and made business retention more difficult. Most of the latest quarter's decline in earned premiums stemmed from lower volumes of commercial auto (trucking), workers' compensation, and consumer credit indemnity coverages. With respect to the latter, new premium production has been effectively curbed by much lower consumer credit extensions in the current recessionary environment.

The lower top line for this year's first quarter was accompanied by an increase in the claims ratio to 74.8% from 69.9% in the same period last year, and from an average of 67.9% for the five most recent calendar years. The higher claims ratio was driven mostly by greater loss costs among Old Republic's financial indemnity coverages, most prominently the consumer credit indemnity (CCI) and directors' and officers' (D&O) liability line. As noted in recent quarterly and annual financial reports, the CCI line continues to be impacted by higher loss costs emanating from the loan repayment difficulties encountered by increasingly large numbers of consumers. The rise in D&O claim costs was mainly caused by greater loss provisions on several older claims which the Company does not expect to re-occur in light of currently expected full year results.

The expense ratio of 25.6% in the first three months of 2009 increased slightly by comparison with that registered in last year's first quarter, and the average of 24.4% for the most recent five calendar years. General Insurance Group net investment income was basically flat in this year's first quarter and was influenced by a slightly lower invested asset base and lower yields on fixed maturity and equity holdings.

Mortgage Guaranty Results – The cyclical downturn in the economy and, in particular, in its housing and mortgage lending sectors continued to drive trends in mortgage guaranty earned premium and claim costs during this year's first three months. Key indicators of the Mortgage Guaranty Group's first quarter 2009 operating performance are shown in the following table:

|                                | Mortgage Guaranty Group<br>Quarters Ended March 31, |            |        |
|--------------------------------|-----------------------------------------------------|------------|--------|
|                                | 2009                                                | 2008       | Change |
| Net premiums earned            | \$ 145.3                                            | \$ 147.6   | -1.6%  |
| Net investment income          | 22.4                                                | 21.5       | 4.2    |
| Pretax operating income (loss) | \$ (144.6)                                          | \$ (122.3) | -18.2% |
| Claims ratio                   | 199.9%                                              | 181.1%     |        |
| Expense ratio                  | 13.7                                                | 16.4       |        |

|                 |        |        |
|-----------------|--------|--------|
| Composite ratio | 213.6% | 197.5% |
|-----------------|--------|--------|

The first quarter 2009 reduction in premium volume reflected the combination of more stringent underwriting guidelines we've imposed gradually since late 2007, a contracting mortgage lending market place, and broader acceptance of competing Federal Housing Administration (FHA) loan guaranty programs. These factors outweighed the favorable effect of higher business persistency, and led to a 3.4% decline of risk in force since year-end 2008.

Further declines in home values, diminished availability of mortgage financing, negative employment trends, and rising levels of reported loan defaults and paid claims, were most responsible for an 8.7% increase in incurred claim costs in this year's first quarter vis-à-vis the same period of 2008. As of March 31, 2009, net claim reserves of \$1.51 billion were 82.6% higher than they were twelve months earlier. The effect of varying amounts of periodic paid losses and reserve provisions on reported mortgage guaranty incurred loss ratios is shown in the following table:

|                           | Quarters Ended<br>March 31, |        |
|---------------------------|-----------------------------|--------|
|                           | 2009                        | 2008   |
| Incurred loss ratio from: |                             |        |
| Paid losses               | 107.1%                      | 55.0%  |
| Reserve provisions        | 92.8                        | 126.1  |
| Total                     | 199.9%                      | 181.1% |

The expense ratio benefited primarily from lower operating costs, particularly those which respond to changes in production volumes and operating results. Positive operating cash flow for the quarter, attributable almost exclusively to the recovery of prepaid federal income taxes, was additive to the high quality and liquid invested asset base which reached \$2.35 billion, up 22.8% from the level registered as of the end of March, 2008.

Title Insurance Results – Old Republic’s title insurance business registered an operating loss somewhat lower than we expected in this year’s first quarter. Key indicators of its results are shown in the following table:

|                                | Title Insurance Group<br>Quarters Ended March 31, |           |        |
|--------------------------------|---------------------------------------------------|-----------|--------|
|                                | 2009                                              | 2008      | Change |
| Net premiums and fees earned   | \$ 154.3                                          | \$ 160.7  | -4.0%  |
| Net investment income          | 5.8                                               | 6.4       | -9.0   |
| Pretax operating income (loss) | \$ (9.0)                                          | \$ (12.6) | 28.7%  |
| Claims ratio                   | 6.6%                                              | 7.0%      |        |
| Expense ratio                  | 102.9                                             | 104.5     |        |
| Composite ratio                | 109.5%                                            | 111.5%    |        |

The cyclical downturn in the housing and related mortgage lending sectors of the U.S. economy also had a dampening effect on the title segment’s premiums and fees revenue. However, recently higher levels of loan refinancing activity and some market share improvements provided a positive offset to top line weakness and operating expense coverage.

Corporate and Other Operations – The Company’s small life and health insurance business and the net costs associated with the parent holding company and internal services subsidiaries produced a much lower gain in this year’s first quarter. Period-to-period variations in the results of these relatively minor elements of Old Republic’s operations usually stem from the volatility inherent to the small scale of its life and health business, fluctuations in the costs of external debt, and net interest on intra-system financing arrangements. Substantially all of the year-over-year decline in earnings was due to foreign exchange adjustments for U.S. dollar conversions from the currency of Old Republic’s Canadian life and health insurance subsidiary.

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

|                                               | March<br>2009 | December<br>2008 | March<br>2008 | % Change              |                         |
|-----------------------------------------------|---------------|------------------|---------------|-----------------------|-------------------------|
|                                               |               |                  |               | March '09/<br>Dec '08 | March '09/<br>March '08 |
| Cash and invested: fair value basis<br>assets | \$ 9,052.4    | \$ 8,855.1       | \$ 8,895.1    | 2.2 %                 | 1.8 %                   |
| : original cost basis                         | \$ 9,407.1    | \$ 9,210.0       | \$ 8,942.1    | 2.1 %                 | 5.2 %                   |

Shareholders' equity:

|                  |    |         |    |         |    |         |      |   |       |   |
|------------------|----|---------|----|---------|----|---------|------|---|-------|---|
| Total            | \$ | 3,643.2 | \$ | 3,740.3 | \$ | 4,376.7 | -2.6 | % | -16.8 | % |
| Per common share | \$ | 15.47   | \$ | 15.91   | \$ | 18.99   | -2.8 | % | -18.5 | % |

Composition of shareholders' equity per share:

|                                                                                        |    |        |    |        |    |        |      |   |       |   |
|----------------------------------------------------------------------------------------|----|--------|----|--------|----|--------|------|---|-------|---|
| Equity before items below                                                              | \$ | 15.69  | \$ | 16.10  | \$ | 19.08  | -2.5 | % | -17.8 | % |
| Unrealized investment gains (losses) and other accumulated comprehensive income (loss) |    | (0.22) |    | (0.19) |    | (0.09) |      |   |       |   |
| Total                                                                                  | \$ | 15.47  | \$ | 15.91  | \$ | 18.99  | -2.8 | % | -18.5 | % |

Consolidated cash flow from operating activities amounted to \$263.3 for the first three months of 2009 versus \$199.3 for the same period in 2008. Other than title insurance, each insurance segment remained cash flow-positive in this year's first quarter, with General Insurance and Mortgage Guaranty contributing \$39.4 and \$233.5, respectively.

