



Old Republic Reports Results For The Second Quarter And First Half 2020

July 23, 2020

CHICAGO, July 23, 2020 /PRNewswire/ -- Old Republic International Corporation (NYSE: ORI) today reported the following consolidated results (a):

OVERALL RESULTS

	Quarters Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Pretax income (loss)	\$ 499.1	\$ 205.4		\$ (270.8)	\$ 723.9	
Pretax investment gains (losses)	346.7	36.9		(597.4)	405.0	
Pretax income (loss) excluding investment gains (losses)	<u>\$ 152.4</u>	<u>\$ 168.4</u>	<u>-9.5 %</u>	<u>\$ 326.6</u>	<u>\$ 318.9</u>	<u>2.4 %</u>
Net income (loss)	\$ 397.7	\$ 165.5		\$ (207.0)	\$ 577.7	
Net of tax investment gains (losses)	273.8	29.1		(471.7)	319.8	
Net income (loss) excluding investment gains (losses)	<u>\$ 123.8</u>	<u>\$ 136.3</u>	<u>-9.2 %</u>	<u>\$ 264.6</u>	<u>\$ 257.9</u>	<u>2.6 %</u>

PER DILUTED SHARE

	Quarters Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Net income (loss)	\$ 1.34	\$.55		\$ (.69)	\$ 1.92	
Net of tax investment gains (losses)	.92	.10		(1.58)	1.06	
Net income (loss) excluding investment gains (losses)	<u>\$.42</u>	<u>\$.45</u>	<u>-6.7 %</u>	<u>\$.89</u>	<u>\$.86</u>	<u>3.5 %</u>

SHAREHOLDERS' EQUITY

	June 30, 2020	Dec. 31, 2019	% Change
Shareholders' equity: Total	\$ 5,858.9	\$ 6,000.1	-2.4 %
Per Common Share	<u>\$ 19.68</u>	<u>\$ 19.98</u>	<u>-1.5 %</u>

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

This year's second quarter and first half pretax and net income, exclusive of all investment gains and (losses) were affected primarily by relatively stable results within the General Insurance segment, greater profitability in the Title Insurance segment, and increased claim costs in the RFIG Run-off business. In combination, the business produced a 96.0% consolidated combined ratio for the second quarter of 2020, up slightly from 95.2% registered in the second quarter of 2019. For the six months ended June 30, 2020, the combined ratio was 95.4%, essentially unchanged from the same period of 2019. Total and per share net income continue to be significantly impacted by changes in the fair value of equity securities.

The COVID-19 pandemic and the associated governmental responses had a widespread impact on the U.S. economy beginning in the final weeks of the first quarter and continuing throughout the second quarter. Old Republic's response to the pandemic resulted in significant operational changes, including a transition to remote working for a majority of its approximately 9,000 associates. The pandemic's impact on employment levels, businesses and other economic activities contributed to a reduction in premium and fee revenues in the General Insurance segment, while the Title Insurance segment continued to see strong growth in premium and fee revenues, and the RFIG Run-off business saw an increase in claim costs due to higher reported delinquencies.

Although the COVID-19 pandemic and the associated governmental responses caused substantial disruptions to financial markets in the final weeks of this year's first quarter, improved market performance had a significant positive impact on the second quarter's financial results. The resulting increase in the fair value of the Company's common stock and fixed-maturity investment portfolios contributed to the second quarter's recovery in book value per share reported as of June 30, 2020 of \$19.68 as compared to \$17.29 at March 31, 2020.

The economic impacts from the COVID-19 pandemic could affect future premium and fee revenues in the General Insurance and Title Insurance segments, and conversely underwriting expense ratios could rise. In the RFIG Run-off business, future claims experience could depend upon the continued, mitigating effects of loan forbearance programs mandated by the Federal government, and the rate at which employment levels recover. These outcomes notwithstanding, management firmly believes that the Company's strong financial condition will enable it to weather these challenges, and most importantly allow its insurance subsidiaries to meet their obligations to customers, policyholders and their beneficiaries.

Old Republic's business is necessarily managed for the long run. In this context management's key objectives are to achieve a continuous, long-term improvement in operating results, and to ensure balance sheet strength for the primary needs of the insurance subsidiaries' underwriting and related services business. In this view, the evaluation of periodic and long-term results excludes consideration of all investment gains and (losses). Under Generally Accepted Accounting Principles ("GAAP"), however, net income (loss), which includes all specifically defined realized and unrealized investment gains and (losses), is the measure of total profitability.

