

SECURITIES AND EXCHANGE COMMISSION  
OF THE SECURITIES EXCHANGE ACT OF 1934

FORM 10 - Q

- Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 1998 or  
 Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 0-4625

OLD REPUBLIC INTERNATIONAL CORPORATION

-----  
(Exact name of registrant as specified in its charter)

Delaware

No. 36-2678171

-----  
(State or other jurisdiction of  
incorporation or organization)

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

307 North Michigan Avenue, Chicago, Illinois

60601

-----  
(Address of principal executive office)

-----  
(Zip Code)

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Class	Shares Outstanding March 31, 1998
----- Common Stock / \$1 par value	----- 138,107,506 *

\* Excludes 6,182,879 common shares issued, outstanding and held by an affiliate, which are classified as treasury stock for financial accounting purposes only.

There are 11 pages contained in this report.

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OLD REPUBLIC INTERNATIONAL CORPORATION

Report on Form 10-Q / March 31, 1998

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OLD REPUBLIC INTERNATIONAL CORPORATION  
 CONSOLIDATED SUMMARY BALANCE SHEETS (Unaudited)  
 (\$ in Millions)

	March 31, 1998	December 31, 1997
<b>Assets</b>		
<b>Investments:</b>		
Held to maturity:		
Fixed maturity securities (at amortized cost) (fair value: \$2,358.4 and \$2,306.1)	\$2,304.2	\$2,249.7
Other long-term investments (at cost)	24.8	15.4
<b>Total</b>	<b>2,329.1</b>	<b>2,265.1</b>
Available for sale:		
Fixed maturity securities (at fair value) (cost: \$1,973.4 and \$1,954.5)	2,027.4	2,009.9
Equity securities (at fair value) (cost: \$89.3 and \$60.9)	140.4	117.1
Short-term investments (at fair value which approximates cost)	286.8	328.0
<b>Total</b>	<b>2,454.7</b>	<b>2,455.2</b>
<b>Total investments</b>	<b>4,783.8</b>	<b>4,720.4</b>
<b>Other Assets:</b>		
Cash	22.6	26.9
Accrued investment income	72.9	72.5
Accounts and notes receivable	307.2	320.0
Reinsurance balances and funds held	86.5	88.5
Reinsurance recoverable: Paid losses	24.3	27.2
Policy and claim reserves	1,312.2	1,333.5
Deferred policy acquisition costs	126.3	126.2
Sundry assets	213.5	207.9
<b>Total</b>	<b>2,165.9</b>	<b>2,203.0</b>
<b>Total Assets</b>	<b>\$6,949.8</b>	<b>\$6,923.4</b>
<b>Liabilities, Preferred Stock and Common Shareholders' Equity</b>		
<b>Liabilities:</b>		
Future policy benefits	\$180.5	\$183.3
Losses, claims and settlement expenses	3,501.8	3,529.7
Unearned premiums	364.1	375.8
Other policyholders' benefits and funds	58.6	61.1
<b>Total policy liabilities and accruals</b>	<b>4,105.0</b>	<b>4,150.0</b>
Commissions, expenses, fees and taxes	111.0	124.0
Reinsurance balances and funds	143.1	148.2
Federal income tax payable: Current	14.8	4.3
Deferred	121.8	108.3
Debt and debt equivalents	147.4	142.9
Sundry liabilities	92.8	92.2
<b>Total liabilities</b>	<b>4,736.1</b>	<b>4,770.2</b>
<b>Preferred Stock:</b>		
Convertible preferred stock	1.0	1.0
<b>Total preferred stock</b>	<b>1.0</b>	<b>1.0</b>
<b>Common Shareholders' Equity:</b>		
Common stock	155.2	103.1
Additional paid-in capital	614.4	604.3
Unallocated shares - ESSOP	(6.1)	(6.1)
Retained earnings	1,504.6	1,486.8
Accumulated other comprehensive income	60.4	64.4
Treasury stock (at cost)	(116.1)	(100.5)
<b>Total Common Shareholders' Equity</b>	<b>2,212.5</b>	<b>2,152.1</b>
<b>Total Liabilities, Preferred Stock and Common Shareholders' Equity</b>	<b>\$6,949.8</b>	<b>\$6,923.4</b>

See accompanying notes.