The investment portfolio reflects a current allocation of approximately 84% to fixed-maturity securities and 3% 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 intended to assure solid funding of its subsidiaries' long-term obligations to insurance policyholders and other beneficiaries, as well as evaluations of their long-term effect on stability of capital accounts. The portfolio contains little or no 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 counter-party risk attributes.

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

|                                                          |    | Shareholders' Equity<br>Per Share<br>Three Months Ended<br>March 31, |          |
|----------------------------------------------------------|----|----------------------------------------------------------------------|----------|
|                                                          |    | 2009                                                                 | 2008     |
| Beginning balance                                        | \$ | 15.91                                                                | \$ 19.71 |
| Changes in shareholders' equity for the periods:         |    |                                                                      |          |
| Net operating income (loss)                              |    | (0.23)                                                               | (0.08)   |
| Net realized investment gains (losses)                   |    | -                                                                    | -        |
| Net unrealized investment gains (losses)                 |    | (0.04)                                                               | (0.48)   |
| Total realized and unrealized investment gains (losses)  |    | (0.04)                                                               | (0.48)   |
| Cash dividends                                           |    | (0.17)                                                               | (0.16)   |
| Stock issuance, foreign exchange, and other transactions |    | -                                                                    | -        |
| Net change                                               |    | (0.44)                                                               | (0.72)   |
| Ending balance                                           | \$ | 15.47                                                                | \$ 18.99 |

Old Republic's significant investments in the stocks of two leading publicly held mortgage guaranty ("MI") businesses (MGIC Investment Corp. and The PMI Group) account for a substantial portion of the realized and unrealized investment losses incurred in 2008, and reflected in the above and following tables. Unrealized losses, including losses on securities categorized as other-than-temporarily impaired ("OTTI"), represent the net difference between the most recently established cost and the fair values of the investments at a point in time. The aggregate costs, original and impaired, fair value, and latest reported underlying equity values of the aforementioned two mortgage guaranty investments are shown below.

|                                     |                      | March 31,<br>2009 | 2008     | December 31,<br>2007 |
|-------------------------------------|----------------------|-------------------|----------|----------------------|
| Total value of the two investments: | Original cost        | \$ 416.4          | \$ 416.4 | \$ 429.7             |
|                                     | Impaired cost        | 106.8             | 106.8    | N/A                  |
|                                     | Fair value           | 32.1              | 82.7     | 375.1                |
|                                     | Underlying equity(*) | \$ 496.2          | \$ 515.9 | \$ 679.7             |

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

When making investment decisions, management considers the Company's ability to retain its holdings for a period sufficient to recover their cost and to obtain a competitive long-term total return. It also considers such factors as

balance sheet effects of potential changes in market valuations, asset-liability matching objectives, long term ability to hold securities, tax planning considerations, and the investees' reported book values and ability to continue as going concerns. The above-noted mortgage guaranty holdings were acquired as passive long-term investment additions to core segments of Old Republic's business in anticipation of a turn-around for the MI industry in 2010. In management's judgment, the currently depressed market valuations of companies operating in the housing and mortgage-lending sectors of the American economy have been impacted significantly by the cyclical and macroeconomic conditions affecting these sectors, and by the recent dysfunctionality of the banking and mortgage lending industries.

For external GAAP reporting purposes, however, Old Republic uses relatively short time frames in recognizing OTTI adjustments in its income statement. In this context, absent issuer-specific circumstances that would result in a contrary conclusion, all unrealized investment losses pertaining to any equity security reflecting a 20% or greater decline for a six month period is considered OTTI. Unrealized losses that are deemed temporary and all unrealized gains are recorded directly as a separate component of the shareholders' equity account and in the consolidated statement of comprehensive income. As a result of accounting idiosyncrasies, however, OTTI losses recorded in the income statement of one period can not be offset in the income statement of a subsequent period by fair value gains on the previously impaired securities unless the gains are realized through actual sales. Such unrealized fair value gains can only be recognized through direct credits in the shareholders' equity account and in the consolidated statement of comprehensive income.

## DETAILED MANAGEMENT ANALYSIS

### 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, and financial condition.

Old Republic believes that its most critical accounting estimates relate to: a) the determination of other-than-temporary impairments 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 2008 Annual Report on Form 10K.

In July 2006, the Financial Accounting Standards Board ("FASB") issued its Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which became effective for the Company in the first quarter of 2007. FIN 48 provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. FIN 48 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. The Company's unrecognized tax benefits, including interest and penalty accruals, are not considered material to the consolidated financial statements and did not change significantly upon the adoption of FIN 48. 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. As indicated in Note 1 of the Notes to Consolidated Financial Statements, the Company believes that the major uncertainties relating to its tax position pertain to timing differences in the recognition of taxable income. Accordingly, the annual effective tax rate, other than possible interest and penalties, would be largely unaffected as an increase in currently due income taxes would likely be offset by a corresponding deferred income tax adjustment.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" ("FAS 157"), which establishes a framework for measuring fair value. FAS 157 applies to existing accounting pronouncements that require or permit fair value measurements, and became effective for the Company in the first quarter of 2008. FAS 157 was amended by FASB Staff Position No. 157-2 "Effective Date of FASB Statement No. 157" ("FSP 157-2"), which delayed the effective date of FAS 157 for nonfinancial assets and nonfinancial liabilities that are not remeasured at fair value on at least an annual basis until fiscal years beginning after November 15, 2008. The adoption of FSP 157-2 by the Company on January 1, 2009 did not have an impact on the consolidated financial statements. Additionally, in October 2008, the FASB issued Staff Position No. 157-3 "Determining the Fair Value of a Financial Asset When the Markets for That Asset is Not Active" ("FSP 157-3"). This Staff Position, which will be superseded upon the Company's adoption of FSP 157-4 as discussed in Note 1 of the Notes to Consolidated Financial Statements, provides additional technical guidance regarding the application of FAS 157 in a market that is not active. The impact of the adoption of FAS 157 and FSP 157-3 is discussed in Note 3 of the Notes to Consolidated Financial Statements.

In April 2009, the FASB issued three related Staff Positions to provide additional technical guidance regarding the application of FAS 157 to fair value measurements in the current economic environment, modify the recognition of

other-than-temporary impairments of debt securities, and require companies to disclose the fair values of financial instruments in interim periods. These Staff Positions are effective for interim and annual periods ending after June 15, 2009 and are discussed further in Note 1 of the Notes to Consolidated Financial Statements.

The above accounting policy changes result primarily in additional financial statement disclosures and do not have any effect on management's conduct of the business, its financial condition or reported results.

## FINANCIAL POSITION

The Company's financial position at March 31, 2009 reflected increases in assets and liabilities of .2% and 1.3%, respectively, and a decrease in common shareholders' equity of 2.6% when compared to the immediately preceding year-end. Cash and invested assets represented 68.1% and 66.8% of consolidated assets as of March 31, 2009 and December 31, 2008, respectively. Consolidated operating cash flow was positive at \$263.3 in the first quarter of 2009 compared to \$199.3 in the same period of 2008. As of March 31, 2009, the invested asset base increased 2.3% to \$8,885.2 principally as a result of positive operating cash flows.

Investments - During the first quarter of 2009 and 2008, the Company committed substantially all investable funds to short to intermediate-term fixed maturity securities. At both March 31, 2009 and 2008, 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 little or no 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 counter-party risk attributes. At March 31, 2009, 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, 2009. 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 market 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 market 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 market 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 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,<br>2009 | December 31,<br>2008 |
|------------------------|-------------------|----------------------|
| Aaa                    | 13.6%             | 14.2%                |
| Aa                     | 27.9              | 28.7                 |
| A                      | 33.6              | 33.4                 |
| Baa                    | 23.0              | 22.1                 |
| Total investment grade | 98.1              | 98.4                 |
| All other (b)          | 1.9               | 1.6                  |
| Total                  | 100.0%            | 100.0%               |

(a) Credit quality ratings used are those assigned primarily by Moody's; other ratings are assigned by Standard & Poor's and converted to equivalent Moody's ratings classifications.