In management's opinion, the focus on income (loss) excluding all investment gains and losses provides a better way to realistically analyze, evaluate, and establish accountability for the results and benefits that arise from the basic operations of the business. The inclusion of realized investment gains and (losses) in income (loss) can mask the reality and trends in the fundamental operating results of the insurance business. That is because their realization is, more often than not, highly discretionary. It is usually affected by such randomly occurring factors as the timing of individual securities sales, tax-planning considerations, and modifications of investment management judgments about the direction of securities markets or the prospects of individual investees or industry sectors. Moreover, the inclusion of unrealized investment gains and (losses) in equity securities can further distort such operating results and trends therein and thus lead to even greater period-to-period fluctuations in reported net income (loss). The impact of the continuous volatility in stock market valuations is most evident in its net of tax effect on net income (loss) for the periods reported upon.

FINANCIAL HIGHLIGHTS

Quarters Ended June 30,

Six Months Ended June 30,

SUMMARY INCOME STATEMENTS:	2020	2019	% Change	2020	2019	% Change
Revenues:						
Net premiums and fees earned	\$ 1,483.1	\$ 1,460.5	1.5 %	\$ 2,979.9	\$ 2,818.6	5.7 %
Net investment income	108.7	113.0	-3.8	222.9	225.1	-1.0
Other income	32.0	34.1	-6.0	66.7	64.5	3.5
Total operating revenues	1,623.9	1,607.7	1.0	3,269.6	3,108.3	5.2
Investment gains (losses):						
Realized from actual transactions	(7.3)	12.5		11.2	24.9	
Realized from impairments	—	(2.0)		—	(2.0)	
Unrealized from changes in fair value of equity securities	354.0	26.3		(608.7)	382.0	
Total investment gains (losses)	346.7	36.9		(597.4)	405.0	
Total revenues	1,970.6	1,644.7		2,672.2	3,513.4	
Operating expenses:						
Claim costs	624.1	635.3	-1.8	1,246.7	1,241.4	0.4
Sales and general expenses	836.9	793.5	5.5	1,673.8	1,526.9	9.6
Interest and other charges	10.4	10.4	0.5	22.3	21.0	6.2
Total operating expenses	1,471.5	1,439.2	2.2 %	2,943.0	2,789.4	5.5 %
Pretax income (loss)	499.1	205.4		(270.8)	723.9	
Income taxes (credits)	101.4	39.9		(63.7)	146.1	
Net income (loss)	\$ 397.7	\$ 165.5		\$ (207.0)	\$ 577.7	

COMMON STOCK STATISTICS:

Components of net income (loss) per share:

Basic net income (loss) excluding investment gains (losses)	\$ 0.42	\$ 0.45	-6.7 %	\$ 0.89	\$ 0.86	3.5 %
Net investment gains (losses):						
Realized from actual transactions and impairments	(0.02)	0.03		0.03	0.06	
Unrealized from changes in fair value of equity securities	0.94	0.07		(1.61)	1.01	
Basic net income (loss)	\$ 1.34	\$ 0.55		\$ (0.69)	\$ 1.93	
Diluted net income (loss) excluding investment gains (losses)	\$ 0.42	\$ 0.45	-6.7 %	\$ 0.89	\$ 0.86	3.5 %
Net investment gains (losses):						
Realized from actual transactions and impairments	(0.02)	0.03		0.03	0.06	
Unrealized from changes in fair value of equity securities	0.94	0.07		(1.61)	1.00	
Diluted net income (loss)	\$ 1.34	\$ 0.55		\$ (0.69)	\$ 1.92	
Cash dividends on common stock	\$ 0.21	\$ 0.20		\$ 0.42	\$ 0.40	
Book value per share				\$ 19.68	\$ 19.68	— %

Management believes the information in sections A to G and J of the table on the following page highlight the most meaningful, realistic indicators of ORI's segmented and consolidated financial performance. The information underscores the necessity of reviewing reported results by separating the inherent volatility of securities markets and their above-noted impact on reported net income (loss).

Major Segmented and Consolidated Elements of Income (Loss)