OLD REPUBLIC INTERNATIONAL CORPORATION  
 CONSOLIDATED SUMMARY STATEMENTS OF INCOME (Unaudited)  
 (\$ in Millions, Except Common Share Data)

		Quarters Ended March 31,	
		1998	1997
Revenues:	Net premiums earned	\$359.6	\$345.7
	Title, escrow and other fees	49.8	31.8
	Net investment income	68.5	67.7
	Realized investment gains	20.0	10.8
	Other income	8.4	5.7
	Net revenues	506.5	461.8
Expenses:	Benefits, claims and settlement expenses	185.7	193.5
	Underwriting, acquisition and insurance expenses	198.2	170.7
	Interest and other expenses	3.5	3.0
	Total expenses	387.5	367.2
	Income before income taxes and items below	118.9	94.5
Income Taxes:	Currently payable	23.6	19.5
	Deferred	14.3	10.0
	Total income taxes	37.9	29.5
	Other items - net	81.0	64.9
		0.5	0.2
Net Income:		\$81.5	\$65.2
Net Income Per Share:	Basic	\$0.58	\$0.49
	Diluted	\$0.58	\$0.46
Dividends Per Common Share:	Cash dividends	\$0.087	\$0.073
	Stock dividends	50%	- -%
	Average number of common and common equivalent shares outstanding:		
	Basic	138,541,904	130,513,487
	Diluted	140,824,777	142,266,700

See accompanying notes.

OLD REPUBLIC INTERNATIONAL CORPORATION  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)  
 (\$ in Millions)

	Quarters Ended March 31,	
	1998	1997
Net income as reported	\$81.5	\$65.2
Other comprehensive income, before tax:		
Foreign currency translation adjustment	0.3	(0.3)
Unrealized gains (losses) on securities:		
Unrealized gains (losses) arising during period	13.3	(28.0)
Less: elimination of pre-tax realized gains included in net income	20.0	10.8
Net unrealized losses on securities	(6.6)	(38.8)
Income tax credits related to items of other comprehensive income	(2.3)	(13.6)
Comprehensive income	\$77.5	\$39.6

See accompanying notes.

OLD REPUBLIC INTERNATIONAL CORPORATION  
 CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)  
 (\$ in Millions)

	Quarters Ended March 31,	
	1998	1997
<b>Cash flows from operating activities:</b>		
Net income	\$81.5	\$65.2
Adjustment to reconcile net income to net cash provided by operating activities:		
Deferred policy acquisition costs	0.1	1.3
Premiums and other receivables	14.9	1.2
Unpaid claims and related items	(9.6)	8.4
Future policy benefits and policyholders' funds	(12.5)	(17.3)
Income taxes	26.2	22.3
Reinsurance balances and funds	(0.3)	4.1
Accounts payable, accrued expenses and other	(12.1)	(13.6)
<b>Total</b>	<b>88.1</b>	<b>71.8</b>
<b>Cash flows from investing activities:</b>		
Sales of fixed maturity securities:		
Held to maturity:		
Maturities and early calls	34.3	39.7
Available for sale:		
Maturities and early calls	33.2	36.1
Other	50.8	6.5
Sales of equity securities	7.0	11.4
Sales of other investments	1.3	0.8
Sales of fixed assets for company use	0.1	0.8
Purchases of fixed maturity securities:		
Held to maturity	(88.9)	(89.6)
Available for sale	(103.9)	(88.0)
Purchases of equity securities	(35.4)	(1.4)
Purchases of other investments	(10.6)	(1.2)
Purchases of fixed assets for company use	(8.0)	(2.9)
Purchases of investment in subsidiaries	(1.9)	---
Other-net	0.2	(0.5)
<b>Total</b>	<b>(121.8)</b>	<b>(88.2)</b>
<b>Cash flows from financing activities:</b>		
Increase in term loans	4.0	10.0
Issuance of preferred and common stocks	10.5	1.7
Issuance of debentures and notes	1.1	---
Redemption of debentures and notes	(0.6)	(0.3)
Dividends on common shares	(12.0)	(9.5)
Dividends on preferred shares	---	(0.7)
Purchase of treasury stock	(15.6)	(15.2)
Other-net	0.7	---
<b>Total</b>	<b>(11.8)</b>	<b>(14.1)</b>
Increase (decrease) in cash and short-term investments	(45.5)	(30.6)
Cash and short-term investments, beginning of period	355.0	301.0
Cash and short-term investments, end of period	<b>\$309.4</b>	<b>\$270.4</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the period for:		
Interest	\$0.5	\$2.0
Income taxes	\$13.1	\$7.8

