



Amendment No. 5
of
Contract No. NA140000019
for
Aviation Insurance
between
Falcon Insurance Agency, Inc.
and the
City of Austin

- 1.0 The City hereby exercises the extension option for the above-referenced contract. Effective November 1, 2018, to October 31, 2019. No options will remain.
- 2.0 The total contract amount is increased by \$106,016.00 for the extension option period. The total Contract authorization is recapped below:

Term	Action Amount	Total Contract Amount
Basic Term: 11/01/2013 – 10/31/2014	\$67,464.00	\$67,464.00
Amendment No. 1: Option 1 - Extension 11/01/2014 – 10/31/2015	\$74,210.00	\$141,674.00
Amendment No. 2: Option 2 - Extension 11/01/2015 – 10/31/2016	\$79,651.00	\$221,325.00
Amendment No. 3: Option 3 - Extension 11/01/2016 – 10/31/2017	\$87,616.00	\$308,941.00
Amendment No. 4: Option 4 - Extension 11/01/2017 – 10/31/2018	\$96,378.00	\$405,319.00
Amendment No. 5: Option 5 – Extension 11/01/2018 – 10/31/2019	\$106,016.00	\$511,335.00

- 3.0 MBE/WBE goals were not established for this contract.
- 4.0 By signing this Amendment the Contractor certifies that the Contractor and its principals are not currently suspended or debarred from doing business with the Federal Government, as indicated by the General Services Administration (GSA) List of Parties Excluded from Federal Procurement and Non-Procurement Programs, the State of Texas, or the City of Austin.
- 5.0 All other terms and conditions remain the same.

BY THE SIGNATURES affixed below, this Amendment is hereby incorporated into and made a part of the above-referenced contract.

Signature and Date:

9/11/18

Printed Name: Donn Gauger, Vice President
Authorized Representative

Falcon Insurance Agency, Inc
P. O. Box 92409
Austin, Texas 78709
(512) 891-8473

dgauger@falconinsurance.com

Signature and Date:

Cyrenthia Ellis
Procurement Manager

City of Austin
Purchasing Office
124 West 8th Street, Suite 310
Austin, Texas 78701



Amendment No. 4
of
Contract No. NA140000019
for
Aviation Insurance
between
Falcon Insurance Agency, Inc.
and the
City of Austin

- 1.0 The City hereby exercises the extension option for the above-referenced contract. Effective November 1, 2017, to October 31, 2018. One option remain.
- 2.0 The total contract amount is increased by \$94,953.00 for the extension option period. The total Contract authorization is recapped below:

Term	Action Amount	Total Contract Amount
Basic Term: 11/01/13 – 10/31/14	\$67,464.00	\$67,464.00
Amendment No. 1: Option 1 11/01/14 – 10/31/15	\$74,210.00	\$141,674.00
Amendment No. 2: Option 2 11/01/15 – 10/31/16	\$79,651.00	\$221,325.00
Amendment No. 3: Option 3 11/01/16 – 10/31/17	\$87,616.00	\$308,941.00
Amendment No. 4: Option 4 11/01/17 – 10/31/18	\$94,953.00	\$403,894.00

- 3.0 MBE/WBE goals were not established for this contract.
- 4.0 By signing this Amendment the Contractor certifies that the Contractor and its principals are not currently suspended or debarred from doing business with the Federal Government, as indicated by the General Services Administration (GSA) List of Parties Excluded from Federal Procurement and Non-Procurement Programs, the State of Texas, or the City of Austin.
- 5.0 All other terms and conditions remain the same.

BY THE SIGNATURES affixed below, this Amendment is hereby incorporated into and made a part of the above-referenced contract.

Signature and Date:  8/29/17
Printed Name: Dawn Gauger
Authorized Representative VP, Falcon Insurance Agency, Inc.

Signature and Date:  10/15/17
Linell Goodin-Brown, Contract Managerment Supervisor II
City of Austin
Purchasing Office

Falcon Insurance Agency, Inc
P. O. Box 92409
Austin, Texas 78709



Amendment No. 3
of
Contract No. NA140000019
for
Aviation Insurance
between
Falcon Insurance Agency, Inc.
and the
City of Austin

- 1.0 The City hereby exercises the extension option for the above-referenced contract. Effective November 1, 2016, the term for the extension option will be November 1, 2016 to October 31, 2017 and there are two remaining options.
- 2.0 The total contract amount is increased by \$87,616.00 for the extension option period. The total Contract authorization is recapped below:

Term	Action Amount	Total Contract Amount
Basic Term: 11/01/13 – 10/31/14	\$67,464.00	\$67,464.00
Amendment No. 1: Option 1 11/01/14 – 10/31/15	\$74,210.00	\$141,674.00
Amendment No. 2: Option 2 11/01/15 – 10/31/16	\$79,651.00	\$221,325.00
Amendment No. 3: Option 3 11/01/16 – 10/31/17	\$87,616.00	\$308,941.00

- 3.0 MBE/WBE goals were not established for this contract.
- 4.0 By signing this Amendment the Contractor certifies that the Contractor and its principals are not currently suspended or debarred from doing business with the Federal Government, as indicated by the General Services Administration (GSA) List of Parties Excluded from Federal Procurement and Non-Procurement Programs, the State of Texas, or the City of Austin.
- 5.0 All other terms and conditions remain the same.

BY THE SIGNATURES affixed below, this Amendment is hereby incorporated into and made a part of the above-referenced contract.

Signature and Date:  10/4/16
Printed Name: Donn Gauger
Authorized Representative

Signature and Date: 
Linell Goodin-Brown, Contract Compliance Supervisor
City of Austin
Purchasing Office 10-12-16

Falcon Insurance Agency, Inc
P. O. Box 92409
Austin, Texas 78709




Amendment No. 2
of
Contract No. NA140000019
for
Aviation Insurance
between
Falcon Insurance Agency, Inc.
and the
City of Austin

- 1.0 The City hereby exercises the extension option for the above-referenced contract. Effective November 1, 2015, the term for the extension option will be November 1, 2015 to October 31, 2016 and there are three remaining options.
- 2.0 The total contract amount is increased by \$79,651.00 for the extension option period. The total Contract authorization is recapped below:

Term	Action Amount	Total Contract Amount
Basic Term: 11/01/13 – 10/31/14	\$67,464.00	\$67,464.00
Amendment No. 1: Option 1 11/01/14 – 10/31/15	\$74,210.00	\$141,674.00
Amendment No. 2: Option 2 11/01/15 – 10/31/16	\$79,651.00	\$221,325.00

- 3.0 MBE/WBE goals were not established for this contract.
- 4.0 By signing this Amendment the Contractor certifies that the Contractor and its principals are not currently suspended or debarred from doing business with the Federal Government, as indicated by the General Services Administration (GSA) List of Parties Excluded from Federal Procurement and Non-Procurement Programs, the State of Texas, or the City of Austin.
- 5.0 All other terms and conditions remain the same.

BY THE SIGNATURES affixed below, this Amendment is hereby incorporated into and made a part of the above-referenced contract.

Signature and Date:  8/26/15
Printed Name: Donn Gauger
Authorized Representative –
Falcon Insurance Agency, Inc.

Signature and Date: 
Beatrice Washington, Contract Compliance Specialist Sr
City of Austin
Purchasing Office

Falcon Insurance Agency, Inc
P. O. Box 92409
Austin, Texas 78709



Amendment No. 1
of
Contract No. NA140000019
for
Aviation Insurance
between
Falcon Insurance Agency, Inc.
and the
City of Austin

- 1.0 The City hereby exercises the extension option for the above-referenced contract. Effective November 1, 2014, the term for the extension option will be November 1, 2014 to October 31, 2015 and there are four remaining options.
- 2.0 The total contract amount is increased by \$74,210.00 for the extension option period. The total Contract authorization is recapped below:

Term	Action Amount	Total Contract Amount
Basic Term: 11/01/13 – 10/31/14	\$67,464.00	\$67,464.00
Amendment No. 1: Option 1 11/01/14 – 10/31/15	\$74,210.00	\$141,674.00

- 3.0 MBE/WBE goals were not established for this contract.
- 4.0 By signing this Amendment the Contractor certifies that the Contractor and its principals are not currently suspended or debarred from doing business with the Federal Government, as indicated by the General Services Administration (GSA) List of Parties Excluded from Federal Procurement and Non-Procurement Programs, the State of Texas, or the City of Austin.
- 5.0 All other terms and conditions remain the same.

BY THE SIGNATURES affixed below, this Amendment is hereby incorporated into and made a part of the above-referenced contract.

Signature and Date:

Printed Name: Donn Gauger

Authorized Representative Falcon Insurance Agency, Inc.

Signature and Date:

Debbie DePaul, Contract Compliance Supervisor
City of Austin
Purchasing Office

Falcon Insurance Agency, Inc
P. O. Box 92409
Austin, Texas 78709



**Financial and Administrative Service Department
Purchasing Office**
721 Barton Springs Road, Austin, Texas, 78704

November 1, 2013

Falcon Insurance Agency Inc.
Attn: Donn Gauger
5316 Hwy 290 W., Suite 440
Austin, TX 78735

Dear Donn:

The Austin City Council approved the execution of a contract with your company for Aviation Insurance in accordance with the referenced solicitation.

Responsible Department:	Austin Energy
Department Contact Person:	Karen Espinoza
Department Contact Email Address:	Karen.Espinoza@austintexas.gov
Department Contact Telephone:	512-974-3277
Project Name:	Aviation Insurance
Contractor Name:	Falcon Insurance Agency, Inc.
Contract Number:	NA140000019
Contract Period:	11/01/2013 - 10/30/2014
Dollar Amount	\$67,464.00
Extension Options:	Five Extension Options
Requisition Number:	RQM 5800 13051600384
Solicitation Number:	RFP JSD0137
Agenda Item Number:	37
Council Approval Date:	10/03/2013

Thank you for your interest in doing business with the City of Austin. If you have any questions regarding this contract, please contact Karen Espinoza, Contract Manager at 512-974-3277.

Sincerely,

Terry Nicholson
Senior Buyer Specialist
Purchasing Office
Finance and Administrative Service Department

cc: K. Espinoza, COA
L. Milvo, COA
M. McClure, COA

**CONTRACT BETWEEN THE CITY OF AUSTIN ("City")
and
Falcon Insurance Agency Inc. ("Contractor")
for
Aviation Insurance**

The City accepts the Contractor's Offer (as referenced in Section 1.1.3 below) for the above requirement and enters into the following Contract.

This Contract is between Falcon Insurance Agency, Inc. having offices at 1001 Water Street, Bldg. K, Suite 100, Kerrville, Texas 78028, and the City of Austin, a home-rule municipality incorporated by the State of Texas, and is effective as of the date executed by the City ("Effective Date").

Capitalized terms used but not defined herein have the meanings given them in Solicitation Number JSD0137.

1.1 This Contract is composed of the following documents:

1.1.1 This Contract

1.1.2 The City's Solicitation, Request for Proposal, Solicitation Number: RFP0137 including all documents incorporated by reference

1.1.3 Falcon Insurance Agency, Inc.'s Offer, dated Metro Aviation, Inc.'s Offer, dated August 1, 2013, including subsequent clarifications

1.2 Order of Precedence. Any inconsistency or conflict in the Contract documents shall be resolved by giving precedence in the following order:

1.2.1 This Contract

1.2.2 The City's Solicitation as referenced in Section 1.1.2, including all documents incorporated by reference

1.2.3 The Contractor's Offer as referenced in Section 1.1.3, including subsequent clarifications.

1.3 Quantity of Work: There is no guaranteed quantity of work or services for the period of the contract and there are no minimum quantities. Work or services will be on an as-needed basis as specified by the City for each Delivery Order.

1.4 Term of Contract. The Contract will be in effect for an initial term of twelve (12) months and may be extended thereafter for up to five (5) twelve (12) month extension option(s) subject to the approval of the Contractor and the City Purchasing Officer or his designee.

1.5 Compensation. The Contractor shall be paid a total not-to-exceed amount of \$67,464 for the initial contract term and \$74,210 for the first year option, \$79,651 for the second year option, \$87,616 for the third year option, \$96,378 for the fourth year option, and \$106,016 for the fifth year option, for a total contract amount not-to-exceed \$511,335.

1.6 Deliverables. The Contractor shall fully and timely provide all deliverables described in the Solicitation, Section 0500-Scope of Work, and the Contractor's Offer in strict accordance with the terms, covenants, and conditions of the Contract and all applicable Federal, State, and local laws, rules, and regulations.

This Contract (including any Exhibits) constitutes the entire agreement of the parties regarding the subject matter of this Contract and supersedes all prior and contemporaneous agreements and understandings, whether written or oral, relating to such subject matter. This Contract may be altered, amended, or modified only by a written instrument signed by the duly authorized representatives of both parties.

In witness whereof, the City has caused a duly authorized representative to execute this Contract on the date set forth below.

Falcon Insurance Agency, Inc.

CITY OF AUSTIN

Donn Gauger

Printed Name of Authorized Person

Signature

Vice President / Agent

Title:

October 29, 2013

Date:

Danielle Lord

Printed Name of Authorized Person

Signature

Corp. Contract Compliance Manager

Title:

10/30/13

Date:

Falcon Insurance Agency, Inc.
5316 Hwy 290 W, Suite #440
Austin, TX 78735
(512) 891-8473
(512) 891-8483 fax

CITY OF AUSTIN, TEXAS
Purchasing Office
REQUEST FOR PROPOSAL (RFP)
Offer Sheet

SOLICITATION NO: JSD0137

COMMODITY/SERVICE DESCRIPTION: Aviation Insurance

DATE ISSUED: 6/3/2013

REQUISITION NO.: RQM 8700 09072400702

PRE-PROPOSAL CONFERENCE TIME AND DATE: 9:00 am on 7/2/2013

COMMODITY CODE: 96247

LOCATION: MUNICIPAL BUILDING, 124 W 8th STREET
Third Floor Conference Room 2, AUSTIN, TEXAS 78701

FOR CONTRACTUAL AND TECHNICAL
ISSUES CONTACT:

PROPOSAL DUE PRIOR TO: 2:00pm on 7/19/2013

Jeff Dilbert

COMPLIANCE PLAN DUE PRIOR TO: N/A

MARKET ASSIGNMENT FORMS DUE: 6/19/2013

Corporate Purchasing Manager
Phone: (512) 974-2021

PROPOSAL CLOSING TIME AND DATE: 2:00pm on 7/19/2013

LOCATION: MUNICIPAL BUILDING, 124 W 8th STREET
RM 310, AUSTIN, TEXAS 78701

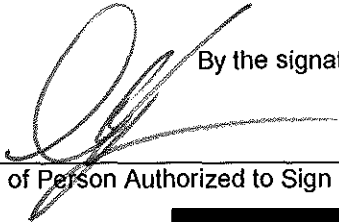
When submitting a sealed Offer and/or Compliance Plan, use the address shown below.

Street Address for Hand Delivery or Courier Service
City of Austin, Purchasing Office
Municipal Building
124 W 8 th Street, Rm 310
Austin, Texas 78701
Reception Phone: (512) 974-2500

Offers (including Compliance Plans) that are not submitted in a sealed envelope or container will not be considered.