	Quarters Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
A. Net premiums, fees, and other income:						
General insurance	\$ 818.0	\$ 850.1	-3.8 %	\$ 1,670.8	\$ 1,681.6	-0.6 %
Title insurance	650.4	591.6	9.9	1,278.6	1,098.5	16.4
Corporate and other	2.9	3.4	-13.7	6.1	6.9	-11.4
Other income	32.0	34.1	-6.0	66.7	64.5	3.5
Subtotal	1,503.5	1,479.3	1.6	3,022.4	2,851.6	6.0
RFIG run-off business (c)	11.6	15.3	-24.1	24.3	31.5	-23.1
Consolidated	\$ 1,515.1	\$ 1,494.7	1.4 %	\$ 3,046.7	\$ 2,883.2	5.7 %
B. Underwriting and related services income (loss):						
General insurance	\$ 13.3	\$ 16.0	-17.1 %	\$ 50.8	\$ 54.9	-7.4 %
Title insurance	55.7	51.1	8.8	89.0	62.8	41.8
Corporate and other	(5.9)	(5.3)	-11.4	(8.9)	(10.5)	15.3
Subtotal	63.0	61.9	1.9	130.9	107.1	22.2
RFIG run-off business (c)	(8.9)	3.9	N/M	(4.9)	7.6	-164.0
Consolidated	\$ 54.1	\$ 65.8	-17.8 %	\$ 126.0	\$ 114.8	9.8 %
C. Consolidated underwriting ratio:						
Claim ratio	42.1 %	43.5 %		41.8 %	44.0 %	
Expense ratio	53.9	51.7		53.6	51.6	
Combined ratio	96.0 %	95.2 %		95.4 %	95.6 %	
D. Net investment income:						
General insurance	\$ 87.7	\$ 88.8	-1.2 %	\$ 178.3	\$ 177.1	0.7 %
Title insurance	10.3	10.2	0.8	21.1	20.5	3.0
Corporate and other	6.6	9.5	-29.9	15.0	18.5	-18.9
Subtotal	104.7	108.6	-3.6	214.5	216.2	-0.8
RFIG run-off business	3.9	4.3	-9.9	8.3	8.9	-6.8
Consolidated	\$ 108.7	\$ 113.0	-3.8 %	\$ 222.9	\$ 225.1	-1.0 %
E. Interest and other charges (credits):						
General insurance	\$ 15.8	\$ 18.2		\$ 33.8	\$ 36.9	

Title insurance	0.6	1.2		1.4	2.5	
Corporate and other (a)	(6.0)	(9.0)		(12.9)	(18.4)	
Subtotal	10.4	10.3		22.3	21.0	
RFIG run-off business	—	—		—	—	
Consolidated	<u>\$ 10.4</u>	<u>\$ 10.4</u>	0.5 %	<u>\$ 22.3</u>	<u>\$ 21.0</u>	6.2 %

F. Segmented and consolidated pretax income (loss) excluding investment gains (losses)(B+D-E):						
General insurance	\$ 85.2	\$ 86.7	-1.8 %	\$ 195.3	\$ 195.0	0.1 %
Title insurance	65.4	60.2	8.6	108.7	80.8	34.6
Corporate and other	6.7	13.2	-48.8	19.0	26.4	-28.0
Subtotal	157.4	160.1	-1.7	323.1	302.3	6.9
RFIG run-off business (c)	(4.9)	8.2	-160.1	3.4	16.5	-79.3
Consolidated	152.4	168.4	-9.5 %	326.6	318.9	2.4 %
Income taxes (credits) on above (b)	28.5	32.1		61.9	60.9	
G. Net income (loss) excluding investment gains (losses)						
	123.8	136.3	-9.2 %	264.6	257.9	2.6 %
H. Consolidated pretax investment gains (losses):						
Realized from actual transactions and impairments	(7.3)	10.5		11.2	22.9	
Unrealized from changes in fair value of equity securities	354.0	26.3		(608.7)	382.0	
Total	346.7	36.9		(597.4)	405.0	
Income taxes (credits) on above	72.8	7.7		(125.7)	85.1	
Net of tax investment gains (losses)	273.8	29.1		(471.7)	319.8	
I. Net income (loss)						
	<u>\$ 397.7</u>	<u>\$ 165.5</u>		<u>\$ (207.0)</u>	<u>\$ 577.7</u>	
J. Consolidated operating cash flow						
	<u>\$ 221.9</u>	<u>\$ 177.2</u>		<u>\$ 438.3</u>	<u>\$ 313.4</u>	

(a) Includes consolidation/elimination entries. (b) The effective tax rate applicable to pretax income excluding investment gains and (losses) were 18.8% and 19.0% for the second quarter and first half of 2020, respectively, and 19.1% for both the second quarter and first half of 2019. (c) See Note (a) in RFIG Run-off Results on page (6).