See accompanying notes.

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

1. Accounting Policies and Basis of Presentation:

The accompanying consolidated summary financial statements have been prepared in conformity with generally accepted accounting principles as described in the Corporation's latest annual report to shareholders or as disclosed herein. The financial accounting and reporting process relies on estimates and on the exercise of judgement, but in the opinion of management all adjustments, consisting of normal recurring accruals, necessary to a fair presentation of the accompanying statements have been reflected therein. Realized gains or losses on dispositions of investment securities have been reflected in the operating results for each period presented.

2. Common Share Data:

Common share data has been retroactively adjusted to reflect a 50% stock dividend of the Company's common shares approved by the Board of Directors on March 12, 1998. The following table provides a reconciliation of the income before extraordinary items and number of shares used in basic and diluted earnings per share calculations.

	Quarters Ended March 31,	
	1998	1997
-----		
Numerator:		
Income before extraordinary item .....	\$ 81.5	\$ 65.2
Less: Preferred stock dividends.....	--	.7
-----		
Numerator for basic earnings per share - income available to common stockholders...	81.5	64.4
Effect of dilutive securities:		
Convertible preferred stock dividends.....	--	.7
-----		
Numerator for diluted earnings per share - income available to common stockholders after assumed conversions.....	\$ 81.5	\$ 65.2
=====		
Denominator:		
Denominator for basic earnings per share - weighted-average shares.....	138,541,904	130,513,487
Effect of dilutive securities:		
Stock options.....	2,044,854	1,437,485
Convertible preferred stock.....	238,019	10,315,728
-----		
Dilutive potential common shares.....	2,282,873	11,753,213
-----		
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions.....	140,824,777	142,266,700
=====		
Basic earnings per share.....	\$ .58	\$ .49
=====		
Diluted earnings per share.....	\$ .58	\$ .46
=====		

3. Unrealized Appreciation of Investments:

Cumulative net unrealized gains on fixed maturity securities available for sale and equity securities credited to a separate account in common shareholders' equity amounted to \$68.1 at March 31, 1998. Unrealized appreciation of investments, before applicable income taxes of \$37.2, at March 31, 1998 included gross unrealized gains and (losses) of \$109.6 and \$(4.2), respectively.

For the quarters ended March 31, 1998 and 1997, net unrealized depreciation of investments, net of deferred income taxes, amounted to \$4.3 and \$25.2, respectively.

OLD REPUBLIC INTERNATIONAL CORPORATION  
 MANAGEMENT ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS  
 Quarters Ended March 31, 1998 and 1997

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OVERVIEW

This analysis pertains to the consolidated accounts of Old Republic International Corporation. The Company conducts its business through four major segments, namely its General (property and liability coverages), Mortgage Guaranty, Title, and Life insurance groups.

FINANCIAL POSITION

Old Republic's financial position at March 31, 1998 reflected an increase in assets of 0.4%, a decrease in liabilities of 0.7%, and an increase in common shareholders' equity of 2.8% when compared to the immediately preceding year-end. Cash and invested assets represented 70.2% and 69.6% of consolidated assets as of March 31, 1998 and December 31, 1997, respectively.