(b) "All other" includes non-investment grade or non-rated small issues of tax-exempt bonds.

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

|                                                      | March 31, 2009    |                               |
|------------------------------------------------------|-------------------|-------------------------------|
|                                                      | Amortized<br>Cost | Gross<br>Unrealized<br>Losses |
| Fixed Maturity Securities by Industry Concentration: |                   |                               |
| Industrial                                           | \$ 19.4           | \$ 4.7                        |
| Consumer Durables                                    | 33.3              | 4.3                           |
| Service                                              | 22.4              | 3.9                           |
| Retail                                               | 17.0              | 2.9                           |
| Other (includes 4 industry groups)                   | 30.4              | 2.4                           |
| Total                                                | \$ 122.7(c)       | \$ 18.4                       |

(c) Represents 1.7% of the total fixed maturity securities portfolio.

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

|                                                      | March 31, 2009    |                               |
|------------------------------------------------------|-------------------|-------------------------------|
|                                                      | Amortized<br>Cost | Gross<br>Unrealized<br>Losses |
| Fixed Maturity Securities by Industry Concentration: |                   |                               |
| Banking                                              | \$ 261.2          | \$ 17.7                       |
| Finance                                              | 170.7             | 16.1                          |
| Basic Industry                                       | 112.2             | 13.7                          |

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|                                     |    |            |    |       |
|-------------------------------------|----|------------|----|-------|
| REIT                                |    | 78.9       |    | 12.9  |
| Other (includes 14 industry groups) |    | 1,286.6    |    | 65.6  |
| Total                               | \$ | 1,909.8(d) | \$ | 126.2 |

(d) Represents 25.8% of the total fixed maturity securities portfolio.

## Gross Unrealized Losses Stratified by Industry Concentration for Equity Securities

|                                              | March 31, 2009       |                               |
|----------------------------------------------|----------------------|-------------------------------|
|                                              | Adjusted<br>Cost (g) | Gross<br>Unrealized<br>Losses |
| Equity Securities by Industry Concentration: |                      |                               |
| Insurance                                    | \$ 107.1             | \$ 74.8                       |
| Index Funds                                  | 217.6                | 68.3                          |
| Health Care                                  | 25.3                 | 4.2                           |
| Utilities                                    | 13.9                 | 1.5                           |
| Total                                        | \$ 364.0(e)          | \$ 148.9(f)                   |

(e) Represents 97.5% of the total equity securities portfolio.

(f) Represents 39.9% of the adjusted cost of the total equity securities portfolio, while gross unrealized gains represent 12.7% of the portfolio.

(g) Reported net of other-than-temporary impairment adjustments.

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

|                                        | March 31, 2009                                 |                                  |                         |                                  |
|----------------------------------------|------------------------------------------------|----------------------------------|-------------------------|----------------------------------|
|                                        | Amortized Cost<br>of Fixed Maturity Securities |                                  | Gross Unrealized Losses |                                  |
|                                        |                                                | Non-<br>Investment<br>Grade Only |                         | Non-<br>Investment<br>Grade Only |
| Maturity Ranges:                       | All                                            |                                  | All                     |                                  |
| Due in one year or less                | \$ 281.7                                       | \$ 30.7                          | \$ 4.3                  | \$ .3                            |
| Due after one year through five years  | 1,007.6                                        | 66.2                             | 71.6                    | 12.8                             |
| Due after five years through ten years | 742.3                                          | 25.8                             | 68.6                    | 5.2                              |
| Due after ten years                    | .8                                             | -                                | -                       | -                                |
| Total                                  | \$ 2,032.6                                     | \$ 122.7                         | \$ 144.7                | \$ 18.4                          |

# Gross Unrealized Losses Stratified by Duration and Amount of Unrealized Losses

|                                    | March 31, 2009                    |                    |                       |                             |
|------------------------------------|-----------------------------------|--------------------|-----------------------|-----------------------------|
|                                    | Amount of Gross Unrealized Losses |                    |                       | Total Gross Unrealized Loss |
|                                    | Less than 20% of Cost             | 20% to 50% of Cost | More than 50% of Cost |                             |
| Number of Months in Loss Position: |                                   |                    |                       |                             |
| Fixed Maturity Securities:         |                                   |                    |                       |                             |
| One to six months                  | \$ 18.9                           | \$ 3.2             | \$ 3.3                | \$ 25.6                     |
| Seven to twelve months             | 44.3                              | 12.8               | 3.1                   | 60.3                        |
| More than twelve months            | 28.4                              | 30.2               | -                     | 58.7                        |
| Total                              | \$ 91.8                           | \$ 46.3            | \$ 6.5                | \$ 144.7                    |
| Equity Securities:                 |                                   |                    |                       |                             |
| One to six months                  | \$ 9.4                            | \$ 23.1            | \$ 74.7               | \$ 107.2                    |
| Seven to twelve months             | -                                 | 41.4               | -                     | 41.4                        |
| More than twelve months            | -                                 | .1                 | -                     | .1                          |
| Total                              | \$ 9.4                            | \$ 64.7            | \$ 74.7               | \$ 148.9                    |
| Number of Issues in Loss Position: |                                   |                    |                       |                             |
| Fixed Maturity Securities:         |                                   |                    |                       |                             |
| One to six months                  | 116                               | 4                  | 1                     | 121                         |
| Seven to twelve months             | 183                               | 8                  | 2                     | 193                         |
| More than twelve months            | 93                                | 19                 | -                     | 112                         |
| Total                              | 392                               | 31                 | 3                     | 426(h)                      |
| Equity Securities:                 |                                   |                    |                       |                             |
| One to six months                  | 4                                 | 2                  | 2                     | 8                           |
| Seven to twelve months             | -                                 | 2                  | -                     | 2                           |
| More than twelve months            | -                                 | 1                  | -                     | 1                           |
| Total                              | 4                                 | 5                  | 2                     | 11(h)                       |

(h) At March 31, 2009 the number of issues in an unrealized loss position represent 21.5% as to fixed maturities, and 68.8% as to equity securities of the total number of such issues held by the Company.

The aging of issues with unrealized losses employs closing market price 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, 2009 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, 2009 | December 31, 2008 |
|----------------------------------------|----------------|-------------------|
| Maturity Ranges:                       |                |                   |
| Due in one year or less                | 13.5%          | 14.0%             |
| Due after one year through five years  | 52.3           | 51.0              |
| Due after five years through ten years | 33.8           | 34.7              |

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|                                           |        |        |
|-------------------------------------------|--------|--------|
| Due after ten years through fifteen years | .4     | .3     |
| Due after fifteen years                   | -      | -      |
| Total                                     | 100.0% | 100.0% |
| Average Maturity in Years                 | 4.4    | 4.4    |
| Duration (i)                              | 3.7    | 3.7    |

(i) Duration is used as a measure of bond price sensitivity to interest rate changes. A duration of 3.7 as of March 31, 2009 implies that a 100 basis point parallel increase in interest rates from current levels would result in a possible decline in the market value of the long-term fixed maturity investment portfolio of approximately 3.7%.