SUBMIT 1 ORIGINAL AND 5 SIGNED COPIES OF OFFER

OFFER SUBMITTED BY



By the signature below, I certify that I have submitted a binding offer.

Donn Gauger, Vice President

Signature of Person Authorized to Sign Offer

Signer's Name and Title: (please print or type)

FEDERAL TAX ID NO. _____

Date: 08/01/2013

Company Name: Falcon Insurance Agency, Inc.

Address: PO Box 92409
Austin, TX 78709

Phys address: 5316 Hwy 290 W, Suite #440
Austin, TX 78735

City, State, Zip Code _____

Phone No. (512) 891-8473

Fax No. (512) 891-8483

Email Address: dgauger@falconinsurance.com

**CITY OF AUSTIN
PURCHASING OFFICE
STANDARD PURCHASE TERMS AND CONDITIONS**

By submitting an Offer in response to the Solicitation, the Contractor agrees that the Contract shall be governed by the following terms and conditions. Unless otherwise specified in the Contract, Sections 3, 4, 5, 6, 7, 8, 20, 21, and 36 shall apply only to a Solicitation to purchase Goods, and Sections 9, 10, 11 and 22 shall apply only to a Solicitation to purchase Services to be performed principally at the City's premises or on public rights-of-way.

1. **CONTRACTOR'S OBLIGATIONS**. The Contractor shall fully and timely provide all Deliverables described in the Solicitation and in the Contractor's Offer in strict accordance with the terms, covenants, and conditions of the Contract and all applicable Federal, State, and local laws, rules, and regulations.
2. **EFFECTIVE DATE/TERM**. Unless otherwise specified in the Solicitation, this Contract shall be effective as of the date the contract is signed by the City, and shall continue in effect until all obligations are performed in accordance with the Contract.
3. **CONTRACTOR TO PACKAGE DELIVERABLES**: The Contractor will package Deliverables in accordance with good commercial practice and shall include a packing list showing the description of each item, the quantity and unit price. Unless otherwise provided in the Specifications or Supplemental Terms and Conditions, each shipping container shall be clearly and permanently marked as follows: (a) The Contractor's name and address, (b) the City's name, address and purchase order or purchase release number and the price agreement number if applicable, (c) Container number and total number of containers, e.g. box 1 of 4 boxes, and (d) the number of the container bearing the packing list. The Contractor shall bear cost of packaging. Deliverables shall be suitably packed to secure lowest transportation costs and to conform with requirements of common carriers and any applicable specifications. The City's count or weight shall be final and conclusive on shipments not accompanied by packing lists.
4. **SHIPMENT UNDER RESERVATION PROHIBITED**: The Contractor is not authorized to ship the Deliverables under reservation and no tender of a bill of lading will operate as a tender of Deliverables.
5. **TITLE & RISK OF LOSS**: Title to and risk of loss of the Deliverables shall pass to the City only when the City actually receives and accepts the Deliverables.
6. **DELIVERY TERMS AND TRANSPORTATION CHARGES**: Deliverables shall be shipped F.O.B. point of delivery unless otherwise specified in the Supplemental Terms and Conditions. Unless otherwise stated in the Offer, the Contractor's price shall be deemed to include all delivery and transportation charges. The City shall have the right to designate what method of transportation shall be used to ship the Deliverables. The place of delivery shall be that set forth in the block of the purchase order or purchase release entitled "Receiving Agency".
7. **RIGHT OF INSPECTION AND REJECTION**: The City expressly reserves all rights under law, including, but not limited to the Uniform Commercial Code, to inspect the Deliverables at delivery before accepting them, and to reject defective or non-conforming Deliverables. If the City has the right to inspect the Contractor's, or the Contractor's Subcontractor's, facilities, or the Deliverables at the Contractor's, or the Contractor's Subcontractor's, premises, the Contractor shall furnish, or cause to be furnished, without additional charge, all reasonable facilities and assistance to the City to facilitate such inspection.
8. **NO REPLACEMENT OF DEFECTIVE TENDER**: Every tender or delivery of Deliverables must fully comply with all provisions of the Contract as to time of delivery, quality, and quantity. Any non-complying tender shall constitute a breach and the Contractor shall not have the right to substitute a conforming tender; provided, where the time for performance has not yet expired, the Contractor may notify the City of the intention to cure and may then make a conforming tender within the time allotted in the contract.
9. **PLACE AND CONDITION OF WORK**: The City shall provide the Contractor access to the sites where the Contractor is to perform the services as required in order for the Contractor to perform the services in a timely and efficient manner, in accordance with and subject to the applicable security laws, rules, and regulations. The Contractor acknowledges that it has satisfied itself as to the nature of the City's service requirements and specifications, the location and essential characteristics of the work sites, the quality and quantity of materials, equipment, labor and facilities necessary to perform the services, and any other condition or state of fact which could in any way affect performance of the Contractor's obligations under the contract. The Contractor hereby

**CITY OF AUSTIN
PURCHASING OFFICE
STANDARD PURCHASE TERMS AND CONDITIONS**

releases and holds the City harmless from and against any liability or claim for damages of any kind or nature if the actual site or service conditions differ from expected conditions.

10. WORKFORCE

- A. The Contractor shall employ only orderly and competent workers, skilled in the performance of the services which they will perform under the Contract.
- B. The Contractor, its employees, subcontractors, and subcontractor's employees may not while engaged in participating or responding to a solicitation or while in the course and scope of delivering goods or services under a City of Austin contract or on the City's property .
 - i. use or possess a firearm, including a concealed handgun that is licensed under state law, except as required by the terms of the contract; or
 - ii. use or possess alcoholic or other intoxicating beverages, illegal drugs or controlled substances, nor may such workers be intoxicated, or under the influence of alcohol or drugs, on the job.
- C. If the City or the City's representative notifies the Contractor that any worker is incompetent, disorderly or disobedient, has knowingly or repeatedly violated safety regulations, has possessed any firearms, or has possessed or was under the influence of alcohol or drugs on the job, the Contractor shall immediately remove such worker from Contract services, and may not employ such worker again on Contract services without the City's prior written consent.

- 11. COMPLIANCE WITH HEALTH, SAFETY, AND ENVIRONMENTAL REGULATIONS:** The Contractor, its Subcontractors, and their respective employees, shall comply fully with all applicable federal, state, and local health, safety, and environmental laws, ordinances, rules and regulations in the performance of the services, including but not limited to those promulgated by the City and by the Occupational Safety and Health Administration (OSHA). In case of conflict, the most stringent safety requirement shall govern. The Contractor shall indemnify and hold the City harmless from and against all claims, demands, suits, actions, judgments, fines, penalties and liability of every kind arising from the breach of the Contractor's obligations under this paragraph.

12. INVOICES:

- A. The Contractor shall submit separate invoices in duplicate on each purchase order or purchase release after each delivery. If partial shipments or deliveries are authorized by the City, a separate invoice must be sent for each shipment or delivery made.
- B. **Proper Invoices must include a unique invoice number, the purchase order or delivery order number and the master agreement number if applicable, the Department's Name, and the name of the point of contact for the Department.** Invoices shall be itemized and transportation charges, if any, shall be listed separately. A copy of the bill of lading and the freight waybill, when applicable, shall be attached to the invoice. The Contractor's name and, if applicable, the tax identification number on the invoice must exactly match the information in the Vendor's registration with the City. Unless otherwise instructed in writing, the City may rely on the remittance address specified on the Contractor's invoice.
- C. Invoices for labor shall include a copy of all time-sheets with trade labor rate and Deliverables order number clearly identified. Invoices shall also include a tabulation of work-hours at the appropriate rates and grouped by work order number. Time billed for labor shall be limited to hours actually worked at the work site.
- D. Unless otherwise expressly authorized in the Contract, the Contractor shall pass through all Subcontract and other authorized expenses at actual cost without markup.
- E. Federal excise taxes, State taxes, or City sales taxes must not be included in the invoiced amount. The City will furnish a tax exemption certificate upon request.

**CITY OF AUSTIN
PURCHASING OFFICE
STANDARD PURCHASE TERMS AND CONDITIONS**

13. PAYMENT:

- A. All proper invoices received by the City will be paid within thirty (30) calendar days of the City's receipt of the Deliverables or of the invoice, whichever is later.
- B. **If payment is not timely made, (per paragraph A), interest shall accrue on the unpaid balance at the lesser of the rate specified in Texas Government Code Section 2251.025 or the maximum lawful rate; except, if payment is not timely made for a reason for which the City may withhold payment hereunder, interest shall not accrue until ten (10) calendar days after the grounds for withholding payment have been resolved.**
- C. If partial shipments or deliveries are authorized by the City, the Contractor will be paid for the partial shipment or delivery, as stated above, provided that the invoice matches the shipment or delivery.
- D. The City may withhold or set off the entire payment or part of any payment otherwise due the Contractor to such extent as may be necessary on account of:
 - i. delivery of defective or non-conforming Deliverables by the Contractor;
 - ii. third party claims, which are not covered by the insurance which the Contractor is required to provide, are filed or reasonable evidence indicating probable filing of such claims;
 - iii. failure of the Contractor to pay Subcontractors, or for labor, materials or equipment;
 - iv. damage to the property of the City or the City's agents, employees or contractors, which is not covered by insurance required to be provided by the Contractor;
 - v. reasonable evidence that the Contractor's obligations will not be completed within the time specified in the Contract, and that the unpaid balance would not be adequate to cover actual or liquidated damages for the anticipated delay;
 - vi. failure of the Contractor to submit proper invoices with all required attachments and supporting documentation; or
 - vii. failure of the Contractor to comply with any material provision of the Contract Documents.
- E. Notice is hereby given of Article VIII, Section 1 of the Austin City Charter which prohibits the payment of any money to any person, firm or corporation who is in arrears to the City for taxes, and of §2-8-3 of the Austin City Code concerning the right of the City to offset indebtedness owed the City.
- F. Payment will be made by check unless the parties mutually agree to payment by credit card or electronic transfer of funds. The Contractor agrees that there shall be no additional charges, surcharges, or penalties to the City for payments made by credit card or electronic funds transfer.
- G. The awarding or continuation of this contract is dependent upon the availability of funding. The City's payment obligations are payable only and solely from funds Appropriated and available for this contract. The absence of Appropriated or other lawfully available funds shall render the Contract null and void to the extent funds are not Appropriated or available and any Deliverables delivered but unpaid shall be returned to the Contractor. The City shall provide the Contractor written notice of the failure of the City to make an adequate Appropriation for any fiscal year to pay the amounts due under the Contract, or the reduction of any Appropriation to an amount insufficient to permit the City to pay its obligations under the Contract. In the event of non or inadequate appropriation of funds, there will be no penalty nor removal fees charged to the City.

- 14. TRAVEL EXPENSES:** All travel, lodging and per diem expenses in connection with the Contract for which reimbursement may be claimed by the Contractor under the terms of the Solicitation will be reviewed against the City's Travel Policy as published and maintained by the City's Controller's Office and the Current United States General Services Administration Domestic Per Diem Rates (the "Rates") as published and maintained on the Internet at:

<http://www.gsa.gov/portal/category/21287>

**CITY OF AUSTIN
PURCHASING OFFICE
STANDARD PURCHASE TERMS AND CONDITIONS**

No amounts in excess of the Travel Policy or Rates shall be paid. All invoices must be accompanied by copies of detailed itemized receipts (e.g. hotel bills, airline tickets). No reimbursement will be made for expenses not actually incurred. Airline fares in excess of coach or economy will not be reimbursed. Mileage charges may not exceed the amount permitted as a deduction in any year under the Internal Revenue Code or Regulations.

15. FINAL PAYMENT AND CLOSE-OUT:

- A. If an MBE/WBE Program Compliance Plan is required by the Solicitation, and the Contractor has identified Subcontractors, the Contractor is required to submit a Contract Close-Out MBE/WBE Compliance Report to the Project manager or Contract manager no later than the 15th calendar day after completion of all work under the contract. Final payment, retainage, or both may be withheld if the Contractor is not in compliance with the requirements of the Compliance Plan as accepted by the City.
- B. The making and acceptance of final payment will constitute:
 - i. a waiver of all claims by the City against the Contractor, except claims (1) which have been previously asserted in writing and not yet settled, (2) arising from defective work appearing after final inspection, (3) arising from failure of the Contractor to comply with the Contract or the terms of any warranty specified herein, (4) arising from the Contractor's continuing obligations under the Contract, including but not limited to indemnity and warranty obligations, or (5) arising under the City's right to audit; and
 - ii. a waiver of all claims by the Contractor against the City other than those previously asserted in writing and not yet settled.

16. SPECIAL TOOLS & TEST EQUIPMENT: If the price stated on the Offer includes the cost of any special tooling or special test equipment fabricated or required by the Contractor for the purpose of filling this order, such special tooling equipment and any process sheets related thereto shall become the property of the City and shall be identified by the Contractor as such.

17. RIGHT TO AUDIT:

- A. The Contractor agrees that the representatives of the Office of the City Auditor or other authorized representatives of the City shall have access to, and the right to audit, examine, or reproduce, any and all records of the Contractor related to the performance under this Contract. The Contractor shall retain all such records for a period of three (3) years after final payment on this Contract or until all audit and litigation matters that the City has brought to the attention of the Contractor are resolved, whichever is longer. The Contractor agrees to refund to the City any overpayments disclosed by any such audit.
- B. The Contractor shall include section a. above in all subcontractor agreements entered into in connection with this Contract.

18. SUBCONTRACTORS:

- A. If the Contractor identified Subcontractors in an MBE/WBE Program Compliance Plan or a No Goals Utilization Plan the Contractor shall comply with the provisions of Chapters 2-9A, 2-9B, 2-9C, and 2-9D, as applicable, of the Austin City Code and the terms of the Compliance Plan or Utilization Plan as approved by the City (the "Plan"). The Contractor shall not initially employ any Subcontractor except as provided in the Contractor's Plan. The Contractor shall not substitute any Subcontractor identified in the Plan, unless the substitute has been accepted by the City in writing in accordance with the provisions of Chapters 2-9A, 2-9B, 2-9C and 2-9D, as applicable. No acceptance by the City of any Subcontractor shall constitute a waiver of any rights or remedies of the City with respect to defective Deliverables provided by a Subcontractor. If a Plan has been approved, the Contractor is additionally required to submit a monthly Subcontract Awards and Expenditures Report to the Contract Manager and the Purchasing Office Contract Compliance Manager no later than the tenth calendar day of each month.