General Insurance Segment Results

	General Insurance Summary Operating Results					
	Quarters Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Net premiums written	\$ 792.7	\$ 873.3	-9.2 %	\$ 1,653.5	\$ 1,716.1	-3.6 %
Net premiums earned	818.0	850.1	-3.8	1,670.8	1,681.6	-0.6
Net investment income	87.7	88.8	-1.2	178.3	177.1	0.7
Other income	31.8	33.9	-6.2	66.4	64.2	3.4
Operating revenues	937.6	972.9	-3.6	1,915.6	1,923.0	-0.4
Claim costs	587.4	606.7	-3.2	1,182.9	1,187.1	-0.4
Sales and general expenses	249.0	261.2	-4.7	503.5	503.8	-0.1
Interest and other charges	15.8	18.2	-12.8	33.8	36.9	-8.3
Operating expenses	852.4	886.2	-3.8	1,720.3	1,727.9	-0.4
Segment pretax operating income (loss)	<u>\$ 85.2</u>	<u>\$ 86.7</u>	<u>-1.8 %</u>	<u>\$ 195.3</u>	<u>\$ 195.0</u>	<u>0.1 %</u>
Claim ratio	71.8 %	71.4 %		70.8 %	70.6 %	
Expense ratio	26.6	26.7		26.2	26.1	
Combined ratio	<u>98.4 %</u>	<u>98.1 %</u>		<u>97.0 %</u>	<u>96.7 %</u>	

Effective July 1, 2019, the results of the CCI run-off business are being classified in the General Insurance Segment for all future periods.

General Insurance net premiums earned constricted by 3.8% in the second quarter and remained relatively flat for the year-to-date period. The economic impacts of the COVID-19 pandemic and tightened underwriting standards contributed to the downward premium trend, somewhat mitigated by the cumulative effects of recent years' and ongoing premium rate increases for certain insurance products. Premium trends primarily reflect decreases in workers' compensation partially offset by continued increases in executive indemnity coverages. Net investment income decreased by 1.2% for the quarter while remaining relatively flat for the year-to-date period. The impact of continued moderate growth in the invested asset base was more than offset by lower investment yields.

As the above table shows, the consolidated General Insurance claim ratio for the second quarter and first six months of 2020 were relatively consistent with the comparable prior year periods. Similarly, expense ratios for 2020 remained essentially unchanged from the comparable 2019 periods and are generally reflective of ongoing coverage mix dynamics and the variability of sales and general expenses among such coverages.

The following table shows recent annual and interim periods' claim ratios and the effects of claim development trends:

	Reported Claim Ratio	Effect of Prior Periods' (Favorable)/ Unfavorable Claim Reserves Development	Claim Ratio Excluding Prior Periods' Claim Reserves Development
2015	74.1 %	1.5 %	72.6 %
2016	73.0	0.3	72.7
2017	71.8	0.7	71.1
2018	72.2	—	72.2
2019	<u>71.8 %</u>	<u>0.4 %</u>	<u>71.4 %</u>
2nd Quarter 2019	71.4 %	0.5 %	70.9 %

2nd Quarter 2020	<u>71.8 %</u>	<u>0.1 %</u>	<u>71.7 %</u>
1st Six Months 2019	70.6 %	(0.4) %	71.0 %
1st Six Months 2020	<u>70.8 %</u>	<u>(0.3) %</u>	<u>71.1 %</u>

Quarterly and annual claim ratios and trends may not be particularly meaningful indicators of future outcomes for a liability-oriented coverage mix and its relatively long claim payment patterns. Management's long-term targets, assuming the current coverage mix, are for annually reported claim ratio averages in the high 60% to low 70% range and expense ratio averages of 25% or below, resulting in a combined ratio ranging between 90% and 95%.

Title Insurance Segment Results

	Title Insurance Summary Operating Results					
	Quarters Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Net premiums and fees earned	\$ 650.4	\$ 591.6	9.9 %	\$ 1,278.6	\$ 1,098.5	16.4 %
Net investment income	10.3	10.2	0.8	21.1	20.5	3.0
Other income	0.2	0.1	22.4	0.3	0.3	19.9
Operating revenues	<u>661.0</u>	<u>602.0</u>	<u>9.8</u>	<u>1,300.1</u>	<u>1,119.4</u>	<u>16.2</u>
Claim costs	17.7	18.1	-2.0	39.3	32.5	20.6
Sales and general expenses	577.2	522.4	10.5	1,150.6	1,003.4	14.7
Interest and other charges	0.6	1.2	-49.6	1.4	2.5	-42.5
Operating expenses	<u>595.5</u>	<u>541.8</u>	<u>9.9</u>	<u>1,191.4</u>	<u>1,038.5</u>	<u>14.7</u>
Segment pretax operating income (loss)	<u>\$ 65.4</u>	<u>\$ 60.2</u>	<u>8.6 %</u>	<u>\$ 108.7</u>	<u>\$ 80.8</u>	<u>34.6 %</u>
Claim ratio	2.7 %	3.1 %		3.1 %	3.0 %	
Expense ratio	<u>88.7</u>	<u>88.3</u>		<u>90.0</u>	<u>91.3</u>	
Combined ratio	<u>91.4 %</u>	<u>91.4 %</u>		<u>93.1 %</u>	<u>94.3 %</u>	

Title Insurance operating revenues were up nearly 10% in the second quarter and 16.2% for the year-to-date period. Year-over-year comparisons of revenues from title premiums and fees are indicative of the continuation of a low interest rate environment resulting in a favorable real estate market through the second quarter of 2020. Net investment income was relatively flat for the quarter and increased by 3.0% for year-to-date period, reflecting a moderately growing invested asset base offset by lower investment yields.