## Composition of Unrealized Gains (Losses)

|                               | March 31,<br>2009 | December 31,<br>2008 |
|-------------------------------|-------------------|----------------------|
| Fixed Maturity Securities:    |                   |                      |
| Amortized cost                | \$ 7,391.3        | \$ 7,385.2           |
| Estimated fair value          | 7,496.4           | 7,406.9              |
| Gross unrealized gains        | 249.8             | 196.8                |
| Gross unrealized losses       | (144.7)           | (175.0)              |
| Net unrealized gains (losses) | \$ 105.0          | \$ 21.7              |
| Equity Securities:            |                   |                      |
| Original cost                 | \$ 729.2          | \$ 729.2             |
| Impaired cost                 | 373.3             | 373.3                |
| Estimated fair value          | 271.9             | 350.3                |
| Gross unrealized gains        | 47.4              | 49.6                 |
| Gross unrealized losses       | (148.9)           | (72.7)               |
| Net unrealized gains (losses) | \$ (101.4)        | \$ (23.0)            |

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. From time to time additional cash needs are also met by accessing Old Republic's commercial paper program and/or debt and equity capital markets. 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 \$245.7 in dividends from its subsidiaries in 2009 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 at the holding company, and the near-term capital needs of its operating company subsidiaries. Old Republic can currently access the commercial paper market for up to \$215.0, of which \$190.0 was outstanding at March 31, 2009, to meet unanticipated liquidity needs.

Capitalization - Old Republic's total capitalization of \$3,864.4 at March 31, 2009 consisted of debt of \$221.1 and common shareholders' equity of \$3,643.2. 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 27 calendar years. The dividend rate is reviewed and approved by the Board of Directors on a quarterly basis throughout 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 mortgage guaranty insurance subsidiaries are required to operate at a maximum risk to capital ratio of 25:1. If a company's risk to capital ratio exceeds the limit, it may be prohibited from writing new business until its risk to capital ratio falls below the limit. At March 31, 2009, the statutory risk to capital ratio was 18.6:1 on a combined basis. All of the segment's mortgage guaranty insurance companies were within the 25:1 requirement. A continuation of operating losses could further reduce statutory surplus thus increasing the risk to capital ratio. Old Republic invested \$150.0 of capital in its mortgage guaranty segment during the fourth quarter of 2008. The Company evaluates the trends in this ratio on a quarterly basis to determine the necessity of possible capital additions.

As of year-end 2008, additional capital funds of \$35.0 were directed to the title insurance segment to support the expected growth of its business as part of the Old Republic's capital management program.

The Company has access to various capital resources including dividends from its subsidiaries, holding company investments, undrawn capacity under its commercial paper program, and access to debt and equity capital markets. At March 31, 2009, the Company's consolidated debt to equity ratio was 6.1%. This relatively low level of financial leverage

provides the Company with additional borrowing capacity to meet its capital commitments.

## RESULTS OF OPERATIONS

### Revenues: Premiums & Fees

Pursuant to GAAP applicable to the insurance industry, revenues are associated with the related benefits, claims, and expenses.

Substantially all general insurance premiums are reflected in income on a pro-rata basis. 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 installment policies. Accordingly, substantially all such premiums are generally written and earned in the month coverage is effective. With respect to annual or single premium policies, earned premiums are largely recognized on a pro-rata basis over the terms of the policies.

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 43.5% of 2009 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 56.5% 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 earned premiums and fees for the periods shown were as follows:

| Earned Premiums and Fees |            |          |          |         |            | % Change<br>from prior<br>period |
|--------------------------|------------|----------|----------|---------|------------|----------------------------------|
|                          | General    | Mortgage | Title    | Other   | Total      |                                  |
| Years Ended December 31: |            |          |          |         |            |                                  |
| 2006                     | \$ 1,902.1 | \$ 444.3 | \$ 980.0 | \$ 74.1 | \$ 3,400.5 | .4%                              |
| 2007                     | 2,155.1    | 518.2    | 850.7    | 77.0    | 3,601.2    | 5.9                              |
| 2008                     | 1,989.3    | 592.5    | 656.1    | 80.1    | 3,318.1    | -7.9                             |
| Quarters Ended March 31: |            |          |          |         |            |                                  |
| 2008                     | 512.7      | 147.6    | 160.7    | 25.5    | 846.6      | -2.7                             |
| 2009                     | \$ 457.3   | \$ 145.3 | \$ 154.3 | \$ 20.4 | \$ 777.4   | -8.2%                            |

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

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|                             | Commercial<br>Automobile<br>(mostly<br>trucking) | Workers'<br>Compensation | Financial<br>Indemnity | Inland<br>Marine<br>and<br>Property | General<br>Liability | Other |
|-----------------------------|--------------------------------------------------|--------------------------|------------------------|-------------------------------------|----------------------|-------|
| Years Ended December<br>31: |                                                  |                          |                        |                                     |                      |       |
| 2006                        | 39.6%                                            | 21.7%                    | 11.0%                  | 10.7%                               | 5.1%                 | 11.9% |
| 2007                        | 35.0                                             | 23.5                     | 13.8                   | 9.3                                 | 7.8                  | 10.6  |
| 2008                        | 34.9                                             | 21.0                     | 16.1                   | 9.7                                 | 7.5                  | 10.8  |
| Quarters Ended March<br>31: |                                                  |                          |                        |                                     |                      |       |
| 2008                        | 34.0                                             | 22.1                     | 16.9                   | 9.5                                 | 7.8                  | 9.7   |
| 2009                        | 35.2%                                            | 22.5%                    | 14.5%                  | 9.7%                                | 8.5%                 | 9.6%  |

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

|                          | Mortgage Guaranty Production by Type |             |          |             |
|--------------------------|--------------------------------------|-------------|----------|-------------|
|                          | Traditional<br>Primary               | Bulk        | Other    | Total       |
| New Insurance Written:   |                                      |             |          |             |
| Years Ended December 31: |                                      |             |          |             |
| 2006                     | \$ 17,187.0                          | \$ 13,716.7 | \$ 583.7 | \$ 31,487.5 |
| 2007                     | 31,841.7                             | 10,800.3    | 901.6    | 43,543.7    |
| 2008                     | 20,861.9                             | 3.5         | 1,123.5  | 21,989.0    |
| Quarters Ended March 31: |                                      |             |          |             |
| 2008                     | 7,866.9                              | 3.5         | 481.0    | 8,351.6     |
| 2009                     | \$ 2,212.0                           | \$ -        | \$ .5    | \$ 2,212.6  |

|                           | Mortgage Guaranty Production by Type |            |         |            |
|---------------------------|--------------------------------------|------------|---------|------------|
|                           | Traditional<br>Primary               | Bulk       | Other   | Total      |
| New Risk Written by Type: |                                      |            |         |            |
| Years Ended December 31:  |                                      |            |         |            |
| 2006                      | \$ 4,246.8                           | \$ 1,146.6 | \$ 12.2 | \$ 5,405.7 |
| 2007                      | 7,844.5                              | 724.5      | 15.2    | 8,584.4    |
| 2008                      | 4,815.0                              | .6         | 11.8    | 4,827.5    |
| Quarters Ended March 31:  |                                      |            |         |            |
| 2008                      | 1,837.9                              | .6         | 4.8     | 1,843.4    |
| 2009                      | \$ 468.4                             | \$ -       | \$ -    | \$ 468.4   |

|                                         | Earned Premiums |          | Persistency            |       |
|-----------------------------------------|-----------------|----------|------------------------|-------|
|                                         | Direct          | Net      | Traditional<br>Primary | Bulk  |
| Premium and Persistency Trends by Type: |                 |          |                        |       |
| Years Ended December 31:                |                 |          |                        |       |
| 2006                                    | \$ 524.7        | \$ 444.3 | 73.1%                  | 70.5% |
| 2007                                    | 612.7           | 518.2    | 77.6                   | 73.7  |
| 2008                                    | 698.4           | 592.5    | 83.9                   | 88.4  |
| Quarters Ended March 31:                |                 |          |                        |       |
| 2008                                    | 174.2           | 147.6    | 78.3                   | 77.5  |
| 2009                                    | \$ 170.3        | \$ 145.3 | 83.3%                  | 89.7% |