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- B. Work performed for the Contractor by a Subcontractor shall be pursuant to a written contract between the Contractor and Subcontractor. The terms of the subcontract may not conflict with the terms of the Contract, and shall contain provisions that:
- i. require that all Deliverables to be provided by the Subcontractor be provided in strict accordance with the provisions, specifications and terms of the Contract;
 - ii. prohibit the Subcontractor from further subcontracting any portion of the Contract without the prior written consent of the City and the Contractor. The City may require, as a condition to such further subcontracting, that the Subcontractor post a payment bond in form, substance and amount acceptable to the City;
 - iii. require Subcontractors to submit all invoices and applications for payments, including any claims for additional payments, damages or otherwise, to the Contractor in sufficient time to enable the Contractor to include same with its invoice or application for payment to the City in accordance with the terms of the Contract;
 - iv. require that all Subcontractors obtain and maintain, throughout the term of their contract, insurance in the type and amounts specified for the Contractor, with the City being a named insured as its interest shall appear; and
 - v. require that the Subcontractor indemnify and hold the City harmless to the same extent as the Contractor is required to indemnify the City.
- C. The Contractor shall be fully responsible to the City for all acts and omissions of the Subcontractors just as the Contractor is responsible for the Contractor's own acts and omissions. Nothing in the Contract shall create for the benefit of any such Subcontractor any contractual relationship between the City and any such Subcontractor, nor shall it create any obligation on the part of the City to pay or to see to the payment of any moneys due any such Subcontractor except as may otherwise be required by law.
- D. The Contractor shall pay each Subcontractor its appropriate share of payments made to the Contractor not later than ten (10) calendar days after receipt of payment from the City.

19. **WARRANTY-PRICE:**

- A. The Contractor warrants the prices quoted in the Offer are no higher than the Contractor's current prices on orders by others for like Deliverables under similar terms of purchase.
- B. The Contractor certifies that the prices in the Offer have been arrived at independently without consultation, communication, or agreement for the purpose of restricting competition, as to any matter relating to such fees with any other firm or with any competitor.
- C. In addition to any other remedy available, the City may deduct from any amounts owed to the Contractor, or otherwise recover, any amounts paid for items in excess of the Contractor's current prices on orders by others for like Deliverables under similar terms of purchase.

20. **WARRANTY – TITLE:** The Contractor warrants that it has good and indefeasible title to all Deliverables furnished under the Contract, and that the Deliverables are free and clear of all liens, claims, security interests and encumbrances. The Contractor shall indemnify and hold the City harmless from and against all adverse title claims to the Deliverables.

21. **WARRANTY – DELIVERABLES:** The Contractor warrants and represents that all Deliverables sold the City under the Contract shall be free from defects in design, workmanship or manufacture, and conform in all material respects to the specifications, drawings, and descriptions in the Solicitation, to any samples furnished by the Contractor, to the terms, covenants and conditions of the Contract, and to all applicable State, Federal or local laws, rules, and regulations, and industry codes and standards. Unless otherwise stated in the Solicitation, the Deliverables shall be new or recycled merchandise, and not used or reconditioned.

- A. Recycled Deliverables shall be clearly identified as such.

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- B. The Contractor may not limit, exclude or disclaim the foregoing warranty or any warranty implied by law; and any attempt to do so shall be without force or effect.
 - C. Unless otherwise specified in the Contract, the warranty period shall be at least one year from the date of acceptance of the Deliverables or from the date of acceptance of any replacement Deliverables. If during the warranty period, one or more of the above warranties are breached, the Contractor shall promptly upon receipt of demand either repair the non-conforming Deliverables, or replace the non-conforming Deliverables with fully conforming Deliverables, at the City's option and at no additional cost to the City. All costs incidental to such repair or replacement, including but not limited to, any packaging and shipping costs, shall be borne exclusively by the Contractor. The City shall endeavor to give the Contractor written notice of the breach of warranty within thirty (30) calendar days of discovery of the breach of warranty, but failure to give timely notice shall not impair the City's rights under this section.
 - D. If the Contractor is unable or unwilling to repair or replace defective or non-conforming Deliverables as required by the City, then in addition to any other available remedy, the City may reduce the quantity of Deliverables it may be required to purchase under the Contract from the Contractor, and purchase conforming Deliverables from other sources. In such event, the Contractor shall pay to the City upon demand the increased cost, if any, incurred by the City to procure such Deliverables from another source.
 - E. If the Contractor is not the manufacturer, and the Deliverables are covered by a separate manufacturer's warranty, the Contractor shall transfer and assign such manufacturer's warranty to the City. If for any reason the manufacturer's warranty cannot be fully transferred to the City, the Contractor shall assist and cooperate with the City to the fullest extent to enforce such manufacturer's warranty for the benefit of the City.
22. **WARRANTY – SERVICES:** The Contractor warrants and represents that all services to be provided the City under the Contract will be fully and timely performed in a good and workmanlike manner in accordance with generally accepted industry standards and practices, the terms, conditions, and covenants of the Contract, and all applicable Federal, State and local laws, rules or regulations.
- A. The Contractor may not limit, exclude or disclaim the foregoing warranty or any warranty implied by law, and any attempt to do so shall be without force or effect.
 - B. Unless otherwise specified in the Contract, the warranty period shall be at least one year from the Acceptance Date. If during the warranty period, one or more of the above warranties are breached, the Contractor shall promptly upon receipt of demand perform the services again in accordance with above standard at no additional cost to the City. All costs incidental to such additional performance shall be borne by the Contractor. The City shall endeavor to give the Contractor written notice of the breach of warranty within thirty (30) calendar days of discovery of the breach warranty, but failure to give timely notice shall not impair the City's rights under this section.
 - C. If the Contractor is unable or unwilling to perform its services in accordance with the above standard as required by the City, then in addition to any other available remedy, the City may reduce the amount of services it may be required to purchase under the Contract from the Contractor, and purchase conforming services from other sources. In such event, the Contractor shall pay to the City upon demand the increased cost, if any, incurred by the City to procure such services from another source.
23. **ACCEPTANCE OF INCOMPLETE OR NON-CONFORMING DELIVERABLES:** If, instead of requiring immediate correction or removal and replacement of defective or non-conforming Deliverables, the City prefers to accept it, the City may do so. The Contractor shall pay all claims, costs, losses and damages attributable to the City's evaluation of and determination to accept such defective or non-conforming Deliverables. If any such acceptance occurs prior to final payment, the City may deduct such amounts as are necessary to compensate the City for the diminished value of the defective or non-conforming Deliverables. If the acceptance occurs after final payment, such amount will be refunded to the City by the Contractor.
24. **RIGHT TO ASSURANCE:** Whenever one party to the Contract in good faith has reason to question the other party's intent to perform, demand may be made to the other party for written assurance of the intent to perform. In the event

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that no assurance is given within the time specified after demand is made, the demanding party may treat this failure as an anticipatory repudiation of the Contract.

25. **STOP WORK NOTICE:** The City may issue an immediate Stop Work Notice in the event the Contractor is observed performing in a manner that is in violation of Federal, State, or local guidelines, or in a manner that is determined by the City to be unsafe to either life or property. Upon notification, the Contractor will cease all work until notified by the City that the violation or unsafe condition has been corrected. The Contractor shall be liable for all costs incurred by the City as a result of the issuance of such Stop Work Notice.
26. **DEFAULT:** The Contractor shall be in default under the Contract if the Contractor (a) fails to fully, timely and faithfully perform any of its material obligations under the Contract, (b) fails to provide adequate assurance of performance under Paragraph 24, (c) becomes insolvent or seeks relief under the bankruptcy laws of the United States or (d) makes a material misrepresentation in Contractor's Offer, or in any report or deliverable required to be submitted by the Contractor to the City.
27. **TERMINATION FOR CAUSE:** In the event of a default by the Contractor, the City shall have the right to terminate the Contract for cause, by written notice effective ten (10) calendar days, unless otherwise specified, after the date of such notice, unless the Contractor, within such ten (10) day period, cures such default, or provides evidence sufficient to prove to the City's reasonable satisfaction that such default does not, in fact, exist. The City may place Contractor on probation for a specified period of time within which the Contractor must correct any non-compliance issues. Probation shall not normally be for a period of more than nine (9) months, however, it may be for a longer period, not to exceed one (1) year depending on the circumstances. If the City determines the Contractor has failed to perform satisfactorily during the probation period, the City may proceed with suspension. In the event of a default by the Contractor, the City may suspend or debar the Contractor in accordance with the "City of Austin Purchasing Office Probation, Suspension and Debarment Rules for Vendors" and remove the Contractor from the City's vendor list for up to five (5) years and any Offer submitted by the Contractor may be disqualified for up to five (5) years. In addition to any other remedy available under law or in equity, the City shall be entitled to recover all actual damages, costs, losses and expenses, incurred by the City as a result of the Contractor's default, including, without limitation, cost of cover, reasonable attorneys' fees, court costs, and prejudgment and post-judgment interest at the maximum lawful rate. All rights and remedies under the Contract are cumulative and are not exclusive of any other right or remedy provided by law.
28. **TERMINATION WITHOUT CAUSE:** The City shall have the right to terminate the Contract, in whole or in part, without cause any time upon thirty (30) calendar days' prior written notice. Upon receipt of a notice of termination, the Contractor shall promptly cease all further work pursuant to the Contract, with such exceptions, if any, specified in the notice of termination. The City shall pay the Contractor, to the extent of funds Appropriated or otherwise legally available for such purposes, for all goods delivered and services performed and obligations incurred prior to the date of termination in accordance with the terms hereof.
29. **FRAUD:** Fraudulent statements by the Contractor on any Offer or in any report or deliverable required to be submitted by the Contractor to the City shall be grounds for the termination of the Contract for cause by the City and may result in legal action.
30. **DELAYS:**
- A. The City may delay scheduled delivery or other due dates by written notice to the Contractor if the City deems it is in its best interest. If such delay causes an increase in the cost of the work under the Contract, the City and the Contractor shall negotiate an equitable adjustment for costs incurred by the Contractor in the Contract price and execute an amendment to the Contract. The Contractor must assert its right to an adjustment within thirty (30) calendar days from the date of receipt of the notice of delay. Failure to agree on any adjusted price shall be handled under the Dispute Resolution process specified in paragraph 49. However, nothing in this provision shall excuse the Contractor from delaying the delivery as notified.
- B. Neither party shall be liable for any default or delay in the performance of its obligations under this Contract if, while and to the extent such default or delay is caused by acts of God, fire, riots, civil commotion, labor disruptions, sabotage, sovereign conduct, or any other cause beyond the reasonable control of such Party. In

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the event of default or delay in contract performance due to any of the foregoing causes, then the time for completion of the services will be extended; provided, however, in such an event, a conference will be held within three (3) business days to establish a mutually agreeable period of time reasonably necessary to overcome the effect of such failure to perform.

31. INDEMNITY:

A. Definitions:

- i. "Indemnified Claims" shall include any and all claims, demands, suits, causes of action, judgments and liability of every character, type or description, including all reasonable costs and expenses of litigation, mediation or other alternate dispute resolution mechanism, including attorney and other professional fees for:
 - (1) damage to or loss of the property of any person (including, but not limited to the City, the Contractor, their respective agents, officers, employees and subcontractors; the officers, agents, and employees of such subcontractors; and third parties); and/or
 - (2) death, bodily injury, illness, disease, worker's compensation, loss of services, or loss of income or wages to any person (including but not limited to the agents, officers and employees of the City, the Contractor, the Contractor's subcontractors, and third parties),
- ii. "Fault" shall include the sale of defective or non-conforming Deliverables, negligence, willful misconduct, or a breach of any legally imposed strict liability standard.

B. THE CONTRACTOR SHALL DEFEND (AT THE OPTION OF THE CITY), INDEMNIFY, AND HOLD THE CITY, ITS SUCCESSORS, ASSIGNS, OFFICERS, EMPLOYEES AND ELECTED OFFICIALS HARMLESS FROM AND AGAINST ALL INDEMNIFIED CLAIMS DIRECTLY ARISING OUT OF, INCIDENT TO, CONCERNING OR RESULTING FROM THE FAULT OF THE CONTRACTOR, OR THE CONTRACTOR'S AGENTS, EMPLOYEES OR SUBCONTRACTORS, IN THE PERFORMANCE OF THE CONTRACTOR'S OBLIGATIONS UNDER THE CONTRACT. NOTHING HEREIN SHALL BE DEEMED TO LIMIT THE RIGHTS OF THE CITY OR THE CONTRACTOR (INCLUDING, BUT NOT LIMITED TO, THE RIGHT TO SEEK CONTRIBUTION) AGAINST ANY THIRD PARTY WHO MAY BE LIABLE FOR AN INDEMNIFIED CLAIM.

32. INSURANCE: (reference Section 0400 for specific coverage requirements). The following insurance requirement applies. (Revised 6/01/98).

A. General Requirements.

- i. The Contractor shall at a minimum carry insurance in the types and amounts indicated in Section 0400, Supplemental Purchase Provisions, for the duration of the Contract, including extension options and hold over periods, and during any warranty period.
- ii. The Contractor shall provide Certificates of Insurance with the coverages and endorsements required in Section 0400, Supplemental Purchase Provisions, to the City as verification of coverage prior to contract execution and within fourteen (14) calendar days after written request from the City. Failure to provide the required Certificate of Insurance may subject the Offer to disqualification from consideration for award. The Contractor must also forward a Certificate of Insurance to the City whenever a previously identified policy period has expired, or an extension option or hold over period is exercised, as verification of continuing coverage.
- iii. The Contractor shall not commence work until the required insurance is obtained and until such insurance has been reviewed by the City. Approval of insurance by the City shall not relieve or decrease the liability of the Contractor hereunder and shall not be construed to be a limitation of liability on the part of the Contractor.
- iv. The City may request that the Contractor submit certificates of insurance to the City for all subcontractors prior to the subcontractors commencing work on the project.

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- v. The Contractor's and all subcontractors' insurance coverage shall be written by companies licensed to do business in the State of Texas at the time the policies are issued and shall be written by companies with A.M. Best ratings of B+VII or better.
- vi. The "other" insurance clause shall not apply to the City where the City is an additional insured shown on any policy. It is intended that policies required in the Contract, covering both the City and the Contractor, shall be considered primary coverage as applicable.
- vii. If insurance policies are not written for amounts specified in Section 0400, Supplemental Purchase Provisions, the Contractor shall carry Umbrella or Excess Liability Insurance for any differences in amounts specified. If Excess Liability Insurance is provided, it shall follow the form of the primary coverage.
- viii. The City shall be entitled, upon request, at an agreed upon location, and without expense, to review certified copies of policies and endorsements thereto and may make any reasonable requests for deletion or revision or modification of particular policy terms, conditions, limitations, or exclusions except where policy provisions are established by law or regulations binding upon either of the parties hereto or the underwriter on any such policies.
- ix. The City reserves the right to review the insurance requirements set forth during the effective period of the Contract and to make reasonable adjustments to insurance coverage, limits, and exclusions when deemed necessary and prudent by the City based upon changes in statutory law, court decisions, the claims history of the industry or financial condition of the insurance company as well as the Contractor.
- x. The Contractor shall not cause any insurance to be canceled nor permit any insurance to lapse during the term of the Contract or as required in the Contract.
- xi. The Contractor shall be responsible for premiums, deductibles and self-insured retentions, if any, stated in policies. Self-insured retentions shall be disclosed on the Certificate of Insurance.
- xii. The Contractor shall endeavor to provide the City thirty (30) calendar days' written notice of erosion of the aggregate limits below occurrence limits for all applicable coverages indicated within the Contract.
- xiii. The insurance coverages specified in Section 0400, Supplemental Purchase Provisions, are required minimums and are not intended to limit the responsibility or liability of the Contractor.