As the above table shows, the Title Insurance claim ratio trended lower for the second quarter reflecting an increase in favorable development of prior years' claim reserves estimates. Underwriting expenses remained generally aligned with revenues from premiums and fees for all periods presented. Together, these factors produced significantly greater pretax operating income for 2020's second quarter and year-to-date period.

The following table shows recent annual and interim periods' claim ratios and the effects of claim development trends:

	Reported Claim Ratio	Effect of Prior Periods' (Favorable)/ Unfavorable Claim Reserves Development	Claim Ratio Excluding Prior Periods' Claim Reserves Development
2015	4.9 %	(0.6) %	5.5 %
2016	3.8	(1.1)	4.9
2017	0.9	(3.3)	4.2
2018	2.1	(2.0)	4.1
2019	<u>2.7 %</u>	<u>(1.3) %</u>	<u>4.0 %</u>
2nd Quarter 2019	3.1 %	(0.9) %	4.0 %
2nd Quarter 2020	<u>2.7 %</u>	<u>(1.2) %</u>	<u>3.9 %</u>
1st Six Months 2019	3.0 %	(1.0) %	4.0 %
1st Six Months 2020	<u>3.1 %</u>	<u>(0.8) %</u>	<u>3.9 %</u>

RFIG Run-off Segment Results

	RFIG Run-off Summary Operating Results (a)					
	Quarters Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
A. Mortgage Insurance (MI)						
Net premiums earned	\$ 11.6	\$ 15.1	-23.1 %	\$ 24.3	\$ 31.2	-22.2 %
Net investment income	3.9	4.3	-8.8	8.3	8.6	-4.0
Claim costs	16.8	6.9	144.3	21.6	16.4	31.4
MI pretax operating income (loss)	<u>\$ (4.9)</u>	<u>\$ 8.4</u>	<u>-158.7 %</u>	<u>\$ 3.4</u>	<u>\$ 15.5</u>	<u>-77.9 %</u>
Claim ratio	144.5 %	45.5 %		89.1 %	52.8 %	
Expense ratio	<u>32.1</u>	<u>27.2</u>		<u>31.1</u>	<u>25.3</u>	
Combined ratio	<u>176.6 %</u>	<u>72.7 %</u>		<u>120.2 %</u>	<u>78.1 %</u>	
B. Consumer Credit Indemnity (CCI) (a)						
CCI pretax operating income (loss)	<u>\$ —</u>	<u>\$ (0.1)</u>		<u>\$ —</u>	<u>\$ 1.0</u>	
C. Total MI and CCI Run-off business (a)						
Segment pretax operating income (loss)	<u>\$ (4.9)</u>	<u>\$ 8.2</u>	<u>-160.1 %</u>	<u>\$ 3.4</u>	<u>\$ 16.5</u>	<u>-79.3 %</u>

(a) RFIG Run-off pretax operating income (loss) includes amounts attributable to the Company's consumer credit indemnity run-off business of \$ - for both the second quarter and first six months of 2020 and \$(0.1) and \$1.0 for the second quarter and first half of 2019, respectively. Results for the CCI coverages are expected to be immaterial in the remaining run-off periods. Effective July 1, 2019, these results have been re-classified to the General Insurance Segment for all future periods.

Pretax operating results of RFIG Run-off reflect the expected, continuing drop in net earned premiums from declining risk in force and higher incurred claim costs due to a significant increase in the number of reported delinquencies in this year's second quarter. Investment income declined primarily as a result of a smaller invested asset base and a lower investment yield.

As shown in the accompanying tables, current period claim ratios reflect the aforementioned increase in reported delinquencies driven primarily by the economic impacts of the COVID-19 pandemic and the effect of loan forbearance programs mandated by the Federal government under the Coronavirus Aid, Relief, and Economic Security Act.

As indicated in the far right column of the following table, RFIG Run-off claim ratios had experienced a fairly consistent decline for the past several annual periods presented largely due to a combination of declining new loan defaults, and stable-to-improving cure rates for outstanding delinquent loans.