Relatively high short-term maturity investment positions continued to be maintained as of March 31, 1998 to provide necessary liquidity for specific operating needs and to enhance flexibility in investment strategy. Changes in short-term investments reflect a large variety of seasonal and intermediate-term factors including seasonal operating cash needs, investment strategy, and expectations as to trends in interest yields. Accordingly, the future level of short-term investments will vary and respond to the dynamics of these factors and may, as a result, increase or decrease from current levels. During the first quarter of 1998, the Corporation committed substantially all investable funds in short to intermediate-term fixed maturity securities. Old Republic continues to adhere to its long-term policy of investing primarily in investment grade, marketable securities; the Corporation has not directed its investable funds to so-called "junk bonds" or derivative types of securities. During the first quarter of 1998, Old Republic's commitment to equity securities increased by 19.9% vis-a-vis the related invested balance at year-end 1997. As of March 31, 1998, the carrying value of fixed maturity securities in default as to principal or interest was immaterial in relation to consolidated assets or shareholders' equity.

Consolidated operations produced positive cash flows in this year's first quarter. The parent holding company has met its liquidity and capital needs principally through dividends paid by its subsidiaries. The insurance subsidiaries' ability to pay cash dividends to the parent company is generally restricted by law or subject to approval of the insurance regulatory authorities of the states in which they are domiciled. Additionally, the terms of guarantees by the Company of bank loans to the trustee of the Company's Employees Savings and Stock Ownership Plan restrict the amount of debt the Company may incur. This covenant is being met.

Old Republic's capitalization of \$2.36 billion at March 31, 1998 consisted of debt and debt equivalents of \$147.4 million, convertible preferred stock of \$1.0 million, and common shareholders' equity of \$2.21 billion. The increase in the common shareholders' equity account during the quarter ended March 31, 1998 reflects primarily the retention of earnings in excess of dividends declared on outstanding preferred and common shares offset to some degree by a decline in the value of bonds and stocks carried at market value and the reacquisition of \$15.6 million worth of common shares pursuant to a previously announced plan.

Common share data has been retroactively adjusted to reflect a 50% stock dividend of the Company's common shares approved by the Board of Directors on March 12, 1998 and issuable on or about May 4, 1998 to shareholders of record on April 10, 1998.

RESULTS OF OPERATIONS

Revenues:

Consolidated net premiums and fees earned in the first quarter of 1998 amounted to \$409.5 million and were 8.5% above the amount reported for the first quarter of 1997. For the first three months of 1998, the Company's General Insurance Group posted a 2.4% decrease in earned premiums to \$208.9 million due to a soft pricing environment. Premium growth in the Mortgage Guaranty Group was enhanced by a rise in the amount of renewal business and market expansion; the year over year increase in earned premiums was 10.2% to \$71.3 million. Title Group premium and fee revenues were \$113.8 million in the first quarter of 1998, an increase of 35.9% when compared to the same quarter of 1997. The Mortgage Guaranty Group and the Title Group benefitted from low interest rates and high employment trends, as well as moderately greater appreciation of home prices. The Life and Health Group's premium volume increased moderately.

Consolidated net investment income was \$68.5 million in the first quarter of 1998 compared to \$67.7 million in the same quarter of 1997. This revenue source was affected by positive consolidated operating cash flows and by a concentration of investable assets in interest-bearing, fixed maturity securities. The average annualized yield on investments was approximately 5.8% and 6.1% at the end of March 31, 1998 and 1997, respectively. This yield pattern reflects at once the relatively short maturity of Old Republic's fixed maturity securities portfolio, changes in interest rates at various time and the commitment of a larger percentage of investable funds to tax-exempt fixed maturity securities that typically bear lower current yields.