B. Specific Coverage Requirements: Specific insurance requirements are contained in Section 0400, Supplemental Purchase Provisions

33. **CLAIMS:** If any claim, demand, suit, or other action is asserted against the Contractor which arises under or concerns the Contract, or which could have a material adverse affect on the Contractor's ability to perform thereunder, the Contractor shall give written notice thereof to the City within ten (10) calendar days after receipt of notice by the Contractor. Such notice to the City shall state the date of notification of any such claim, demand, suit, or other action; the names and addresses of the claimant(s); the basis thereof; and the name of each person against whom such claim is being asserted. Such notice shall be delivered personally or by mail and shall be sent to the City and to the Austin City Attorney. Personal delivery to the City Attorney shall be to City Hall, 301 West 2nd Street, 4th Floor, Austin, Texas 78701, and mail delivery shall be to P.O. Box 1088, Austin, Texas 78767.
34. **NOTICES:** Unless otherwise specified, all notices, requests, or other communications required or appropriate to be given under the Contract shall be in writing and shall be deemed delivered three (3) business days after postmarked if sent by U.S. Postal Service Certified or Registered Mail, Return Receipt Requested. Notices delivered by other means shall be deemed delivered upon receipt by the addressee. Routine communications may be made by first class mail, telefax, or other commercially accepted means. Notices to the Contractor shall be sent to the address specified in the Contractor's Offer, or at such other address as a party may notify the other in writing. Notices to the

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City shall be addressed to the City at P.O. Box 1088, Austin, Texas 78767 and marked to the attention of the Contract Administrator.

35. **RIGHTS TO BID, PROPOSAL AND CONTRACTUAL MATERIAL:** All material submitted by the Contractor to the City shall become property of the City upon receipt. Any portions of such material claimed by the Contractor to be proprietary must be clearly marked as such. Determination of the public nature of the material is subject to the Texas Public Information Act, Chapter 552, Texas Government Code.
36. **NO WARRANTY BY CITY AGAINST INFRINGEMENTS:** The Contractor represents and warrants to the City that: (i) the Contractor shall provide the City good and indefeasible title to the Deliverables and (ii) the Deliverables supplied by the Contractor in accordance with the specifications in the Contract will not infringe, directly or contributorily, any patent, trademark, copyright, trade secret, or any other intellectual property right of any kind of any third party; that no claims have been made by any person or entity with respect to the ownership or operation of the Deliverables and the Contractor does not know of any valid basis for any such claims. The Contractor shall, at its sole expense, defend, indemnify, and hold the City harmless from and against all liability, damages, and costs (including court costs and reasonable fees of attorneys and other professionals) arising out of or resulting from: (i) any claim that the City's exercise anywhere in the world of the rights associated with the City's ownership, and if applicable, license rights, and its use of the Deliverables infringes the intellectual property rights of any third party; or (ii) the Contractor's breach of any of Contractor's representations or warranties stated in this Contract. In the event of any such claim, the City shall have the right to monitor such claim or at its option engage its own separate counsel to act as co-counsel on the City's behalf. Further, Contractor agrees that the City's specifications regarding the Deliverables shall in no way diminish Contractor's warranties or obligations under this paragraph and the City makes no warranty that the production, development, or delivery of such Deliverables will not impact such warranties of Contractor.
37. **CONFIDENTIALITY:** In order to provide the Deliverables to the City, Contractor may require access to certain of the City's and/or its licensors' confidential information (including inventions, employee information, trade secrets, confidential know-how, confidential business information, and other information which the City or its licensors consider confidential) (collectively, "Confidential Information"). Contractor acknowledges and agrees that the Confidential Information is the valuable property of the City and/or its licensors and any unauthorized use, disclosure, dissemination, or other release of the Confidential Information will substantially injure the City and/or its licensors. The Contractor (including its employees, subcontractors, agents, or representatives) agrees that it will maintain the Confidential Information in strict confidence and shall not disclose, disseminate, copy, divulge, recreate, or otherwise use the Confidential Information without the prior written consent of the City or in a manner not expressly permitted under this Agreement, unless the Confidential Information is required to be disclosed by law or an order of any court or other governmental authority with proper jurisdiction, provided the Contractor promptly notifies the City before disclosing such information so as to permit the City reasonable time to seek an appropriate protective order. The Contractor agrees to use protective measures no less stringent than the Contractor uses within its own business to protect its own most valuable information, which protective measures shall under all circumstances be at least reasonable measures to ensure the continued confidentiality of the Confidential Information.
38. **OWNERSHIP AND USE OF DELIVERABLES:** The City shall own all rights, titles, and interests throughout the world in and to the Deliverables.
- A. **Patents.** As to any patentable subject matter contained in the Deliverables, the Contractor agrees to disclose such patentable subject matter to the City. Further, if requested by the City, the Contractor agrees to assign and, if necessary, cause each of its employees to assign the entire right, title, and interest to specific inventions under such patentable subject matter to the City and to execute, acknowledge, and deliver and, if necessary, cause each of its employees to execute, acknowledge, and deliver an assignment of letters patent, in a form to be reasonably approved by the City, to the City upon request by the City.
- B. **Copyrights.** As to any Deliverables containing copyrightable subject matter, the Contractor agrees that upon their creation, such Deliverables shall be considered as work made-for-hire by the Contractor for the City and the City shall own all copyrights in and to such Deliverables, provided however, that nothing in this Paragraph 38 shall negate the City's sole or joint ownership of any such Deliverables arising by virtue of the City's sole or

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joint authorship of such Deliverables. Should by operation of law, such Deliverables not be considered works made-for-hire, the Contractor hereby assigns to the City (and agrees to cause each of its employees providing services to the City hereunder to execute, acknowledge, and deliver an assignment to the City of) all worldwide right, title, and interest in and to such Deliverables. With respect to such work made-for-hire, the Contractor agrees to execute, acknowledge, and deliver and cause each of its employees providing services to the City hereunder to execute, acknowledge, and deliver a work-made-for-hire agreement, in a form to be reasonably approved by the City, to the City upon delivery of such Deliverables to the City or at such other time as the City may request.

- C. **Additional Assignments.** The Contractor further agrees to, and if applicable, cause each of its employees to, execute, acknowledge, and deliver all applications, specifications, oaths, assignments, and all other instruments which the City might reasonably deem necessary in order to apply for and obtain copyright protection, mask work registration, trademark registration and/or protection, letters patent, or any similar rights in any and all countries and in order to assign and convey to the City, its successors, assigns and nominees, the sole and exclusive right, title, and interest in and to the Deliverables. The Contractor's obligation to execute, acknowledge, and deliver (or cause to be executed, acknowledged, and delivered) instruments or papers such as those described in this Paragraph 38 a., b., and c. shall continue after the termination of this Contract with respect to such Deliverables. In the event the City should not seek to obtain copyright protection, mask work registration or patent protection for any of the Deliverables, but should desire to keep the same secret, the Contractor agrees to treat the same as Confidential Information under the terms of Paragraph 37 above.
39. **PUBLICATIONS:** All published material and written reports submitted under the Contract must be originally developed material unless otherwise specifically provided in the Contract. When material not originally developed is included in a report in any form, the source shall be identified.
40. **ADVERTISING:** The Contractor shall not advertise or publish, without the City's prior consent, the fact that the City has entered into the Contract, except to the extent required by law.
41. **NO CONTINGENT FEES:** The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure the Contract upon any agreement or understanding for commission, percentage, brokerage, or contingent fee, excepting bona fide employees of bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, the City shall have the right, in addition to any other remedy available, to cancel the Contract without liability and to deduct from any amounts owed to the Contractor, or otherwise recover, the full amount of such commission, percentage, brokerage or contingent fee.
42. **GRATUITIES:** The City may, by written notice to the Contractor, cancel the Contract without liability if it is determined by the City that gratuities were offered or given by the Contractor or any agent or representative of the Contractor to any officer or employee of the City of Austin with a view toward securing the Contract or securing favorable treatment with respect to the awarding or amending or the making of any determinations with respect to the performing of such contract. In the event the Contract is canceled by the City pursuant to this provision, the City shall be entitled, in addition to any other rights and remedies, to recover or withhold the amount of the cost incurred by the Contractor in providing such gratuities.
43. **PROHIBITION AGAINST PERSONAL INTEREST IN CONTRACTS:** No officer, employee, independent consultant, or elected official of the City who is involved in the development, evaluation, or decision-making process of the performance of any solicitation shall have a financial interest, direct or indirect, in the Contract resulting from that solicitation. Any willful violation of this section shall constitute impropriety in office, and any officer or employee guilty thereof shall be subject to disciplinary action up to and including dismissal. Any violation of this provision, with the knowledge, expressed or implied, of the Contractor shall render the Contract voidable by the City.
44. **INDEPENDENT CONTRACTOR:** The Contract shall not be construed as creating an employer/employee relationship, a partnership, or a joint venture. The Contractor's services shall be those of an independent contractor. The Contractor agrees and understands that the Contract does not grant any rights or privileges established for employees of the City.

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45. **ASSIGNMENT-DELEGATION**: The Contract shall be binding upon and enure to the benefit of the City and the Contractor and their respective successors and assigns, provided however, that no right or interest in the Contract shall be assigned and no obligation shall be delegated by the Contractor without the prior written consent of the City. Any attempted assignment or delegation by the Contractor shall be void unless made in conformity with this paragraph. The Contract is not intended to confer rights or benefits on any person, firm or entity not a party hereto; it being the intention of the parties that there be no third party beneficiaries to the Contract.
46. **WAIVER**: No claim or right arising out of a breach of the Contract can be discharged in whole or in part by a waiver or renunciation of the claim or right unless the waiver or renunciation is supported by consideration and is in writing signed by the aggrieved party. No waiver by either the Contractor or the City of any one or more events of default by the other party shall operate as, or be construed to be, a permanent waiver of any rights or obligations under the Contract, or an express or implied acceptance of any other existing or future default or defaults, whether of a similar or different character.
47. **MODIFICATIONS**: The Contract can be modified or amended only by a writing signed by both parties. No pre-printed or similar terms on any the Contractor invoice, order or other document shall have any force or effect to change the terms, covenants, and conditions of the Contract.
48. **INTERPRETATION**: The Contract is intended by the parties as a final, complete and exclusive statement of the terms of their agreement. No course of prior dealing between the parties or course of performance or usage of the trade shall be relevant to supplement or explain any term used in the Contract. Although the Contract may have been substantially drafted by one party, it is the intent of the parties that all provisions be construed in a manner to be fair to both parties, reading no provisions more strictly against one party or the other. Whenever a term defined by the Uniform Commercial Code, as enacted by the State of Texas, is used in the Contract, the UCC definition shall control, unless otherwise defined in the Contract.
49. **DISPUTE RESOLUTION**:
- A. If a dispute arises out of or relates to the Contract, or the breach thereof, the parties agree to negotiate prior to prosecuting a suit for damages. However, this section does not prohibit the filing of a lawsuit to toll the running of a statute of limitations or to seek injunctive relief. Either party may make a written request for a meeting between representatives of each party within fourteen (14) calendar days after receipt of the request or such later period as agreed by the parties. Each party shall include, at a minimum, one (1) senior level individual with decision-making authority regarding the dispute. The purpose of this and any subsequent meeting is to attempt in good faith to negotiate a resolution of the dispute. If, within thirty (30) calendar days after such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they will proceed directly to mediation as described below. Negotiation may be waived by a written agreement signed by both parties, in which event the parties may proceed directly to mediation as described below.
- B. If the efforts to resolve the dispute through negotiation fail, or the parties waive the negotiation process, the parties may select, within thirty (30) calendar days, a mediator trained in mediation skills to assist with resolution of the dispute. Should they choose this option, the City and the Contractor agree to act in good faith in the selection of the mediator and to give consideration to qualified individuals nominated to act as mediator. Nothing in the Contract prevents the parties from relying on the skills of a person who is trained in the subject matter of the dispute or a contract interpretation expert. If the parties fail to agree on a mediator within thirty (30) calendar days of initiation of the mediation process, the mediator shall be selected by the Travis County Dispute Resolution Center (DRC). The parties agree to participate in mediation in good faith for up to thirty (30) calendar days from the date of the first mediation session. The City and the Contractor will share the mediator's fees equally and the parties will bear their own costs of participation such as fees for any consultants or attorneys they may utilize to represent them or otherwise assist them in the mediation.
50. **JURISDICTION AND VENUE**: The Contract is made under and shall be governed by the laws of the State of Texas, including, when applicable, the Uniform Commercial Code as adopted in Texas, V.T.C.A., Bus. & Comm. Code, Chapter 1, excluding any rule or principle that would refer to and apply the substantive law of another state or jurisdiction. All issues arising from this Contract shall be resolved in the courts of Travis County, Texas and the

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parties agree to submit to the exclusive personal jurisdiction of such courts. The foregoing, however, shall not be construed or interpreted to limit or restrict the right or ability of the City to seek and secure injunctive relief from any competent authority as contemplated herein.

51. **INVALIDITY:** The invalidity, illegality, or unenforceability of any provision of the Contract shall in no way affect the validity or enforceability of any other portion or provision of the Contract. Any void provision shall be deemed severed from the Contract and the balance of the Contract shall be construed and enforced as if the Contract did not contain the particular portion or provision held to be void. The parties further agree to reform the Contract to replace any stricken provision with a valid provision that comes as close as possible to the intent of the stricken provision. The provisions of this section shall not prevent this entire Contract from being void should a provision which is the essence of the Contract be determined to be void.

52. **HOLIDAYS:** The following holidays are observed by the City:

<u>Holiday</u>	<u>Date Observed</u>
New Year's Day	January 1
Martin Luther King, Jr.'s Birthday	Third Monday in January
President's Day	Third Monday in February
Memorial Day	Last Monday in May
Independence Day	July 4
Labor Day	First Monday in September
Veteran's Day	November 11
Thanksgiving Day	Fourth Thursday in November
Friday after Thanksgiving	Friday after Thanksgiving
Christmas Eve	December 24
Christmas Day	December 25

If a Legal Holiday falls on Saturday, it will be observed on the preceding Friday. If a Legal Holiday falls on Sunday, it will be observed on the following Monday.

53. **SURVIVABILITY OF OBLIGATIONS:** All provisions of the Contract that impose continuing obligations on the parties, including but not limited to the warranty, indemnity, and confidentiality obligations of the parties, shall survive the expiration or termination of the Contract.

54. **NON-SUSPENSION OR DEBARMENT CERTIFICATION:**

The City of Austin is prohibited from contracting with or making prime or sub-awards to parties that are suspended or debarred or whose principals are suspended or debarred from Federal, State, or City of Austin Contracts. By accepting a Contract with the City, the Vendor certifies that its firm and its principals are not currently suspended or debarred from doing business with the Federal Government, as indicated by the General Services Administration List of Parties Excluded from Federal Procurement and Non-Procurement Programs, the State of Texas, or the City of Austin.