	Reported Claim Ratio	Effect of Prior Periods' (Favorable)/ Unfavorable Claim Reserves Development		Claim Ratio Excluding Prior Periods' Claim Reserves Development	
2015	56.4 %	(65.0) %		121.4 %	
2016	34.1	(39.8)		73.9	
2017	57.6	(38.3)		95.9	
2018	43.2	(27.0)		70.2	
2019	55.0 %	(12.5) %		67.5 %	
2nd Quarter 2019	45.5 %	(4.7) %		50.2 %	
2nd Quarter 2020	144.5 %	21.0 %		123.5 %	
1st Six Months 2019	52.8 %	(7.4) %		60.2 %	
1st Six Months 2020	89.1 %	2.5 %		86.6 %	

Corporate and Other Operating Results

	Corporate and Other Summary Operating Results					
	Quarters Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Net life and accident premiums earned	\$ 2.9	\$ 3.4	-13.7 %	\$ 6.1	\$ 6.9	-11.4 %
Net investment income	6.6	9.5	-29.9	15.0	18.5	-18.9
Other operating income	—	—	—	—	—	—
Operating revenues	9.6	12.9	-25.6	21.1	25.4	-16.8
Claim costs	2.0	3.1	-35.5	2.8	5.8	-50.4
Insurance expenses	1.0	1.2	-12.5	2.3	2.5	-6.4
Corporate, interest and other expenses - net	(0.2)	(4.6)	94.9	(3.1)	(9.4)	66.1
Operating expenses	2.8	(0.2)	N/M	2.0	(1.0)	N/M
Corporate and other pretax operating income (loss)	\$ 6.7	\$ 13.2	-48.8 %	\$ 19.0	\$ 26.4	-28.0 %

This segment includes the combination of a small life and accident insurance business and the net costs associated with the parent holding company and its internal corporate services subsidiaries. The segment tends to produce highly variable results stemming from volatility inherent to the small scale of the life and accident insurance line, net investment income, and net interest charges (credits) pertaining to external and intra-system financing arrangements.

Summary Consolidated Balance Sheet

	June 30, 2020	December 31, 2019	June 30, 2019
Assets:			
Cash and fixed maturity securities	\$ 10,769.0	\$ 10,381.5	\$ 10,070.5
Equity securities	3,560.1	4,030.5	3,894.6
Other invested assets	112.6	115.4	116.3
Cash and invested assets	14,441.8	14,527.4	14,081.6
Accounts and premiums receivable	1,771.9	1,466.7	1,736.1
Federal income tax recoverable: Current	15.8	5.7	—
Prepaid federal income taxes	—	—	129.8
Reinsurance balances recoverable	4,130.7	3,823.9	3,798.2
Deferred policy acquisition costs	319.5	325.4	324.7
Sundry assets	970.3	927.0	917.0
Total assets	\$ 21,650.3	\$ 21,076.3	\$ 20,987.7
Liabilities and Shareholders' Equity:			
Policy liabilities	\$ 2,607.3	\$ 2,419.2	\$ 2,547.8
Claim reserves	10,230.9	9,929.5	9,636.3
Federal income tax payable: Current	—	—	0.3
Deferred	43.7	112.2	147.0
Reinsurance balances and funds	898.1	616.0	814.3
Debt	968.1	974.0	975.4
Sundry liabilities	1,043.0	1,025.1	972.3
Total liabilities	15,791.3	15,076.1	15,093.7
Shareholders' equity	5,858.9	6,000.1	5,893.9
Total liabilities and shareholders' equity	\$ 21,650.3	\$ 21,076.3	\$ 20,987.7

Cash, Invested Assets, and Shareholders' Equity

	Cash, Invested Assets, and Shareholders' Equity				
			% Change		
	June 30, 2020	Dec. 31, 2019	June 30, 2019	June '20/ Dec. '19	June '20/ June '19
Cash and invested assets:					

Fixed maturity securities, cash and other invested assets	\$ 10,881.7	\$ 10,496.9	\$ 10,186.9	3.7 %	6.8 %
Equity securities	<u>3,560.1</u>	<u>4,030.5</u>	<u>3,894.6</u>	<u>-11.7</u>	<u>-8.6</u>
Total per balance sheet	<u>\$ 14,441.8</u>	<u>\$ 14,527.4</u>	<u>\$ 14,081.6</u>	<u>-0.6 %</u>	<u>2.6 %</u>
Total at cost for all	<u>\$ 13,555.8</u>	<u>\$ 13,327.2</u>	<u>\$ 13,148.2</u>	<u>1.7 %</u>	<u>3.1 %</u>

Composition of shareholders' equity per share:

Equity before items below	\$ 19.53	\$ 17.25	\$ 17.63	13.2 %	10.8 %
Unrealized investment gains (losses) and other accumulated comprehensive income (loss)	<u>0.15</u>	<u>2.73</u>	<u>2.05</u>		
Total	<u>\$ 19.68</u>	<u>\$ 19.98</u>	<u>\$ 19.68</u>	<u>-1.5 %</u>	<u>— %</u>