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 9.0% of total net risk in force, 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      |      |       |       |
|----------------------------|------------------------|------|-------|-------|
|                            | Traditional<br>Primary | Bulk | Other | Total |
| Net Risk in Force By Type: |                        |      |       |       |

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Years Ended December 31:

|      |    |          |    |         |    |       |    |          |
|------|----|----------|----|---------|----|-------|----|----------|
| 2006 | \$ | 14,582.1 | \$ | 2,471.1 | \$ | 578.9 | \$ | 17,632.2 |
| 2007 |    | 18,808.5 |    | 2,539.9 |    | 511.1 |    | 21,859.5 |
| 2008 |    | 20,463.0 |    | 2,055.0 |    | 457.0 |    | 22,975.1 |

Quarters Ended March 31:

|      |    |          |    |         |    |       |    |          |
|------|----|----------|----|---------|----|-------|----|----------|
| 2008 |    | 19,747.0 |    | 2,299.4 |    | 500.4 |    | 22,547.0 |
| 2009 | \$ | 19,809.1 | \$ | 2,006.8 | \$ | 386.7 | \$ | 22,202.7 |

| Risk in Force Distribution By FICO Scores:                 | Analysis of Risk in Force |                 |                       |                      |   |
|------------------------------------------------------------|---------------------------|-----------------|-----------------------|----------------------|---|
|                                                            | FICO less than 620        | FICO 620 to 680 | FICO Greater than 680 | Unscored/Unavailable |   |
| Traditional Primary:                                       |                           |                 |                       |                      |   |
| As of December 31:                                         |                           |                 |                       |                      |   |
| 2006                                                       | 8.5%                      | 32.6%           | 54.6%                 | 4.3                  | % |
| 2007                                                       | 8.5                       | 33.6            | 55.1                  | 2.8                  |   |
| 2008                                                       | 7.0                       | 30.5            | 60.5                  | 2.0                  |   |
| As of March 31:                                            |                           |                 |                       |                      |   |
| 2008                                                       | 8.0                       | 32.9            | 56.5                  | 2.6                  |   |
| 2009                                                       | 6.8%                      | 30.2%           | 61.2%                 | 1.8                  | % |
| Bulk(a):                                                   |                           |                 |                       |                      |   |
| As of December 31:                                         |                           |                 |                       |                      |   |
| 2006                                                       | 24.1%                     | 35.7%           | 39.8%                 | .4                   | % |
| 2007                                                       | 19.4                      | 34.9            | 45.4                  | .3                   |   |
| 2008                                                       | 18.2                      | 33.7            | 47.9                  | .2                   |   |
| As of March 31:                                            |                           |                 |                       |                      |   |
| 2008                                                       | 19.5                      | 34.1            | 46.2                  | .2                   |   |
| 2009                                                       | 18.0%                     | 33.7%           | 48.1%                 | .2                   | % |
| Risk in Force Distribution By Loan to Value ("LTV") Ratio: |                           |                 |                       | LTV                  |   |
|                                                            | LTV less than 85          | LTV 85 to 90    | LTV 90 to 95          | Greater than 95      |   |
| Traditional Primary:                                       |                           |                 |                       |                      |   |
| As of December 31:                                         |                           |                 |                       |                      |   |
| 2006                                                       | 5.0%                      | 37.4%           | 36.0%                 | 21.6%                |   |
| 2007                                                       | 4.7                       | 34.4            | 32.0                  | 28.9                 |   |
| 2008                                                       | 5.1                       | 35.5            | 31.6                  | 27.8                 |   |
| As of March 31:                                            |                           |                 |                       |                      |   |
| 2008                                                       | 5.0                       | 34.3            | 31.5                  | 29.2                 |   |
| 2009                                                       | 5.2%                      | 35.8%           | 31.4%                 | 27.6%                |   |
| Bulk(a):                                                   |                           |                 |                       |                      |   |
| As of December 31:                                         |                           |                 |                       |                      |   |
| 2006                                                       | 63.4%                     | 23.1%           | 9.0%                  | 4.5%                 |   |
| 2007                                                       | 62.0                      | 20.9            | 9.3                   | 7.8                  |   |
| 2008                                                       | 63.5                      | 20.1            | 8.6                   | 7.8                  |   |
| As of March 31:                                            |                           |                 |                       |                      |   |
| 2008                                                       | 62.2                      | 20.9            | 9.0                   | 7.9                  |   |
| 2009                                                       | 64.0%                     | 19.8%           | 8.4%                  | 7.8%                 |   |

Risk in Force Distribution By Top Ten States:

|                    | FL   | TX   | GA   | IL   | OH   | CA   | NJ   | VA   | NC   | PA   |
|--------------------|------|------|------|------|------|------|------|------|------|------|
| As of December 31: |      |      |      |      |      |      |      |      |      |      |
| 2006               | 9.0% | 7.5% | 5.8% | 5.4% | 3.7% | 3.1% | 3.1% | 2.8% | 4.8% | 4.0% |
| 2007               | 8.9  | 7.7  | 5.3  | 5.2  | 3.4  | 4.5  | 3.1  | 2.8  | 4.5  | 3.8  |
| 2008               | 8.3  | 8.1  | 5.2  | 5.2  | 3.2  | 5.5  | 3.1  | 2.9  | 4.4  | 3.8  |
| As of March 31:    |      |      |      |      |      |      |      |      |      |      |
| 2008               | 8.8  | 7.8  | 5.2  | 5.1  | 3.3  | 5.1  | 3.1  | 2.9  | 4.4  | 3.7  |
| 2009               | 8.3% | 8.1% | 5.2% | 5.1% | 3.1% | 5.7% | 3.1% | 2.9% | 4.3% | 3.9% |

(a) Bulk pool risk in-force, which represented 45.7% of total bulk risk in-force at March 31, 2009, has been allocated pro-rata based on insurance in-force.