55. **EQUAL OPPORTUNITY**

- A. **Equal Employment Opportunity:** No Offeror, or Offeror's agent, shall engage in any discriminatory employment practice as defined in Chapter 5-4 of the City Code. No Offer submitted to the City shall be considered, nor any Purchase Order issued, or any Contract awarded by the City unless the Offeror has executed and filed with the City Purchasing Office a current Non-Discrimination Certification. Non-compliance with Chapter 5-4 of the City Code may result in sanctions, including termination of the contract

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and the Contractor's suspension or debarment from participation on future City contracts until deemed compliant with Chapter 5-4.

- B. **Americans with Disabilities Act (ADA) Compliance:** No Offeror, or Offeror's agent, shall engage in any discriminatory employment practice against individuals with disabilities as defined in the ADA.

56. BUY AMERICAN ACT-SUPPLIES (Applicable to certain Federally funded requirements)

- A. Definitions. As used in this paragraph –

- i. "Component" means an article, material, or supply incorporated directly into an end product.
- ii. "Cost of components" means -
 - (1) For components purchased by the Contractor, the acquisition cost, including transportation costs to the place of incorporation into the end product (whether or not such costs are paid to a domestic firm), and any applicable duty (whether or not a duty-free entry certificate is issued); or
 - (2) For components manufactured by the Contractor, all costs associated with the manufacture of the component, including transportation costs as described in paragraph (1) of this definition, plus allocable overhead costs, but excluding profit. Cost of components does not include any costs associated with the manufacture of the end product.
- iii. "Domestic end product" means-
 - (1) An unmanufactured end product mined or produced in the United States; or
 - (2) An end product manufactured in the United States, if the cost of its components mined, produced, or manufactured in the United States exceeds 50 percent of the cost of all its components. Components of foreign origin of the same class or kind as those that the agency determines are not mined, produced, or manufactured in sufficient and reasonably available commercial quantities of a satisfactory quality are treated as domestic. Scrap generated, collected, and prepared for processing in the United States is considered domestic.
- iv. "End product" means those articles, materials, and supplies to be acquired under the contract for public use.
- v. "Foreign end product" means an end product other than a domestic end product.
- vi. "United States" means the 50 States, the District of Columbia, and outlying areas.

- B. The Buy American Act (41 U.S.C. 10a - 10d) provides a preference for domestic end products for supplies acquired for use in the United States.
- C. The City does not maintain a list of foreign articles that will be treated as domestic for this Contract; but will consider for approval foreign articles as domestic for this product if the articles are on a list approved by another Governmental Agency. The Offeror shall submit documentation with their Offer demonstrating that the article is on an approved Governmental list.
- D. The Contractor shall deliver only domestic end products except to the extent that it specified delivery of foreign end products in the provision of the Solicitation entitled "Buy American Act Certificate".

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HELICOPTER/ AIRPLANE INSURANCE

1.0 PURPOSE

The City of Austin, hereinafter referred to as the City, seeks proposals in response to this Request for Proposal (RFP) from insurance agents/brokers and insurers qualified and experienced in providing liability and physical damage insurance coverage for helicopters and airplanes.

The City contemplates a one year contract with five (5) one year extension options.

2.0 OBJECTIVE

The City is interested in reviewing insurance quotations in order to obtain the most advantageous insurance coverage and provisions available in the marketplace. The helicopter and airplane coverage offered in this proposal shall be effective sometime in September, 2013.

3.0 MARKET ASSIGNMENTS

The process that will be used in order to obtain insurance quotations from qualified insurance carriers will be by market assignment. A Market assignment form must be completed by all agents and returned to the City **by June 19, 2013 at 2:00 p.m.** Central Standard Time. Please refer to **Attachment D**, located in Section 0600 of this proposal.

Agents shall not approach the insurance marketplace or "block" markets prior to receiving their market assignment letter. Carriers should consider any submission received prior to the release of the market assignment letters as null and void.

4.0 BILLING

Premium payments for this coverage are to be billed by invoice annually. No additional costs, such as interest, shall be applicable to this payment procedure. Invoices shall be submitted to the City of Austin, Human Resources Department, Risk Management Division, 505 Barton Springs Road, Suite 600, Austin, TX. 78704 thirty (30) days before payment is due.

5.0 SCOPE OF SERVICES

5.1 COVERAGE & LIMITS

The City desires the most comprehensive liability and physical damage insurance coverage available from brokers/agents and carriers experienced in writing aircraft liability and physical damage coverage. The City is interested in the broadest provisions allowing designated pilots to fly our crafts. The attachment list below is designed to provide an overview of our existing coverage and premium and loss history.

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Attachment A: Current Coverage and Provisions
Attachment B: Premium and Loss History
Attachment C: APD Air Enforcement Unit Pilot History

5.2 CLAIMS SERVICES

The City expects timely claims handling services and immediate response when catastrophic losses occur. Adjusters should be experienced in adjusting aircraft losses and be physically present at the loss site within 24 hours of any catastrophic event.

5.3 ANNUAL LOSS RUNS

The City expects annual premium and loss runs to be provided by the carrier. Loss runs should, at a minimum, specify the date of losses; full description of loss and the current paid and incurred status of each claim.

6.0 UNDERWRITING INFORMATION

The Named Insured shall be:

City of Austin
Attn: Police Department
P.O. Box 1088
Austin, TX. 78767-3411

The City of Austin currently owns 4 crafts:

- 1. 2012 Eurocopter - AS 350B3e helicopter, N6227**
- 2. 2001 Eurocopter - EC120 helicopter, N1240W**
- 3. 1973 Cessna -182P Airplane, N21475**
- 4. 1969 Bell - OH-58 helicopter, N909K**

6.1 2012 EUROCOPTER AS 350 B3e HELICOPTER

20 Eurocopter, FAA "N" No. 6227 was purchased on April 9, 2013 at a price of \$2.6m. It is a 2 Crew + 4 Passenger helicopter with a current agreed amount value of \$3.75m. Category: Rotorcraft. Class: helicopter.

Use: the helicopter is used by the Austin Police Department (APD) for law enforcement missions, including but not limited to patrol, surveillance, photography, firefighting/sling loads, and the rare transport of prisoners short distances to the City of Austin jail facility.

Housed: the helicopter is based at the Austin-Bergstrom International Airport. The helicopter is hangered at Atlantic Aviation, a fixed based operation, and the City's office is also there.

Maintenance: *Maintenance is performed by an APD employee who has attended both Eurocopter Airframe and Turbomeca Engine class for the AS350B3e.*

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Modifications: *List all modifications and whether manufacturer approved.* The helicopter was delivered from the factory with a Spectrolab Nightsun and FLIR Thermal Imager. The copter is now being outfitted with additional equipment. **See Attachment E.**

Land (L) Sea (S) Amphib (A) Rotorwing (R)	Purchased	Price Paid By Applicant (incl. extras)	Present Value (incl. extras)	Engine Make/ HP
L	New, 4-9-13	\$2.6m	\$3.75m	Turbomeca 970hp
TOTAL AIRFRAME HOURS:			na	
TOTAL ENGINE HOURS: <i>*Since mfg or last major overhaul</i>			na	
TOTAL HOURS OPERATED DURING LAST 12 MONTHS:			na	

Recurring Training Plan for Pilots:

Initial factory and annual recurrent training is conducted at Eurocopter in their EC 120. The unit plans to continue annual recurrent training at Eurocopter in their aircraft. The unit's helicopter flight instructor performs check rides and bi-annual flight reviews. The same process will be adhered to with the new Eurocopter AS350B3e.

1. The City, nor any officer or partner thereof, nor any pilot has ever been convicted or indicted in a legal action involving drugs.
2. No Insurance Company or Underwriter has at any time declined an aircraft application submitted by the City or cancelled or refused to renew any aviation insurance for the City or any of our pilots.
3. The Airworthiness Category is Standard.
4. The Aircraft operational and Airworthiness Certificate is in full force and effect.
5. There is no un-repaired damage to the aircraft.
6. There is absolutely no navigation outside the USA & Canada.
7. The helicopter is registered under the name of the City of Austin Police Department.
8. The City is the sole owner of the aircraft, and there are no mortgages or conditional sales contracts in effect.

1. Will any charge (other than operating expenses) be made for the use of the aircraft?	No
2. Will the aircraft be used for anything other than transporting people?	Yes
3. Will the aircraft be used anyplace other than at paved runway airports?	Yes
4. Will the aircraft be used outside the continental United States?	No
5. Do you own or exclusively lease any other aircraft?	Yes
6. Has the City used a non-owned aircraft in the last 24 months?	No
7. Does the City plan to use a non-owned aircraft in the next 12 months	No
8. Will the aircraft be used for student or pilot instruction?	Yes

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all "yes" answers to questions 1 – 8 above are explained below:

The helicopter is used for law enforcement missions. Unapproved airports or unpaved runways are used. Helicopter occasionally lands in fields, parking lots, and city streets. The helicopter is used for current training by named pilots. Emergency aircraft handling is taught to Tactical Flight Officers by the Chief Pilot based upon an approved syllabus.

6.2 2001 EUROCOPTER-EC120 HELICOPTER N1240W

2001 Eurocopter, FAA "N" No. N1240W was purchased on December 21, 2001 at a price of \$1,657,584. It is a 1 Crew + 4 Passenger helicopter with a current agreed amount value of \$1,600,000. Category: Rotorcraft. Class: helicopter.

Use: the helicopter is used by the Austin Police Department (APD) for law enforcement missions, including but not limited to patrol, surveillance, photography, and the rare transport of prisoners short distances to the City of Austin jail facility.

Housed: the helicopter is based at the Austin-Bergstrom International Airport. The helicopter is hangered at the Texas National Guard facility, and the City's office is also there.

Maintenance: ***Maintenance is performed by an*** APD employee who has attended both Eurocopter Airframe and Turbomeca Engine class for the EC120.

Modifications: List all modifications and whether manufacturer approved. The helicopter was delivered from the factory with a Spectrolab Nightsun and FLIR Thermal Imager. The Eurocopter Nightsun mount was later changed to a Meeker Mount that is Eurocopter and FAA approved.

Land (L) Sea (S) Amphib (A) Rotorwing (R)	Purchased	Price Paid By Applicant (incl. extras)	Present Value (incl. extras)	Engine Make/ HP
L	New, 12/21/01	\$1,657,584	1,600,000	Turbomeca 449 HP
TOTAL AIRFRAME HOURS:			8500	
TOTAL ENGINE HOURS: <i>*Since mfg or last major overhaul</i>			2120Since OH	
TOTAL HOURS OPERATED DURING LAST 12 MONTHS:			493	

There are 4 primary City of Austin pilots (Attachment C)

Recurring Training Plan for Pilots:

Initial factory and annual recurrent training is conducted at Eurocopter in their EC 120. The unit plans to continue annual recurrent training at Eurocopter in their aircraft. The unit's helicopter flight instructor performs check rides and bi-annual flight reviews.

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1. The City, nor any officer or partner thereof, nor any pilot has ever been convicted or indicted in a legal action involving drugs.
2. No Insurance Company or Underwriter has at any time declined an aircraft application submitted by the City or cancelled or refused to renew any aviation insurance for the City or any of our pilots.
3. The Airworthiness Category is Standard.
4. The Aircraft operational and Airworthiness Certificate is in full force and effect.
5. There is no un-repaired damage to the aircraft.
6. There is absolutely no navigation outside the USA & Canada.
7. The helicopter is registered under the name of the City of Austin Police Department.
8. The City is the sole owner of the aircraft, and there are no mortgages or conditional sales contracts in effect.

1. Will any charge (other than operating expenses) be made for the use of the aircraft?	No
2. Will the aircraft be used for anything other than transporting people?	Yes
3. Will the aircraft be used anyplace other than at paved runway airports?	Yes
4. Will the aircraft be used outside the continental United States?	No
5. Do you own or exclusively lease any other aircraft?	Yes
6. Has the City used a non-owned aircraft in the last 24 months?	No
7. Does the City plan to use a non-owned aircraft in the next 12 months	No
8. Will the aircraft be used for student or pilot instruction?	Yes

all "yes" answers to questions 1 – 8 above are explained below:

The helicopter is used for law enforcement missions. Unapproved airports or unpaved runways are used. Helicopter occasionally lands in fields, parking lots, and city streets. The helicopter is used for current training by named pilots. Emergency aircraft handling is taught to Tactical Flight Officers by the Chief Pilot based upon an approved syllabus.

6.3 1973 CESSNA 182P AIRPLANE N21475

1973 Cessna 182P FAA "N" No. N21475 has been owned and operated by the City for many years. The current market value of the craft is \$68,000. It is a 1 Crew + 3 Passenger fixed wing plane with an agreed amount value of \$68,000.

Use: the plane is used by the Austin Police Department (APD) for law enforcement missions including but not limited to patrol, aerial surveillance, photography, and the transport of prisoners within the state of Texas.

Housed: the plane is based from and hangered at the Austin-Bergstrom International Airport in the Signature Flight Support T Hanger.

Maintenance: The current mechanic is an APD employee. Major repairs and Annual Inspection are bid out to local repair stations.

Modifications: ***List all modifications and whether manufacturer approved.*** No modifications have been made to this aircraft.

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Land (L) Sea (S) Amphib (A) Rotorwing (R)	Purchased	Price Paid By Applicant (incl. extras)	Present Value (incl. extras)	Engine Make/ HP
L	Used, 4/1990	\$40,000	\$68,000	CONT 230 HP
TOTAL AIRFRAME HOURS:			3301	
TOTAL ENGINE HOURS: <i>*Since mfg or last major overhaul</i>			697.1	
TOTAL HOURS OPERATED DURING LAST 12 MONTHS:			21	

There are 5 City of Austin pilots. (Attachment C)

Recurring Training Plan for Pilots:

The City's current flight instructor provides training for the unit. Instrument competency checks and bi-annual flight reviews are conducted. The City currently has one individual who will work towards completion of commercial fixed wing and rotorcraft ratings.

1. The City, nor any officer or partner thereof, nor any pilot has ever been convicted or indicted in a legal action involving drugs.
2. No Insurance Company or Underwriter has at any time declined an aircraft application submitted by the City or cancelled or refused to renew any aviation insurance for the City or any of our pilots.
3. The Airworthiness Category is Standard.
4. The Aircraft operational and Airworthiness Certificate is in full force and effect.
5. There is no un-repaired damage to the aircraft.
6. There is absolutely no navigation outside the USA & Canada.
7. The airplane is registered under the name of the city of Austin Police Department.
8. The City is the sole owner of the aircraft, and there are no mortgages or conditional sales contracts in effect.

1. Will any charge (other than operating expenses) be made for the use of the aircraft?	No
2. Will the aircraft be used for anything other than transporting people?	Yes
3. Will the aircraft be used anyplace other than at paved runway airports?	Yes
4. Will the aircraft be used outside the continental United States?	No
5. Do you own or exclusively lease any other aircraft?	Yes
6. Has the City used a non-owned aircraft in the last 24 months?	No
7. Does the City plan to use a non-owned aircraft in the next 12 months	No
8. Will the aircraft be used for student or pilot instruction?	Yes

all "yes" answers to questions 1 – 8 above are explained below:

The Cessna is used for Law Enforcement missions including but not limited to Patrol, Aerial Surveillance, Aerial Photography, Evidence transport, Prisoner transport within the State of Texas, and instruction for advanced pilot ratings. Primary instruction can be given in the Cessna with an approved training syllabus and reduced coverage limits. The Cessna primarily lands on paved runways, but unimproved airports are occasionally used.