The Company's investment policies have not been designed to maximize realized investment gains. Realized gains of \$20.0 million in the first quarter of 1998 were mostly due to the sale of equity securities. In addition to scheduled maturities, dispositions of securities have been caused principally by calls prior to maturity by issuers of bonds and notes and by sales of equity securities. For the first quarter of 1998, 57.1% of total dispositions represented maturities and early calls of existing holdings; for the year 1997 these transactions amounted to 76.9% of the total dispositions.

#### Expenses:

Consolidated benefit, claim and settlement costs, as a percentage of net premiums and fees earned, were approximately 45% and 51% in the first quarters of 1998 and 1997, respectively. Claims experience for property and liability coverages improved in both periods due to reduced costs from participation in involuntary workers' compensation pool and by stable claim and benefit costs in the Company's voluntary business. Mortgage Guaranty claim costs were lower during the first quarter of 1998 compared to the same period in 1997 due to a reduction in expected claims emergence. The Title Group and Life Group claim costs were basically stable in both quarterly periods.

The ratio of consolidated underwriting, acquisition and insurance expenses to net premiums and fees earned was 48% and 45% in the first quarters of 1998 and 1997, respectively. Variations in these percentages between comparative periods typically reflect changing patterns in the mix of business and the varying production costs pertaining thereto. In 1998's first quarter, title premiums that typically bear greater production costs grew at a faster pace than other segments' premiums.

The Company and its subsidiaries have been aware for several years of issues associated with programming codes in existing computer systems as the year 2000 approaches. The Company's subsidiaries are scheduled to complete by December 31, 1998, the identification and implementation of changes, and the testing of systems affected by this year 2000 issue. The costs of identifying, implementing, and testing the required changes has not been material to historical operating results. A significant portion of these costs was not incremental as the Company and its subsidiaries have mostly utilized existing resources.

#### Pre-Tax and Net Income:

Income before taxes increased by 18.1% in the first quarter of 1998 when compared to the same period one year ago. The Corporation's Mortgage and Title Guaranty insurance segments reflected higher pre-tax operating earnings; General and Life insurance earnings were basically flat.

The effective consolidated income tax rate was 31.9% and 31.3% in the first quarters of 1998 and 1997, respectively. The rates for each period reflect primarily the varying proportions of pre-tax operating income derived from tax-sheltered investment income (principally tax-exempt interest) on the one hand, and fully taxable investment and underwriting/service income on the other hand.

#### OTHER INFORMATION

Historical data pertaining to the operating results, liquidity, and other financial matters 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 in the next paragraph, 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 claims all have a bearing on period-to-period comparisons and future operating results.

Any forward-looking statements contained in this report, of necessity, 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, as well as periodic changes in claim frequency and severity patterns caused by natural disasters, weather conditions, accidents, illnesses and work-related injuries. Mortgage Guaranty and Title insurance results can be affected by such factors as 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 may also be affected by various risk-sharing arrangements with business producers. Life and disability insurance results can be impacted by the levels of employment and consumer spending, as well as mortality and health trends. At the holding company level, results are generally affected by the amount of debt outstanding and its cost.

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



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

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Item 6 - Reports on Form 8-K  
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(a) Reports on Form 8-K

1. The registrant has not filed any reports on Form 8-K during the quarter for which this report is filed.

Items other than those listed are omitted because they are not required.

SIGNATURE

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

Old Republic International Corporation  
-----  
(Registrant)

Date: May 13, 1998  
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/s/ Paul D. Adams  
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P. D. Adams  
Senior Vice President &  
Chief Financial Officer

This schedule contains summary financial information extracted from Old Republic International's consolidated balance sheet and consolidated statement of income and is qualified in its entirety by reference to such financial statements.

1,000,000

3-MOS

	DEC-31-1998	MAR-31-1998
	2,027	
	2,304	
	2,358	
		140
		7
		0
	4,783	
		22
	24	
126	6,949	
	3,682	
	364	
		0
	58	
		147
	0	
		1
		155
6,949	2,057	
		359
	68	
	20	
		58
		185
50	147	
		118
		37
	81	
		0
		0
		0
		81
		.58
		.58
		0
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