|                    | FL    | TX   | GA   | IL   | Bulk (a) |       | NJ   | AZ   | CO   | NY   |
|--------------------|-------|------|------|------|----------|-------|------|------|------|------|
| As of December 31: |       |      |      |      | OH       | CA    |      |      |      |      |
| 2006               | 9.4%  | 4.8% | 3.6% | 4.5% | 3.4%     | 17.7% | 3.2% | 4.4% | 2.8% | 4.6% |
| 2007               | 9.3   | 4.8  | 4.2  | 4.1  | 3.1      | 17.5  | 3.4  | 4.2  | 3.0  | 5.5  |
| 2008               | 10.0  | 4.6  | 4.0  | 3.9  | 3.1      | 18.2  | 3.4  | 4.3  | 2.9  | 5.4  |
| As of March 31:    |       |      |      |      |          |       |      |      |      |      |
| 2008               | 9.5   | 4.6  | 4.1  | 4.0  | 3.1      | 18.0  | 3.4  | 4.3  | 3.0  | 5.3  |
| 2009               | 10.1% | 4.6% | 4.0% | 3.9% | 3.1%     | 18.2% | 3.5% | 4.3% | 3.0% | 5.4% |

| Risk in Force Distribution By Level of Documentation: |  | Full<br>Docu--<br>mentation | Reduced<br>Docu--<br>mentation |
|-------------------------------------------------------|--|-----------------------------|--------------------------------|
| Traditional Primary:                                  |  |                             |                                |
| As of December 31:                                    |  |                             |                                |
| 2006                                                  |  | 89.4%                       | 10.6%                          |
| 2007                                                  |  | 88.0                        | 12.0                           |
| 2008                                                  |  | 90.0                        | 10.0                           |
| As of March 31:                                       |  |                             |                                |
| 2008                                                  |  | 88.2                        | 11.8                           |
| 2009                                                  |  | 90.1%                       | 9.9%                           |

|                    |  |       |       |
|--------------------|--|-------|-------|
| Bulk (a):          |  |       |       |
| As of December 31: |  |       |       |
| 2006               |  | 51.9% | 48.1% |
| 2007               |  | 49.6  | 50.4  |
| 2008               |  | 49.1  | 50.9  |
| As of March 31:    |  |       |       |
| 2008               |  | 49.9  | 50.1  |
| 2009               |  | 49.0% | 51.0% |

| Risk in Force Distribution By Loan Type: |  | Fixed<br>Rate | Adjustable<br>Rate |
|------------------------------------------|--|---------------|--------------------|
| Traditional Primary:                     |  |               |                    |
| As of December 31:                       |  |               |                    |
| 2006                                     |  | 92.3%         | 7.7%               |
| 2007                                     |  | 94.4          | 5.6                |
| 2008                                     |  | 95.8          | 4.2                |
| As of March 31:                          |  |               |                    |
| 2008                                     |  | 94.9          | 5.1                |
| 2009                                     |  | 95.8%         | 4.2%               |

|                    |  |       |       |
|--------------------|--|-------|-------|
| Bulk (a):          |  |       |       |
| As of December 31: |  |       |       |
| 2006               |  | 65.7% | 34.3% |
| 2007               |  | 70.9  | 29.1  |
| 2008               |  | 74.4  | 25.6  |

As of March 31:

|      |       |       |
|------|-------|-------|
| 2008 | 71.7  | 28.3  |
| 2009 | 74.8% | 25.2% |

(a) Bulk pool risk in-force, which represented 45.7% of total bulk risk in-force at March 31, 2009, 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<br>Operations | Independent<br>Title<br>Agents &<br>Other |
|--------------------------|----------------------|-------------------------------------------|
| Years Ended December 31: |                      |                                           |
| 2006                     | 32.3%                | 67.7%                                     |
| 2007                     | 32.1                 | 67.9                                      |
| 2008                     | 36.8                 | 63.2                                      |
| Quarters Ended March 31: |                      |                                           |
| 2008                     | 34.2                 | 65.8                                      |
| 2009                     | 43.5%                | 56.5%                                     |

## 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<br>Value<br>Adjust-<br>ment | Invested<br>Assets at<br>Fair<br>Value |
|--------------------|----------------------------------|------------|----------|------------------------|------------|----------------------------------|----------------------------------------|
|                    | General                          | Mortgage   | Title    | Corporate<br>and Other | Total      |                                  |                                        |
| As of December 31: |                                  |            |          |                        |            |                                  |                                        |
| 2007               | \$ 5,984.9                       | \$ 1,795.8 | \$ 606.0 | \$ 252.9               | \$ 8,639.7 | \$ 121.4                         | \$ 8,761.2                             |
| 2008               | 5,618.7                          | 2,099.7    | 545.8    | 417.5                  | 8,681.8    | 1.0                              | 8,682.9                                |
| As of March 31:    |                                  |            |          |                        |            |                                  |                                        |
| 2008               | 6,018.1                          | 1,885.5    | 599.4    | 256.3                  | 8,759.5    | (46.6)                           | 8,712.8                                |
| 2009               | \$ 5,625.9                       | \$ 2,354.9 | \$ 564.0 | \$ 338.9               | \$ 8,883.9 | \$ 1.2                           | \$ 8,885.2                             |

|                          | Net Investment Income |          |         |                        |          | Yield at         |               |
|--------------------------|-----------------------|----------|---------|------------------------|----------|------------------|---------------|
|                          | General               | Mortgage | Title   | Corporate<br>and Other | Total    | Original<br>Cost | Fair<br>Value |
| Years Ended December 31: |                       |          |         |                        |          |                  |               |
| 2006                     | \$ 221.5              | \$ 74.3  | \$ 26.9 | \$ 18.7                | \$ 341.6 | 4.52%            | 4.47%         |
| 2007                     | 260.8                 | 79.0     | 27.3    | 12.7                   | 379.9    | 4.58             | 4.52          |
| 2008                     | 253.6                 | 86.8     | 25.1    | 11.6                   | 377.3    | 4.27             | 4.33          |
| Quarters Ended March 31: |                       |          |         |                        |          |                  |               |
| 2008                     | 64.5                  | 21.5     | 6.4     | 2.7                    | 95.2     | 4.38             | 4.36          |
| 2009                     | \$ 63.4               | \$ 22.4  | \$ 5.8  | \$ 1.6                 | \$ 93.4  | 4.09%            | 4.25%         |

Revenues: Net Realized Gains (Losses)

The Company's investment policies have not been 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 arise mostly from scheduled maturities and early calls; for the first quarters of 2009 and 2008, 96.8% and 92.1%, respectively, of all such dispositions resulted from these occurrences. Dispositions of securities at a realized gain or loss reflect such factors as ongoing assessments of issuers' business prospects, rotation among industry sectors, changes in credit quality, and tax planning considerations. Additionally, the amount of net realized gains and losses registered in any one accounting period are affected by the aforementioned assessments of securities' values for other-than-temporary impairment. As a result of the interaction of all these factors and considerations, net realized investment gains or losses can vary significantly from period-to-period, and in the Company's view are not indicative of any particular trend or result in the basics of its insurance business.

The following table reflects the composition of net realized gains or losses for the periods shown. A significant portion of Old Republic's indexed stock portfolio was sold at a gain during 2007, with proceeds redirected to a more concentrated, select list of common stocks expected to provide greater long-term total returns.

|                | Realized Gains (Losses) on<br>Disposition of Securities |                                                               |         | Impairment Losses on Securities |                                                               |         | Net<br>realized<br>gains<br>(losses) |
|----------------|---------------------------------------------------------|---------------------------------------------------------------|---------|---------------------------------|---------------------------------------------------------------|---------|--------------------------------------|
|                | Fixed<br>maturity<br>securities                         | Equity<br>securities<br>and miscell-<br>aneous<br>investments | Total   | Fixed<br>maturity<br>securities | Equity<br>securities<br>and miscell-<br>aneous<br>investments | Total   |                                      |
| Years Ended    |                                                         |                                                               |         |                                 |                                                               |         |                                      |
| December 31:   |                                                         |                                                               |         |                                 |                                                               |         |                                      |
| 2006           | \$ 2.0                                                  | \$ 16.9                                                       | \$ 19.0 | \$ -                            | \$ -                                                          | \$ -    | \$ 19.0                              |
| 2007           | 2.2                                                     | 68.1                                                          | 70.3    | -                               | -                                                             | -       | 70.3                                 |
| 2008           | (25.0)                                                  | 20.9                                                          | (4.1)   | (11.5)                          | (470.7)                                                       | (482.3) | (486.4)                              |
| Quarters Ended |                                                         |                                                               |         |                                 |                                                               |         |                                      |
| March 31:      |                                                         |                                                               |         |                                 |                                                               |         |                                      |
| 2008           | 1.0                                                     | (.1)                                                          | .9      | -                               | -                                                             | -       | .9                                   |
| 2009           | \$ -                                                    | \$ -                                                          | \$ -    | \$ -                            | \$ -                                                          | \$ -    | \$ -                                 |