6.4 1969 BELL OH-58 HELICOPTER N909K

1969 Bell OH-58 helicopter, FAA "N" No. N909K was purchased in 2005. It is a 1 Crew + 3 Passenger helicopter with an agreed amount value of \$150,000

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Use: The Bell OH-58 was obtained from the US Army in June 2005. The current maintenance is performed by an individual who retired from both the Texas National Guard and Bell Helicopter Company as a mechanic.. The City of Austin Police Department will use the helicopter for Law Enforcement missions. The low skid gear has been replaced with high skid gear and a Nightsun has been installed. The helicopter pilots, with one exception have attended a Ground and Flight Instruction class put on by Bell Helicopter. It will be used primarily for daylight Patrol, but it will be used as a backup for the EC120 at night. Currently it is used for aerial photography. Maintenance will be shifted from the Military to the Bell Helicopter Civilian schedule.

Housed: the helicopters are based from and hangered at the Austin-Bergstrom International Airport at the Texas National Guard facility.

Maintenance: *The City's* current aircraft mechanic is a former Bell Helicopter employee, Federal Aviation Administration Airframe and Powerplant mechanic with Helicopter endorsement. He retired from the military and as a Federal Technician with over 30 years of hands on and supervisory experience working on Bell OH 58, Bell AH-1 Cobra and Sikorsky Blackhawk airframes.

Modifications: *List all modifications and whether manufacturer approved.* This helicopter was built for the US Military in 1969. It does not have a Standard Airworthiness Certificate. The military weapon systems have been removed. It will be operated as a Public Use Aircraft.

Land (L) Sea (S) Amphib (A) Rotorwing (R)	Purchased	Price Paid By Applicant (incl. extras)	Present Value (incl. extras)	Engine Make/ HP
L	Used, 6/2005	\$.00	\$150,000	Rolls Royce 420 HP
TOTAL AIRFRAME HOURS:			9178.3	
TOTAL ENGINE HOURS: <i>*Since mfg or last major overhaul</i>			389.1 SOH, 2273.2 TSN	
TOTAL HOURS OPERATED DURING LAST 12 MONTHS:			302	

There are 3 City of Austin pilots (Attachment C).

Recurring Training information:

The US Army at Ft Rucker provided an Initial checkout when delivery of the helicopter was purchased in 2005. In July 2006, Bell Helicopter provided Ground and Initial Flight training to the City's pilots. in Austin. The City's current licensed chief flight instructor will conduct recurrent training in the City's OH 58.

1. The City, nor any officer or partner thereof, nor any pilot has ever been convicted or indicted in a legal action involving drugs.
2. No Insurance Company or Underwriter has at any time declined an aircraft application submitted by the City or cancelled or refused to renew any aviation insurance for the City or any of our pilots.

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3. An Airworthiness Certificate was never issued to this aircraft by the FAA. It was built for the military.
4. There is no un-repaired damage to the aircraft.
5. There is absolutely no navigation outside the USA & Canada.
6. The helicopter is registered under the name of the City of Austin Police Department.
The City is the sole owner of the aircraft, and there are no mortgages or conditional sales contracts in effect.

1. Will any charge (other than operating expenses) be made for the use of the aircraft?	No
2. Will the aircraft be used for anything other than transporting people?	Yes
3. Will the aircraft be used anyplace other than at paved runway airports?	Yes
4. Will the aircraft be used outside the continental United States?	No
5. Do you own or exclusively lease any other aircraft?	Yes
6. Has the City used a non-owned aircraft in the last 24 months?	No
7. Does the City plan to use a non-owned aircraft in the next 12 months	No
8. Will the aircraft be used for student or pilot instruction?	Yes

all "yes" answers to questions 1 – 8 above are explained below:

The helicopter will be used for law enforcement missions after all planned repairs and maintenance are completed. Unapproved airports or unpaved runways are used. The Helicopter occasionally lands in fields, parking lots, and city streets. Named pilots will use the helicopter for currency training. No primary instruction will be given to student pilots for an initial rating. The helicopter may be used for turbine transition training.

6.5 ABIA subscribes to the following guidelines

The City is currently self-insured for general liability coverage; however, the City does have an airport liability policy with a \$100 Million liability limit. The airport subscribes to the following Airports Council International Insurance minimums:

(a)	Airlines	\$100,000,000 - \$250,000,000
(b)	Commuters	\$ 20,000,000
(c)	Fixed Base Operators	\$ 2,000,000
(d)	Concessionnaires	\$ 1,000,000
(e)	Contractors	\$ 5,000,000

6.6 ABIA Tower and runway operation

The Federal Aviation Administration operates and controls the tower operations. City staff maintains all runways.

Security

The City of Austin Police Department has a full time, 24 hour a day, Public Safety Division which consists of state certified police officers and aircraft rescue and firefighting personnel. The police officers have a dual function in that they provide all law

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enforcement and traffic enforcement services on airport property as well as administer the Federal Aviation Administration approved security program. The Aviation Department also manages and staffs a full time airport communications center. This center also houses the airport emergency operations center, which is activated during crisis situations. The principle goal of the security program is to prevent acts of terrorism towards civil aviation.

Special Note

The City received an Aviation Excellence Certificate from Phoenix Underwriters based upon an Aviation Safety Audit conducted in July, 2006.

7.0 PILOT UNDERWRITING INFORMATION

Refer to the **Attachment C** for pilot ratings and flight hour information. Due to the sensitive and confidential nature of police work, the City will not “post” personal information about our officers on the website. The City understands that the carrier awarded this coverage will require all pilots to complete and sign pilot information forms. The City agrees to have these forms completed and returned within one month of receipt.

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Request for Proposal Schedule:

RFP Issued	June 3, 2013
Market Assignment Forms due	June 19, 2013
Assignment Determined	June 25, 2013
Pre-Proposal Conference	July 2, 2013
Questions due	July 11, 2013
Proposals Due	July 19, 2013

SPECIAL INSTRUCTIONS TO ALL PROPOSERS:

This is an alternative Competitive Proposal and as such is governed by the procedures as outlined under SB 510 of the Local Government Code. Under the RFP process, sealed offers will be received and opened in the Purchasing Office. At and after opening, proposals will NOT be part of the public record and subject to disclosure, but will be kept confidential until time of award. When such award is completed, proposals will be available for public inspection.

ALL AGENTS/BROKERS WHO WISH TO PARTICIPATE IN THIS PROPOSAL MUST SUBMIT A REQUEST FOR MARKET ASSIGNMENT, ATTACHMENT D, AND MAY BE ASSIGNED UP TO TWO MARKETS. ATTACHMENT D MUST BE COMPLETED AND RETURNED TO THE PURCHASING OFFICE WEDNESDAY, JUNE 19, 2013 BY 2:00 P.M. CENTRAL STANDARD TIME IN ORDER TO PARTICPATE IN THIS PROPOSAL PROCESS.

1. PROPOSAL FORMAT

Prefacing the proposal, the Proposer shall provide an Executive Summary of two (2) pages or less, which gives in brief, concise terms, a summation of the proposal. The proposal itself shall be organized in the following format and informational sequence:

- A. **Part I - Business Organization:** State full name and address of your organization and identify parent company if you are a subsidiary. Specify the branch office or other subordinate element which will perform, or assist in performing, work herein. Indicate whether you operate as a partnership, corporation, or individual. Include the State in which incorporated or licensed to operate. State the name, email address, physical address, and telephone number of the person authorized to negotiate contract terms and render binding decisions on contract matters.
- B. **Part II – Carrier Qualifications:**
 1. Provide information regarding the history, organization, and service structure of the carrier (s) providing quotations. Please indicate the locations of the underwriting office and the claims services office. Provide a resume of the lead underwriter detailing their experience.
 2. Provide financial data for the carrier(s). Acceptable information would include a current Best's rating, Standard and Poor's rating, financial statements, or an annual report.
 3. For each **carrier** proposing coverage, provide a list of current Texas and out-of-state policyholders with exposures analogous to those of the City.

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C. Part III – Coverage, Limits and Customer Service:

1. Proposers providing coverage quotations must complete a Quote Sheet for each separate quote that is being submitted. ***The proposal will be considered non-responsive if the Quote Sheet (Section 0605) is not included.***
2. Attach sample policy forms, definitions and terminology, and endorsements for any options quoted. Highlight important exclusions, pilot and flight restrictions, and conditions found in the coverage you are proposing. Please be clear as to which coverage these limitations apply.
3. Provide an estimate of the time frame necessary to issue binders, policies, and endorsements.
4. Describe the claims adjusting philosophy utilized by the carrier, specific claims expertise available to handle our claims and furnish resumes of lead claims specialists. Highlight experience with governmental immunity. Indicate the average response time the City can expect when a catastrophic loss occurs.
5. Provide a statement of your compliance with all applicable rules and regulations of Federal, State, and Local governing entities. The Proposer must state his compliance with terms of this Request for Proposal.

D. Part IV - Experience: Describe only relevant corporate experience and individual experience for personnel who will be responsible for brokering and underwriting this insurance coverage. Do not include corporate experience unless personnel assigned to this account actively participated. Do not include experience prior to 2002. Supply the reference name, title, present address, and phone number of principal person for whom prior insurance coverage like the City's was written. Provide all resumes.

E. Part V - Non-Collusion, Non-Conflict of Interest, and Anti-Lobbying:

- i. Proposers, including their officers, owners, agents, representatives, subconsultants, employees, or parties in interest:
 - (1) shall not in any way collude, conspire or agree, directly or indirectly, with any person, firm, corporation or other Proposer or potential Proposer in regard to the amount of their proposal or the terms or conditions of their proposal.
 - (2) shall not pay, or agree to pay, directly or indirectly any person, firm, corporation or other Proposer or potential Proposer, any money or anything of value in return for assistance in procuring or attempting to procure a contract or in return for fixing the prices in the proposal or the proposal of any other Proposer. Proposers shall not pay money or anything of value in the future for these purposes.
 - (3) shall certify that none of the deciding factors set forth in the request for proposal or in the subsequent agreement were their idea or the idea of anyone representing their company, unless the suggestion was made at a meeting open to all Proposers, which all Proposers had notice of.
 - (4) must attest that they had no involvement in the development, preparation, evaluation, or other decision making process for this solicitation, and that should the Proposer receive a contract award in response to their proposal, no agent, representative, consultant or

**CITY OF AUSTIN
PURCHASING OFFICE
PROPOSAL PREPARATION INSTRUCTIONS AND EVALUATION FACTORS
SOLICITATION NUMBER: JSD0137
AVIATION INSURANCE**

subconsultant affiliated with the Proposer, who may have been involved in the development, preparation or evaluation or other decision making process for this solicitation, will have any financial interest, direct or indirect, in said contract.

(5) must state that there are no other potential or actual conflicts of interest regarding this solicitation.

(6) shall certify that no officer or stockholder of their company is an employee of the City of Austin, or an employee of any elected official of the City, or is related to any employee or elected official of the City of Austin.

(7) shall not have undertaken or will not undertake any activities or actions to promote or advertise their proposal to any member of any City Commission reviewing the proposals, member of the Austin City Council or City staff except in the course of City-sponsored inquiries, briefings, interviews or presentations between the date that the Request for Proposal was issued and the date of award by City Council.

ii. Proposers shall sign and return with their proposal, the affidavit of Non-Collusion, Non-Conflict of Interest, and Anti-Lobbying located in section 0805 herein.

F. **Part VI - Proposal Acceptance Period:** All proposals must include a statement that they are valid for a minimal period of one hundred and twenty (120) days subsequent to the RFP closing date.

G. **Part VII - Proprietary Information:** All material submitted to the City becomes public property and is subject to the Texas Open Records Act upon receipt. If a Proposer does not desire proprietary information in the proposal to be disclosed, each page must be identified and marked proprietary at time of submittal. The City will, to the extent allowed by law, endeavor to protect such information from disclosure. The final decision as to what information must be disclosed, however, lies with the Texas Attorney General. Failure to identify proprietary information will result in all unmarked sections being deemed non-proprietary and available upon public request.

H. **Part VIII - Authorized Negotiator:** Include name, address, EMAIL ADDRESS, and telephone number of person in your organization authorized to negotiate contract terms and render binding decisions on contract matters.

2. EXCEPTIONS:

If any exceptions are taken to any portion of the Solicitation, the Proposer must clearly indicate the exceptions taken and include a full explanation as a separate attachment to the Proposal. The failure to identify exceptions or proposed changes with a full explanation will constitute acceptance by the Proposer of the Solicitation as proposed by the City. The City reserves the right to reject a proposal containing exceptions, additions, qualifications or conditions not called for in the solicitation.

3. PROPOSAL PREPARATION COSTS:

All costs directly or indirectly related to preparation of a response to the RFP or any oral presentation required to supplement and/or clarify a proposal which may be required by the City shall be the sole responsibility of the Proposer.

**CITY OF AUSTIN
PURCHASING OFFICE
PROPOSAL PREPARATION INSTRUCTIONS AND EVALUATION FACTORS
SOLICITATION NUMBER: JSD0137
AVIATION INSURANCE**

4. EVALUATION FACTORS AND AWARD

A. **Competitive Selection:** This procurement will comply with applicable City of Austin Policy. The successful Proposer will be selected by the City on a rational basis. Evaluation factors outlined in Paragraph b below shall be applied to all eligible, responsive Proposers in comparing proposals and selecting the successful Proposer. Award of a contract may be made without discussion with Proposers after proposals are received. Proposals should, therefore, be submitted on the most favorable terms.

B. **Evaluation Factors:**

i. All proposals will be evaluated based on the following criteria and rankings. Maximum 100 points.

35 points Coverage and Limits:
Depth and scope of Coverage and limits provided, restrictions impacting coverage, customer service philosophy, ability to analyze exposures and to identify other risk management options.

30 points Premiums Quoted:
Competitive quotes received at various limit and deductible levels.
The Proposer with the lowest overall cost proposal is given the maximum points; a percentage ratio formula is applied to remaining proposers.

15 points Carrier Qualifications:
Financial strength of the carrier, organizational and service structure, experience with Aircraft liability and physical damage accounts and stability in the market place, and underwriter's expertise and experience.

10points Claims Services:
Claim response time, claims philosophy and experience with accounts which have governmental immunity, claims adjuster's expertise and experience, Ability to furnish detailed loss information.

10 points Local Presence:
Reference Section 0200 – Solicitation Instruction, paragraph 12C. For Local Business Presence to be considered a completed Section 0605 must be returned with the Offer.

ii. Interviews Optional: Interviews may be conducted at the discretion of the City. Maximum 25 points.

ORIGINAL

AVIATION INSURANCE
(AIRCRAFT PHYSICAL DAMAGE AND
LIABILITY INSURANCE)

SOLICITATION NUMBER
RFP 5800 JSD0137
CLOSING DATE AND TIME 2PM 8/8/2013
FOR

CITY OF AUSTIN
AUSTIN POLICE DEPARTMENT
Effective Dates: TBA



Phoenix Aviation Managers, Inc.