Segmented composition of

shareholders' equity per share:

Excluding RFIG run-off segment	\$ 18.24	\$ 18.37	\$ 18.07	-0.7 %	0.9 %
RFIG run-off segment	<u>1.44</u>	<u>1.61</u>	<u>1.61</u>		
Consolidated total	<u>\$ 19.68</u>	<u>\$ 19.98</u>	<u>\$ 19.68</u>	<u>-1.5 %</u>	<u>— %</u>

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

As of June 30, 2020, the consolidated investment portfolio reflected an allocation of approximately 75% to fixed-maturity (bonds and notes) and short-term investments, and 25% to equity securities (common stock). The fixed-maturity portfolio continues to be the basic anchor for the insurance underwriting subsidiaries' obligations. The maturities are stratified and conservatively matched to the expected timing of future years' payments of those obligations. The quality of the investment portfolio has remained at high levels.

Most of ORI's investable funds have been directed toward purchasing high-quality common stocks of U.S. companies (currently limited to fewer than 100 issues). We favor those with long-term records of reasonable earnings growth and steadily increasing dividends. This has been the major reason why dividends from common stocks have been the source of investment income growth in recent years. Periodic stress tests of this portfolio are made pursuant to enterprise risk management guidelines and controls. Their purpose is to gain reasonable assurance that periodic downdrafts in market prices would not seriously undermine ORI's financial strength and the long-term continuity and prospects of the business.

Changes in shareholders' equity per share are reflected in the following table. As shown, these resulted mostly from net income excluding net investment gains (losses), realized and unrealized investment gains (losses), and dividend payments to shareholders.

	Shareholders' Equity Per Share			
	Quarter Ended	Six Months Ended		Year Ended
	June 30, 2020	June 30, 2020, 2019		Dec. 31, 2019
Beginning balance	\$ 17.29	\$ 19.98	\$ 17.23	\$ 17.23
Changes in shareholders' equity:				
Net income (loss) excluding net investment gains (losses)	0.42	0.89	0.86	1.85
Net of tax realized investment gains (losses)	(0.02)	0.03	0.06	0.10
Net of tax unrealized investment gains (losses) on securities carried at fair value	2.19	(0.83)	1.84	2.53
Total net of tax realized and unrealized investment gains (losses)	2.17	(0.80)	1.90	2.63
Cash dividends	(0.21)	(0.42)	(0.40)	(1.80)
Other	0.01	0.03	0.09	0.07
Net change	2.39	(0.30)	2.45	2.75
Ending balance	<u>\$ 19.68</u>	<u>\$ 19.68</u>	<u>\$ 19.68</u>	<u>\$ 19.98</u>
Percentage change for the period	<u>13.8 %</u>	<u>-1.5 %</u>	<u>14.2 %</u>	<u>16.0 %</u>

Capitalization

	Capitalization		
	June 30, 2020	December 31, 2019	June 30, 2019
Debt:			
4.875% Senior Notes due 2024	\$ 397.6	\$ 397.3	\$ 397.0
3.875% Senior Notes due 2026	546.5	546.2	546.0
Other miscellaneous debt	23.8	30.4	32.3
Total debt	968.1	974.0	975.4
Common shareholders' equity	5,858.9	6,000.1	5,893.9
Total capitalization	<u>\$ 6,827.0</u>	<u>\$ 6,974.2</u>	<u>\$ 6,869.4</u>
Capitalization ratios:			
Debt	14.2 %	14.0 %	14.2 %
Common shareholders' equity	85.8	86.0	85.8
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Total capitalization has declined as of June 30, 2020 primarily due to the reduction in shareholders' equity driven by the factors described above.

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

The insurance business is distinguished from most others in that the prices (premiums) charged for various insurance products are set without certainty of the ultimate

benefit and claim costs that will emerge, 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. Old Republic 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 policyholders and their beneficiaries.

In this light, the Company's affairs are managed for the long run and without significant regard to 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 therefore believes that the Company's operating results and financial condition can best be evaluated by observing underwriting and overall operating performance trends over succeeding five- or preferably ten-year intervals. A ten-year period in particular can likely encompass at least one economic and/or underwriting cycle and thereby provide an appropriate time frame for such cycle to run its course, and for premium rate changes and reserved claim costs to be quantified and merge in financial results with greater finality and effect.

Accompanying Financial Data and Other Information:

- About Old Republic
- Conference Call Information
- Safe Harbor Statement

Financial Supplement:

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

About Old Republic

Chicago-based Old Republic International Corporation is one of the nation's 50 largest shareholder-owned insurance businesses. It is a member of the *Fortune 500* listing of America's largest companies. The Company is organized as an insurance holding company whose subsidiaries actively market, underwrite, and provide risk management services for a wide variety of coverages mostly in the general and title insurance fields. A long-term interest in mortgage guaranty and consumer credit indemnity coverages has devolved to a run-off operating mode in recent years. Old Republic's general insurance business ranks among the nation's 50 largest, while its title insurance operations are the third largest in its industry.