#### Expenses: Benefits and Claims

In order to achieve a necessary matching of premium and fee revenues and expenses, 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, 2009 and December 31, 2008:

|                                                                                               | Claim and Loss Adjustment Expense Reserves |            |                   |            |
|-----------------------------------------------------------------------------------------------|--------------------------------------------|------------|-------------------|------------|
|                                                                                               | March 31, 2009                             |            | December 31, 2008 |            |
|                                                                                               | Gross                                      | Net        | Gross             | Net        |
| Commercial automobile (mostly trucking)                                                       | \$ 1,036.1                                 | \$ 849.3   | \$ 1,035.7        | \$ 849.8   |
| Workers' compensation                                                                         | 2,234.3                                    | 1,274.0    | 2,241.6           | 1,271.8    |
| General liability                                                                             | 1,240.6                                    | 624.8      | 1,209.2           | 612.3      |
| Other coverages                                                                               | 679.0                                      | 460.0      | 709.7             | 487.9      |
| Unallocated loss adjustment expense reserves                                                  | 135.4                                      | 105.1      | 150.6             | 104.9      |
| Total general insurance reserves                                                              | 5,325.7                                    | 3,313.4    | 5,346.9           | 3,326.9    |
| Mortgage guaranty                                                                             | 1,794.7                                    | 1,515.3    | 1,581.7           | 1,380.6    |
| Title                                                                                         | 255.3                                      | 255.3      | 261.2             | 261.2      |
| Life and health                                                                               | 31.3                                       | 24.4       | 28.1              | 22.2       |
| Unallocated loss adjustment expense reserves - other coverages                                | 23.4                                       | 23.4       | 23.2              | 23.2       |
| Total claim and loss adjustment expense reserves                                              | \$ 7,430.6                                 | \$ 5,132.0 | \$ 7,241.3        | \$ 5,014.2 |
| Asbestosis and environmental claim reserves included in the above general insurance reserves: |                                            |            |                   |            |

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|                                       |    |       |    |       |    |       |    |       |
|---------------------------------------|----|-------|----|-------|----|-------|----|-------|
| Amount                                | \$ | 180.9 | \$ | 142.6 | \$ | 172.4 | \$ | 145.0 |
| % of total general insurance reserves |    | 3.4%  |    | 4.3%  |    | 3.2%  |    | 4.4%  |

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.

#### Overview of Loss Reserving Process

Most of Old Republic's consolidated claim and related expense reserves stem from its general insurance business. At March 31, 2009, such reserves accounted for 71.7% and 64.6% of consolidated gross and net of reinsurance

reserves, respectively, while similar reserves at December 31, 2008 represented 73.8% and 66.3% of the respective consolidated amounts.

The Company's reserve setting process reflects the nature of its insurance business and the decentralized basis upon which it is conducted. Old Republic's general insurance operations encompass a large variety of lines or classes of commercial insurance; it has negligible exposure to personal lines such as homeowners or private passenger automobile insurance that exhibit wide diversification of risks, significant frequency of claim occurrences, and high degrees of statistical credibility. Additionally, the Company's insurance subsidiaries do not provide significant amounts of insurance protection for premises; most of its property insurance exposures relate to cargo, incidental property, and insureds' inland marine assets. Consequently, the wide variety of policies issued and commercial insurance customers served require that loss reserves be analyzed and established in the context of the unique or different attributes of each block or class of business produced by the Company. For example, accident liability claims emanating from insured trucking companies or from general aviation customers become known relatively quickly, whereas claims of a general liability nature arising from the building activities of a construction company may emerge over extended periods of time. Similarly, claims filed pursuant to errors and omissions or directors and officers' ("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 84% 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, although, as discussed below, over the most recent ten-year period management's estimates have developed slightly favorably on an overall basis.

Aggregate loss reserves consist of liability estimates for claims that have been reported ("case") to the Company's insurance subsidiaries and reserves for claims that have been incurred but not yet reported ("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 loss reserves are based on statistical calculations that take into account the number of reported insured mortgage loan defaults as of each balance sheet date, as well as experience-based estimates of IBNR. Further, the loss reserve estimating process also 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 policy rescissions for non-compliance with terms of the master policy, and management judgments relative to future employment levels, housing market activity, and mortgage loan interest costs, demand, and extensions.

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 is of the opinion 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 2008 Annual Report on Form 10-K under Item 1A - Risk Factors.

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: |         |   |          |   |       |   |              |   |
| 2006                     | 65.9    | % | 42.8     | % | 5.9   | % | 45.3         | % |
| 2007                     | 67.8    |   | 118.8    |   | 6.6   |   | 60.2         |   |
| 2008                     | 73.0    |   | 199.3    |   | 7.0   |   | 81.8         |   |
| Quarters Ended March 31: |         |   |          |   |       |   |              |   |
| 2008                     | 69.9    |   | 181.1    |   | 7.0   |   | 76.6         |   |
| 2009                     | 74.8    | % | 199.9    | % | 6.6   | % | 83.9         | % |

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 |

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Years Ended  
December 31:

|      |       |       |       |       |       |       |       |
|------|-------|-------|-------|-------|-------|-------|-------|
| 2006 | 65.9% | 75.4% | 74.5% | 40.6% | 55.0% | 57.5% | 55.6% |
| 2007 | 67.8  | 74.0  | 70.9  | 69.6  | 54.9  | 59.9  | 55.9  |
| 2008 | 73.0  | 76.1  | 69.4  | 95.0  | 60.5  | 64.4  | 53.9  |

Q u a r t e r s  
Ended

March 31:

|      |       |       |       |        |       |       |       |
|------|-------|-------|-------|--------|-------|-------|-------|
| 2008 | 69.9  | 73.5  | 70.1  | 88.5   | 48.6  | 65.3  | 54.7  |
| 2009 | 74.8% | 74.9% | 69.6% | 120.0% | 57.8% | 59.2% | 58.2% |

The overall general insurance claims ratio reflects 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 2008, 2007, and in the first quarter 2009 was driven principally by greater claim frequencies experienced in Old Republic's consumer credit indemnity coverage. 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 and the E&O/D&O (financial indemnity) lines of business; these were partially offset by unfavorable development in excess workers' compensation coverages and for ongoing development of asbestos and environmental ("A&E") exposures (general liability). 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 types 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 8.7 years (gross) and 11.7 years (net of reinsurance) as of March 31, 2009 and 7.3 years (gross) and 9.9 years (net of reinsurance) as of December 31, 2008. 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 2.4% of general insurance group net incurred losses for the five years ended December 31, 2008.

The mortgage guaranty claims ratios have continued to rise in recent periods, principally as a result of higher reserve positions and paid losses. Reserve additions have been increasing as a result of higher levels of reported delinquencies as well as increased expectations as to claim frequencies and severities. Claim severity has trended upward primarily due to loans with larger unpaid principal balances and corresponding risk becoming delinquent along with a lower level of mitigation potential due to housing depreciation trends. Expectations of greater claim frequency are impacted by several factors, including the number of loans entering into default, the outlook for the housing market, tightening lending standards which affect borrowers' ability to refinance troubled loans, the aging of the bulk business, and the overall declining state of the economy.