ARRANGED BY:



DONN GAUGER, VICE PRESIDENT
FALCON INSURANCE AGENCY, INC.
P.O. Box 92409
AUSTIN, TX 78709
(512) 891-8473
(512) 891-8483 FAX

1

BUSINESS ORGANIZATION
FALCON INSURANCE AGENCY, INC.

2

CARRIER QUALIFICATIONS
PHOENIX AVIATION MGRS, INC.
HISTORY, STRUCTURE, FINANCIAL DATA,
CURRENT MUNICIPAL CLIENTS

3

COVERAGE, LIMITS, AND CUSTOMER SERVICE
QUOTE SHEET, COVERAGE
PROPOSAL, SERVICE TIME FRAME, SAMPLE
POLICY FORMS, UNDERWRITING & CLAIMS,
COMPLIANCE STATEMENT

4

EXPERIENCE
PROFESSIONAL PROFILE - DONN GAUGER,
CLIENT REFERENCES.

5

**NON-COLLUSION, NON-CONFLICT
OF INTEREST, AND ANTI-LOBBYING
REQUIRED BID FORMS**

6

PROPOSAL ACCEPTANCE PERIOD

7

PROPRIETARY INFORMATION

8

AUTHORIZED NEGOTIATOR



DONN E. GAUGER, II
Vice President

AVIATION INSURANCE SPECIALISTS
website: www.falconinsurance.com

P.O. BOX 92409
AUSTIN, TEXAS 78709-2409
dgauger@falconinsurance.com

512-891-8473
800-370-0557
FAX 512-891-8483
CELL 512-636-7443

August 1, 2013

City of Austin
Jeffrey Dilbert
Municipal Building
124 W 8th Street
Austin, TX 78701

**RE: RFP 5800 JSD0137
Aviation Insurance**

Dear Mr. Dilbert,

We are pleased to enclose our response to the above referenced Request for Proposal outlining terms as offered by Phoenix Aviation Managers, Inc. which is the current insurer for this coverage for the City of Austin.

Enclosed you will find an original and 5 signed copies as requested. If there are any questions or if additional clarification on any items are required, please do not hesitate to contact me.

Thank you for the opportunity to respond to the RFP.

Sincerely,



Donn Gauger
Vice President

RFP 5800 JSD 0137

AVIATION INSURANCE

ORIGINAL

EXECUTIVE SUMMARY

We are pleased to enclose a proposal outlining terms as offered by Phoenix Aviation Managers, Inc. for the Aviation Insurance for the City of Austin, Austin Police Department.

Phoenix Aviation Managers, Inc. a member of Old Republic International Corporation, Chicago, Illinois, serves as a Managing General Agency for Old Republic Insurance Company as respects aviation insurance coverages. Insurance contracts underwriting by Phoenix Aviation are issued by Old Republic Insurance Company, which has total assets exceeding \$1.00 Billion, capital exceeding \$4.00 Billion and is rated "A XP" by A M Best, A+ by Standard & Poors, A2 by Moody's.

Phoenix Aviation Managers, Inc. is one of the leading insurers of Commercial Airports and Municipal Aircraft Fleets in the country.

Phoenix Aviation Managers has offered a very broad and comprehensive coverage package. They have also quoted increased limits of liability for your consideration.

The quoted coverage includes:

- Hull & Liability as requested per the RFP, as well as options for increased limits of liability.
- Competitive pricing for requested limits, as well as the increased limits of liability. Both options are offered at a reduction from your current year premiums based on your safety record, continued excellence in operations and training.
- **While Named Student pilots are receiving instruction in the C182 the limit of liability is \$5,000,000 CSL.** This is an increase in coverage over current policy and bid requirements. (Full policy limit applies to Private Pilots or better)
- **Uses as required as outlined**
- **Pilots as approved by the Named Insured (Any Properly licensed and certificated pilot as approved by the chief pilot or his designee)**
- Mutual Aid Liability
- Non Owned Aircraft Liability
- Passenger Voluntary Settlement, including crew
- Personal Injury Coverage
- Property Damage to Non Owned Aircraft
- Medical Expense Payments
- Premises Medical Expense Payments
- Coverage for Baggage / Personal Effects
- Coverage for Spare Parts, including Transit (including equipment and tools of insured and insured's employees)
- Damage to Non Owned Hangars
- Emergency Foaming Expense Coverage
- Emergency Landing Expense Coverage
- Search and Rescue Expense Coverage

RFP 5800 JSD 0137

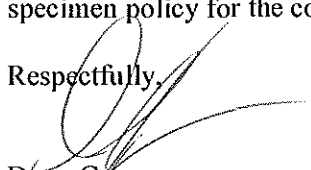
AVIATION INSURANCE

EXECUTIVE SUMMARY

- Temporary Replacement Parts
- Coverage for Mechanics Tools
- Automatic Coverage for Newly Acquired Aircraft
- Liability for Sale of Aircraft
- Loss of Use
- Trip Interruption Expense
- Extra Expense – Rental of Temporary Aircraft Coverage
- Cargo Legal Liability
- On Airport Premises Auto Liability
- Premises Liability
- Mobile Equipment Liability
- Contractual Liability
- Mutual Aid Agreement
- Knowledge and Consent
- Unintentional Failure to Report
- Governmental Immunity Endorsement
- War Risk Hull & Liability Coverage
- 90 Day Notice of Cancellation Clause, for reasons other than non payment of premium
- Emergency landing includes intentional /deliberate landing off airport, including aircraft retrieval, wither the aircraft is damaged or not
- Phoenix Aviation Managers offers an Aviation Audit Safety Survey provided to the insured at no charge.
- **15% No Claims Bonus on Renewal will apply with respects to the Physical Damage Premium only in the event there are no claims / losses prior to expiration of coverage – if renewed with Phoenix Aviation Managers. (This is an increase from 10% to 15%, current policy is at 10% NCBOR).**
- TRIA (Terrorism Risk Insurance ACT) Coverage can be included at no additional premium when War Risk Hull & Liability are purchased
- Unearned Premium Insurance

Please review the proposal for the complete listing and description of coverages offered and the specimen policy for the coverage wording.

Respectfully,


Donn Gauger
Vice President
Falcon Insurance Agency, Inc.
Austin, TX

Part I – Business Organization

Headquarters:

Falcon Insurance Agency, Inc.

1001 Water Street, Bldg K, Suite 100
Kerrville, TX 78028

PO Box 291388
Kerrville, TX 78029

(800) 880-4545
(830) 792-1144 fax

John Allen
Owner/ President

Local Branch Office

Falcon Insurance Agency, Inc.

5316 Hwy 290 W, Suite #440
Austin, TX 78735

PO Box 92409
Austin, TX 78709
800-370-0557
512-891-8473
512-891-8483 fax

Donn Gauger
dgauger@falconinsurance.com
Vice President, Producer & Account Executive

Donn Gauger, with the Austin Branch Office will be responsible for servicing your account, and is the authorized person to negotiate contract terms and render binding decisions on contract matters.

Falcon Insurance Agency, Inc headquartered in Kerrville, TX is licensed in all 50 States and Donn Gauger is a Resident Agent License in Texas, and also holds a Texas Surplus Lines License, in addition he holds non resident licenses for 16 additional States.



Falcon Insurance Agency is one of the largest independently owned aviation insurance specialists in the country. We represent all markets and underwriters, both foreign and domestic.

For over 30 years, we have made it our business, to cover the insurance needs of the aviation community. We realize that every customer's aviation insurance requirements are unique. Our customers can be certain that their coverage is carefully tailored and customized to their specific needs. We are dedicated to providing superior risk management products and services to you.

Falcon's focus has been on providing and delivering innovative risk solutions and superior service to the aviation community. Our services include but are not limited to risk management functions, negotiation of insurance placements, claim management, loss control and risk management information systems.

We insure:

- Pleasure and Business
- EMS / Air Ambulance
- Instruction and Rental
- Law Enforcement
- Fire Fighting
- Oil Platform Operations
- Forestry
- Part 91 Industrial Aid
- Part 127 Air Carrier
- Part 133 Slung Load / External Cargo
- Part 135 Charter
- Cargo Operations
- News and Traffic
- Aerial Tours / Sightseeing
- Aerial Applicators
- Utilities Patrol and Construction
- Construction
- Rice Pollination
- Animal Capture / Control / Survey
- Cattle Herding
- Aerial Photography
- Heli-Skiing

Also:

- Airport and Heliport Liability
- Fleet Policies
- Maintenance, Repair, and Overhaul
- Parts Manufacturers and Distributors
- Products and Completed Operations
- Hangar and Property Policies

... And everything else Aviation.



Branch Offices



★ Kerrville, TX — Corporate Headquarters

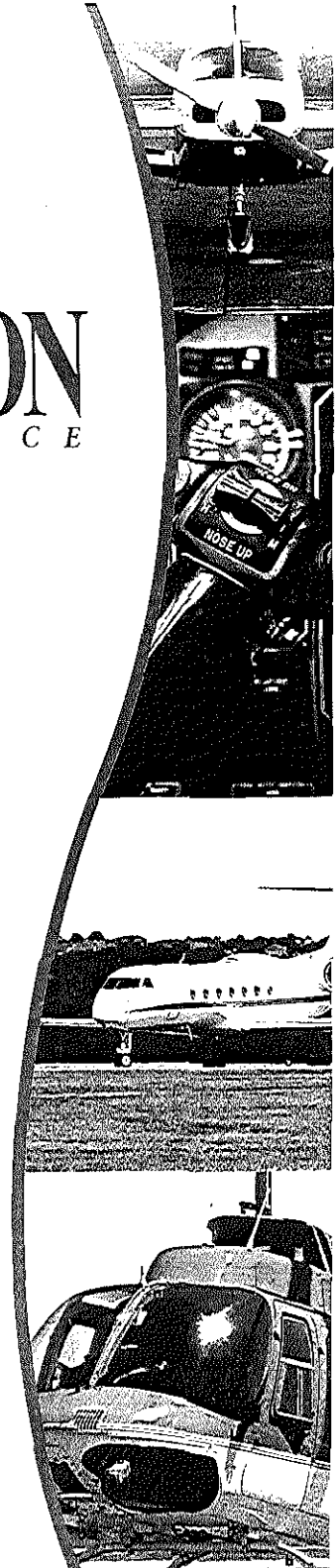
- Austin, TX
- Columbus, OH
- Dallas, TX
- Houston, TX
- Lakeland, FL
- Oshkosh, WI
- Pittsburgh, PA
- Scottsdale, AZ
- Soldotna, AK
- St. Louis, MO
- Upland, CA

Kerrville, TX - Headquarters	(800) 880-4545
Austin, TX	(800) 370-0557
Dallas, TX	(800) 880-0801
Houston, TX	(800) 880-8822
Soldotna, AK	(888) 543-5548
Scottsdale, AZ	(800) 880-3597
Upland, CA	(800) 624-8856
Lakeland, FL	(800) 881-9688
St. Louis, MO	(800) 880-8644
Columbus, OH	(888) 405-1055
Pittsburgh, PA	(412) 787-7017
Oshkosh, WI	(877) 230-3257

Visit us online
www.falconinsurance.com

FALCON
INSURANCE

Aviation
Insurance
Specialists
Since 1979





The Falcon Advantage...

Long-term relationships.

Our management team has long and trusted relationships with every aviation underwriter. We don't just work with the underwriting markets, we grew up together. This fact allows us to go straight to the top to solve unique problems, meet tighter deadlines, and give our clients the greatest consideration possible.

Large Volume.

We are licensed in all 50 states, and have access to all foreign and domestic markets. Our large client base of over 30,000 individual clients gives us added negotiating leverage unmatched by any competitor.

Aviation Expertise.

We are fluent in aviation. Falcon employs aviation experts nation wide that do 100% aviation policies. A large percentage of our agents are pilots, former aviation underwriters, or have aviation business experience. This depth of expertise helps us custom tailor coverage packages to meet your unique aviation needs, and helps us be much more accurate, thorough, and competitive than a typical Property and Casualty agent who writes aviation "on the side".

The Right Motivation.

Most of our agents are 100% salaried employees. Our goal is to have you as a customer for life, not to squeeze as much money out of you as we can in the short term to pad our commissions. We comparison shop all markets, every year, and always look for ways to save you money and expand your coverage options. You will come to consider us part of your aviation operation and know we are on your side.

Technology.

Our computer networks are directly tied to many major underwriters' quoting systems, allowing us to receive many kinds of quotes in a matter of hours rather than days. We utilize the best technology available to maximize our speed and accuracy in quoting. Several markets also allow us to issue certificates and binders in house, so many service requests can be completed the same day.



Experience...

Since our founding in 1979, we've made aviation insurance our only business. Many of our clients have been with us for decades. Falcon Insurance is the largest independently owned aviation insurance specialist in the country and insures over 10% of the entire U.S. aircraft fleet.

Service...

We have kept service and customer satisfaction our top priority. When you call any of our offices, you will always be greeted by a friendly person on the other end of line. We have teams of agents that back each other up when we're out of the office, and you can rest assured an expert is always a phone call or e-mail away, ready to quickly respond to your service needs throughout the year. We think beyond the front-end sale, and know excellence in service will keep our customers for life.



Falcon Insurance
www.falconinsurance.com



PHOENIX AVIATION MANAGERS, INC.

Daniel Bullard

Senior Vice President
Dallas Branch Manager

Daniel has spent the last 24 years in aviation underwriting, with tours in Houston, New York and now Dallas.

He received his BBA from the University of North Texas and his MBA from Rice University.

A native of Houston, Texas, Daniel earned his Private Pilot's license in 1982. He now holds a Commercial Pilot Certificate with Airplane Single Engine Land and Sea Ratings, Airplane Multi-Engine Land, and Instrument Ratings. He is also a Certified Flight Instructor, an Advanced Ground Instructor and flies regularly for both business and pleasure.

Helen F. Knight

Vice President
Manager Special Risk/Airport Department
Senior Commercial Underwriter – Dallas Branch Office

With over forty years in the aviation insurance industry, Helen began her career in 1963 with International Aviation Underwriters, later known as Aviation Office of America. She has experience in surplus line and reinsurance placements as well as commercial aircraft, airline ground handlers and airport wrap up coverages.

From 1994 until January, 2000, Helen was Senior Vice President and Manager of the Special Account Department for Great American Insurance Company specializing in underwriting airports, municipal aircraft fleets, ground handlers and placement of facultative reinsurance and surplus lines.

Helen joined Phoenix Aviation Managers in February, 2000 as Vice President of the Special Risk Department. She is responsible for managing and underwriting airports, municipal aircraft fleets and ground handlers as well as reinsurance or warranty placements required to fulfill the needs of clients.



PHOENIX AVIATION MANAGERS, INC.

Phoenix Aviation Managers, Inc. administers the handling of all claims. In some special cases, and only after consultation with the Insured, we appoint local Insurance adjusters to conduct investigations under our supervision. All investigations are coordinated through designated airport personnel.

Our emphasis is on prompt, efficient, proactive claims handling. Strong communications with all concerned, particularly our Insureds, is a cornerstone of the operation.