The nature of Old Republic's business requires that it be managed for the long run, and its cash dividend policy reflects this long-term orientation. The current annualized dividend rate of \$0.84 per share marks the 39th consecutive year that Old Republic has boosted this rate, and 2020 becomes the 79th year of uninterrupted regular cash dividend payments. Here's a summary of recent years' total book and market returns, which includes the addition and reinvestment of cash dividend payments, in comparison with the financial performance of three selected indices similarly developed.

	ORI		Selected Indices' Compounded Total Annual Returns		
	Annual Book Value Compounded Total Return	Annual Market Value Compounded Total Return	Nominal Gross Domestic Product	S & P 500 Index	S & P Insurance Index
Ten Years 2000 - 2009	9.5 %	7.4 %	4.1 %	-1.0 %	-3.7 %
Ten Years 2010 - 2019	7.7 %	14.8 %	4.0 %	13.6 %	12.4 %
Twenty Years 2000 - 2019	8.6 %	11.0 %	4.1 %	6.1 %	4.1 %

According to the most recent edition of *Mergent's Dividend Achievers*, Old Republic is listed in 58th place among just 113 qualifying publicly held companies, out of thousands considered, that have posted at least 25 consecutive years of annual dividend growth.

Conference Call Information

Old Republic has scheduled a conference call at 3:00 p.m. ET (2:00 p.m. CT) today, to discuss its second quarter and first six months of 2020 performance and to review major operating trends and business developments. To access this call live in [listen-only mode](#):

Log on to the Company's website at www.oldrepublic.com 15 minutes before the call to download the necessary software, or, alternatively

the call can also be accessed by phone at 877-222-5769.

Interested parties may also listen to a replay of the call through July 30, 2020 by dialing 844-512-2921, passcode 2201583, or by accessing it on Old Republic International's website through August 22, 2020.

Safe Harbor Statement

Historical data pertaining to the operating results, liquidity, and other performance indicators applicable to an insurance enterprise such as Old Republic are not necessarily indicative of results to be achieved in succeeding years. In addition to the factors cited below, the long-term nature of the insurance business, seasonal and annual patterns in premium production and incidence of claims, changes in yields obtained on invested assets, changes in government policies and free markets affecting inflation rates and general economic conditions, and changes in legal precedents or the application of law affecting the settlement of disputed and other claims can have a bearing on period-to-period comparisons and future operating results. Furthermore, due to the financial market and economic disruptions caused by the COVID-19 pandemic and the associated governmental responses, it is therefore possible that Old Republic's operating results, business and financial condition could be adversely affected in subsequent periods depending on the length and severity of these disruptions.

Some of the oral or written statements made in the Company's reports, press releases, and conference calls following earnings releases, can constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Of necessity, any such forward-looking statements involve assumptions, uncertainties, and risks that may affect the Company's future performance. With regard to Old Republic's General Insurance segment, its results can be particularly affected by the level of market competition, which is typically a function of available capital and expected returns on such capital among competitors, the levels of investment yields and inflation rates, and periodic changes in claim frequency and severity patterns caused by natural disasters, weather conditions, accidents, illnesses, work-related injuries, and unanticipated external events. Title Insurance and RFIG Run-off results can be affected by similar factors, and by changes in national and regional housing demand and values, the availability and cost of mortgage loans, employment trends, and default rates on mortgage loans. Life and accident insurance earnings can be affected by the levels of employment and consumer spending, changes in mortality and health trends, and alterations 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.

The General Insurance, Title Insurance, Corporate and Other Segments, and the RFIG Run-off business maintain customer information and rely upon technology platforms to conduct their business. As a result, each of them and the Company are exposed to cyber risk. Many of the Company's operating subsidiaries maintain separate IT systems which are deemed to reduce enterprise-wide risks of potential cybersecurity incidents. However, given the potential magnitude of a significant breach, the Company continually evaluates on an enterprise-wide basis its IT hardware, security infrastructure and business practices to respond to these risks and to detect and remediate in a timely manner significant cybersecurity incidents or business process interruptions.

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 2019 Form 10-K Annual Report filing to the Securities and Exchange Commission, which 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.

For Old Republic's latest news releases and other corporate documents:

Please visit us at www.oldrepublic.com.

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 View original content: <http://www.prnewswire.com/news-releases/old-republic-reports-results-for-the-second-quarter-and-first-half-2020-301098796.html>

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