Average mortgage guaranty paid claims, and certain delinquency ratio data as of the end of the periods shown are listed below:

|                          | Average Paid Claim<br>Amount (a) |           | Delinquency Ratio      |        |
|--------------------------|----------------------------------|-----------|------------------------|--------|
|                          | Traditional<br>Primary           | Bulk      | Traditional<br>Primary | Bulk   |
| Years Ended December 31: |                                  |           |                        |        |
| 2006                     | \$ 25,989                        | \$ 21,846 | 4.41%                  | 3.29%  |
| 2007                     | 32,214                           | 34,951    | 5.47                   | 6.85   |
| 2008                     | 43,532                           | 56,481    | 10.34                  | 17.17  |
| Quarters Ended March 31: |                                  |           |                        |        |
| 2008                     | 39,311                           | 48,762    | 5.79                   | 9.13   |
| 2009                     | \$ 48,968                        | \$ 61,806 | 11.47%                 | 21.71% |

(a) Amounts are in whole dollars.

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

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

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|                 |       |      |       |       |       |       |       |      |      |      |
|-----------------|-------|------|-------|-------|-------|-------|-------|------|------|------|
| 2006            | 2.7%  | 4.5% | 6.1%  | 4.5%  | 7.8%  | 2.9%  | 4.1%  | 2.6% | 4.6% | 4.8% |
| 2007            | 7.7   | 4.5  | 7.2   | 5.4   | 8.1   | 6.7   | 5.4   | 4.1  | 4.8  | 5.2  |
| 2008            | 21.9  | 7.1  | 11.1  | 10.8  | 11.0  | 19.8  | 11.4  | 8.1  | 7.6  | 7.7  |
| As of March 31: |       |      |       |       |       |       |       |      |      |      |
| 2008            | 10.0  | 4.3  | 7.2   | 5.9   | 7.8   | 8.8   | 5.9   | 4.3  | 4.3  | 5.2  |
| 2009            | 25.4% | 6.9% | 12.1% | 12.2% | 11.4% | 23.7% | 13.9% | 9.3% | 8.0% | 8.2% |

| Bulk Delinquency Ratios for Top Ten States (b): |       |       |       |       |       |       |       |       |       |       |
|-------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                                 | FL    | TX    | GA    | IL    | OH    | CA    | NJ    | NY    | CO    | AZ    |
| As of December 31:                              |       |       |       |       |       |       |       |       |       |       |
| 2006                                            | 1.6%  | 4.0%  | 4.4%  | 4.2%  | 9.3%  | 1.6%  | 3.5%  | 4.4%  | 3.3%  | 1.0%  |
| 2007                                            | 7.8   | 5.4   | 7.3   | 8.6   | 10.6  | 7.0   | 6.6   | 6.6   | 5.8   | 5.1   |
| 2008                                            | 27.0  | 10.2  | 16.3  | 19.1  | 17.1  | 22.4  | 16.0  | 13.8  | 9.8   | 18.2  |
| As of March 31:                                 |       |       |       |       |       |       |       |       |       |       |
| 2008                                            | 12.0  | 6.1   | 9.6   | 10.8  | 12.5  | 10.3  | 8.9   | 8.0   | 6.8   | 7.4   |
| 2009                                            | 34.3% | 12.2% | 19.5% | 22.8% | 19.1% | 30.0% | 22.0% | 18.0% | 11.6% | 25.1% |

(b) As determined by risk in force as of March 31, 2009, these 10 states represent approximately 49.8%, 60.1%, and 50.3%, of traditional primary, bulk, and total risk in force, respectively.

| Total Delinquency Ratios for Top Ten States (includes "other" business) (b): |       |      |       |       |       |       |       |       |      |      |
|------------------------------------------------------------------------------|-------|------|-------|-------|-------|-------|-------|-------|------|------|
|                                                                              | FL    | TX   | GA    | IL    | OH    | CA    | NJ    | NY    | NC   | PA   |
| As of December 31:                                                           |       |      |       |       |       |       |       |       |      |      |
| 2006                                                                         | 2.0%  | 4.1% | 5.2%  | 3.1%  | 7.3%  | 1.4%  | 3.6%  | 4.0%  | 3.3% | 4.3% |
| 2007                                                                         | 6.9   | 4.5  | 6.7   | 5.0   | 8.0   | 5.5   | 5.5   | 5.4   | 4.1  | 5.1  |
| 2008                                                                         | 21.3  | 7.2  | 11.2  | 10.2  | 11.4  | 17.2  | 12.1  | 10.8  | 6.8  | 8.1  |
| As of March 31:                                                              |       |      |       |       |       |       |       |       |      |      |
| 2008                                                                         | 9.7   | 4.4  | 7.2   | 5.7   | 8.1   | 7.7   | 6.5   | 6.0   | 4.0  | 5.4  |
| 2009                                                                         | 25.9% | 7.5% | 12.5% | 11.9% | 12.3% | 23.1% | 15.5% | 13.2% | 7.4% | 9.0% |

(b) As determined by risk in force as of March 31, 2009, these 10 states represent approximately 49.8%, 60.1%, and 50.3%, of traditional primary, bulk, and total risk in force, respectively.

The title insurance loss ratios remain in the mid single digits due to a continuation of favorable trends in claims frequency and severity for business underwritten since 1992 in particular. Though still reasonably contained, the increases in claim ratios in 2008 and 2007 are reflective of the continuing downturn 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 2008 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: |         |          |        |              |
| 2006                     | 24.4%   | 22.5%    | 93.6%  | 44.7%        |
| 2007                     | 24.1    | 17.7     | 98.1   | 41.3         |
| 2008                     | 24.2    | 15.7     | 103.6  | 39.1         |
| Quarters Ended March 31: |         |          |        |              |
| 2008                     | 24.4    | 16.4     | 104.5  | 39.1         |
| 2009                     | 25.6%   | 13.7%    | 102.9% | 39.6%        |

Variations in the Company's consolidated expense ratios reflect a continually changing mix of coverages sold and attendant costs of producing business in the Company's three largest business segments. To a significant degree, expense ratios for both the general and title insurance segments are mostly reflective of variable costs, such as commissions or similar charges, that rise or decline along with corresponding changes in premium and fee income, as well as changes in general operating expenses which 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: |         |          |        |              |
| 2006                     | 90.3%   | 65.3%    | 99.5%  | 90.0%        |
| 2007                     | 91.9    | 136.5    | 104.7  | 101.5        |
| 2008                     | 97.2    | 215.0    | 110.6  | 120.9        |
| Quarters Ended March 31: |         |          |        |              |
| 2008                     | 94.3    | 197.5    | 111.5  | 115.7        |
| 2009                     | 100.4%  | 213.6%   | 109.5% | 123.5%       |

#### Expenses: Income Taxes

The effective consolidated income tax rates (credits) were (41.9%) and (51.9%) in the first quarter of 2009 and 2008, respectively. The rates for each year reflect primarily the varying proportions of pretax operating income derived from partially tax sheltered investment income (principally state and municipal tax-exempt interest) on the one hand, and the combination of fully taxable investment income, realized investment gains or losses, and underwriting and service income, on the other hand. A valuation allowance of \$64.0 was established against a deferred tax asset related to the Company's losses on equity securities at March 31, 2009.

### 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 2008 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, 2009, have not materially changed from those identified in the Company's 2008 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, 2009, 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.



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

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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 2008 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: April 27, 2009

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

EXHIBIT INDEX

| Exhibit<br>No. | Description                                                                                                                                                                                            |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
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