We do not abdicate handling to defense attorneys when cases enter suit. We maintain an aggressive approach throughout the life of the case. We are strong believers in mediation and arbitration as alternative means of resolving litigation. Our claims staff are active negotiators. But we are not adverse to carrying cases through trial, when appropriate and, for that reason, we seek strong, aggressive defense attorneys. We use local defense counsel chosen in concert with our insureds.

With respect to aircraft losses, these could be handled from our offices in Dallas or Atlanta. We have a strong contingent of aircraft adjusters in both of those offices. As with the non-aircraft losses, we emphasize the need to fully coordinate our activities with our insureds.

Our airport losses are handled from our offices in Atlanta and New Orleans. The New Orleans office is headed by Greg C. Fuxan, Assistant Vice President/Airport Division Claims Manager. The staff of five has over 100 years of claims experience.

When we are working on airport claims, we copy the airports and producing agents on all appropriate correspondence. We work hard to be joint participants with the airports during the entire claims process.

Additionally, we assist airports by making recommendations in regard to hazardous situations and contractual shortcomings that we discover during our claims handling.

Old Republic and its key subsidiary companies have received high claims-paying ability ratings and have retained or improved them.



PHOENIX AVIATION MANAGERS, INC.

ACCOUNTS WRITTEN BY PHOENIX AVIATION MANAGERS
OLD REPUBLIC INSURANCE COMPANY

CITY OF AUSTIN – AUSTIN POLICE DEPARTMENT

CITY OF COLUMBUS, OHIO

CITY OF MEMPHIS

STATE OF ALABAMA

STATE OF NEVADA

COUNTY OF SACRAMENTO

CITY OF ANAHEIM

CITY OF SACRAMENTO

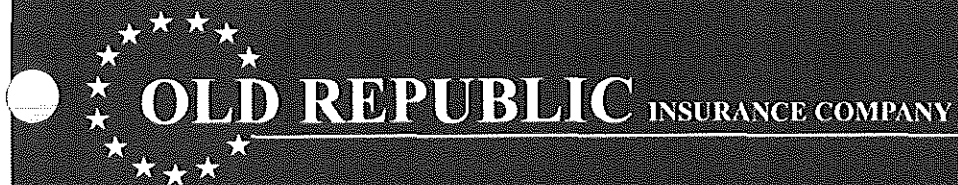
CITY OF SAN DIEGO

CITY OF INDIANAPOLIS

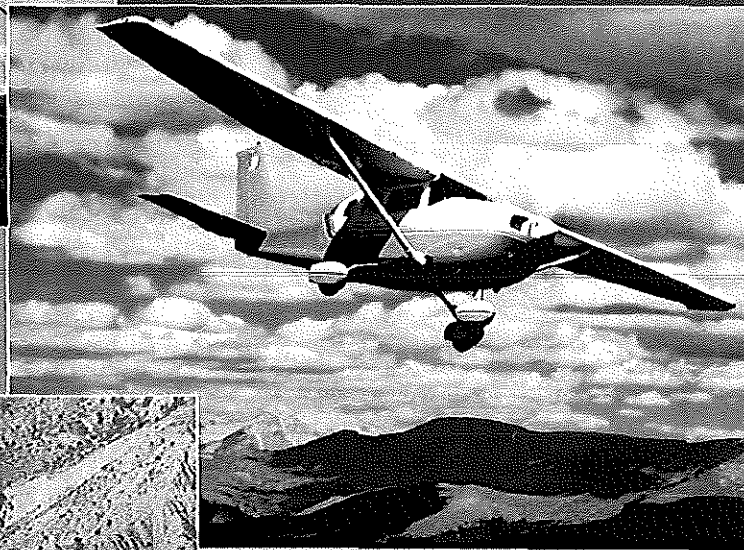
ARKANSAS STATE HIGHWAY DEPARTMENT

THIS IS ONLY A FEW OF THE ACCOUNTS WRITTEN

PHOENIX MUNICIPAL
CLIENTS (SEC. 2.3)



Defining Excellence in Aviation Insurance



ABOUT OLD REPUBLIC INTERNATIONAL CORPORATION

Old Republic International Corporation is an insurance holding company whose subsidiaries market, underwrite and provide risk management and insurance services for a wide variety of coverages in the property and liability, title, mortgage guaranty and life and health fields. One of the nation's 50 largest publicly held insurance enterprises, Old Republic has assets exceeding \$13 billion and capitalization exceeding \$4 billion.

Insurance contracts underwritten by Phoenix Aviation Managers, Inc. are issued by Old Republic Insurance Company, a member of Old Republic group of insurance companies. As of March 2011, Old Republic Insurance Company is rated A+ (Superior) by A.M. Best (for latest ratings, access www.ambest.com), A by Fitch, Aa2 by Moody's and A+ by Standard and Poor's. *

**Rating determinations made by rating agencies are subject to change from time to time. While the Company attempts to show accurate information, it cannot assure the reliability of ratings referred to herein and assumes no obligation to monitor the ratings of any agency or to immediately incorporate any rating changes applicable to the Company.*

CORPORATE AVIATION

PHYSICAL DAMAGE

Risks Insured:

- Aircraft hull, from avionics to airframe, total protection

Limits:

- Hull, up to \$35,000,000 agreed value of aircraft

Features:

- Protects against physical damage to aircraft
- Can be written without a deductible to include or exclude flight exposure
- Can cover the cost of renting substitute aircraft if an insured aircraft is damaged
- Protects lenders who have an insurable interest in hull with breach of warranty provision

LIABILITY

Risks Insured:

- Passengers
- Others injured by operation of aircraft
- Property of others

Limits:

- All three coverages issued with up to a \$250,000,000 combined single limit of liability*

**Limits are available to meet European Union aircraft operators insurance requirements.*

Features:

- Broad Form Expansion Coverages available including:
 - Contractual Liability
 - Cargo Liability
 - Use of Mobile Equipment
 - Ground Hangarkeepers
 - Voluntary Settlement

WORKER'S COMPENSATION INSURANCE

Flight Operations:

- Corporate Flight Crews
- Charter Flight Crews
- Aircraft Management Firms
- Regional Airlines
- Fixed Base Operators
- Air Cargo
- Flight Training

Ground Operations:

- Aircraft Manufacturers
- Aircraft Component Manufacturers
- Maintenance, Repair and Overhaul Facilities
- Aviation Related Government/Defense Contractors

Other:

- U.S. Operations of International Airlines
- Public Entity Flight Operations
- Select Airport Operators

What We Offer:

- Guaranteed Cost Policy
- Retrospectively Rated Policy
- Large Deductible Policy
- Association Group Dividends
- Small Deductible Policy
- Foreign Voluntary Coverage
- Voluntary Compensation Coverage

INSURANCE FOR PLEASURE & BUSINESS AIRCRAFT OWNERS

Risks Insured:

- Many models of owner flown single and multi-engine piston powered aircraft
- Includes Special Light Sport Aircraft and Seaplanes
- All levels of pilot experience considered, from Sport or Student to ATP

Limits:

- Hull coverage up to \$1,500,000
- Multiple Liability options up to \$2,000,000 based on qualifications, higher available for pro pilots

Features:

- Broad Coverage Expansion
- Advanced Training Discounts (certain models)
- AOPA/ASF Accident Forgiveness Participant
- Exceptional Service: Online System for Agent quoting and binding, super fast electronic policies

COMMERCIAL AVIATION

Risks Insured:

- Fixed Base Operations
- Flight Schools
- University Flight Programs
- Charter Services – Piston & Turbine
- Aerial Photography
- Sight Seeing Operations
- Aircraft Avionics Repair & Service Facilities
- Fueling Operations
- Hangarkeeper's Liability

Limits:

- Hull, up to \$10,000,000 agreed value of aircraft
- Liability up to \$25,000,000 combined single limit

Features:

- Flexible Underwriting Approach
- Broad Policy Form
- Good Experience Credit
- Pay-By-The-Hour Insurance Program

AIRPORT & SPECIAL RISKS

CLASSES

Airport Liability:

- Commercial
- General Aviation

Risks Insured:

- Bodily injury, personal injury and property damage

Limits:

- High capacity
 - Primary Limits to \$100,000,000 including War Risks and TRIA
 - Excess capacity to total limit of \$500,000,000 (London Contract)

Government Aircraft:

- State, County and Cities – Aircraft physical damage and liability
- High capacity
- Typically written on a gross-line (100%) basis

Features:

- Airport - One stop shopping for Airport Liability, WCA/EL
- Special Risks Liability

AGRICULTURAL AVIATION

Risks Insured:

- Aircraft Liability Protection for Aerial Applicators
- Liability Protection for Chemical Drift Claims
- All Risk Aircraft Physical Damage Coverage
- Aerial Applicator Premises Liability Coverage
- Single and Multi-Engine, Piston or Turbine Powered, Fixed Wing or Rotorcraft

Limits:

- \$5,000,000 Aircraft Liability Excluding Chemical
- \$500,000 Chemical Liability
- Hull, up to \$800,000 Agreed Value of Aircraft
- \$1,000,000 Premises Liability

Features:

- Extremely Broad, Plain Language Policy
- Flexible Underwriting

THE ADVANTAGES OF INSURING WITH PHOENIX AVIATION MANAGERS

Excellent Reputation for Service & Stability:

- Highly experienced and knowledgeable underwriters

Underwriting Expertise & Flexibility:

- Ability to handle diverse and complex risks

Superior Loss Control and Claims Services:

- From our in-house staff of claims and loss control professionals

Specialization:

- Combined expertise in both aviation and insurance

Phoenix Aviation Managers, Inc.



CONTACTS

UNDERWRITING BRANCH

Phoenix Aviation
P.O. Box 440757
Kennesaw, GA 30160

www.phoenixaviationmgrs.com

AVIATION CLAIMS

Atlanta

1990 Vaughn Road, Suite 350
Kennesaw, GA 30144

Phone: 770-590-4950
Facsimile: 770-590-0599

Chicago

215 Shuman Blvd., Suite 208
Naperville, IL 60563

Phone: 630-369-1076
Facsimile: 630-369-1221

Dallas

15660 North Dallas Parkway, Suite 400
Dallas, TX 75248

Phone: 972-991-7223
Facsimile: 972-759-0243

Seattle

555 S. Renton Village Place, Suite 550
Renton, WA 98057

Phone: 425-264-1068
Facsimile: 425-277-0112

Home Office

Atlanta, Georgia
Outside U.S.A.

Phone: 770-590-4950
Facsimile: 770-919-8646

Baltimore, Maryland

Phone: 410-321-0314
Facsimile: 410-321-0392

Boise, Idaho

Phone: 208-286-9896
Facsimile: 208-286-9897

Cincinnati, Ohio

Phone: 513-947-2111
Facsimile: 513-947-2100

Dallas, Texas

Phone: 972-991-7223
Facsimile: 972-720-1117

Denver, Colorado

Phone: 303-989-7902
Facsimile: 303-980-6930

Los Angeles, California

Phone: 805-496-7181
Facsimile: 805-496-7189

New Orleans, Louisiana

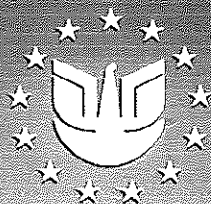
Phone: 504-527-6160
Facsimile: 504-527-6391

St. Augustine, Florida

Phone: 904-687-0132
Facsimile: 904-239-5445

St. Louis, Missouri

Phone: 636-536-0832
Facsimile: 636-536-1017



PHOENIX AVIATION
MANAGERS, INC.

CITY OF AUSTIN
PURCHASING OFFICE
REQUEST FOR PROPOSAL
SOLICITATION NUMBER: JSD0137
SUPPLEMENTAL PURCHASE PROVISIONS
AVIATION INSURANCE

The following Supplemental Purchasing Provisions apply to this solicitation:

1. **EXPLANATIONS OR CLARIFICATIONS** (reference paragraph 5 in Section 0200)

All requests for explanations or clarifications must be submitted in writing to the Purchasing Office by **4:00 PM on July 11, 2013**. Questions may be submitted via fax to 512-974-2388 or via email to Jeffery.dilbert@austintexas.gov.

2. **INSURANCE**. Insurance is required for this solicitation.

A. **General Requirements**. See Section 0300, Standard Purchase Terms and Conditions, paragraph 32, entitled Insurance, for general insurance requirements.

- i. The Contractor shall provide a Certificate of Insurance as verification of coverages required below to the City at the below address prior to contract execution and within 14 calendar days after written request from the City. Failure to provide the required Certificate of Insurance may subject the Offer to disqualification from consideration for award
- ii. The Contractor shall not commence work until the required insurance is obtained and until such insurance has been reviewed by the City. Approval of insurance by the City shall not relieve or decrease the liability of the Contractor hereunder and shall not be construed to be a limitation of liability on the part of the Contractor.
- iii. The Contractor must also forward a Certificate of Insurance to the City whenever a previously identified policy period has expired, or an extension option or holdover period is exercised, as verification of continuing coverage.
- iv. The Certificate of Insurance, and updates, shall be mailed to the following address:

City of Austin Purchasing Office
P. O. Box 1088
Austin, Texas 78767

B. **Specific Coverage Requirements**. The Contractor shall at a minimum carry insurance in the types and amounts indicated below for the duration of the Contract, including extension options and hold over periods, and during any warranty period. These insurance coverages are required minimums and are not intended to limit the responsibility or liability of the Contractor.

- i. **Worker's Compensation and Employers' Liability Insurance**. Coverage shall be consistent with statutory benefits outlined in the Texas Worker's Compensation Act (Section 401). The minimum policy limits for Employer's Liability are \$100,000 bodily injury each accident, \$500,000 bodily injury by disease policy limit and \$100,000 bodily injury by disease each employee.
 - (1) The Contractor's policy shall apply to the State of Texas and include these endorsements in favor of the City of Austin:
 - (a) Waiver of Subrogation, Form WC 420304, or equivalent coverage
 - (b) Thirty (30) days Notice of Cancellation, Form WC 420601, or equivalent coverage
- ii. **Commercial General Liability Insurance**. The minimum bodily injury and property damage per occurrence are \$500,000 for coverages A (Bodily Injury and Property Damage) and B (Personal and Advertising Injury).

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- (1) The policy shall contain the following provisions:
 - (a) Contractual liability coverage for liability assumed under the Contract and all other Contracts related to the project.
 - (b) Contractor/Subcontracted Work.
 - (c) Products/Completed Operations Liability for the duration of the warranty period.
 - (d) If the project involves digging or drilling provisions must be included that provide Explosion, Collapse, and/or Underground Coverage (X,C,U).
 - (2) The policy shall also include these endorsements in favor of the City of Austin:
 - (a) Waiver of Subrogation, Endorsement CG 2404, or equivalent coverage
 - (b) Thirty (30) days Notice of Cancellation, Endorsement CG 0205, or equivalent coverage
 - (c) The City of Austin listed as an additional insured, Endorsement CG 2010, or equivalent coverage
- iii. Business Automobile Liability Insurance. The Contractor shall provide coverage for all owned, non-owned and hired vehicles with a minimum combined single limit of \$500,000 per occurrence for bodily injury and property damage. Alternate acceptable limits are \$250,000 bodily injury per person, \$500,000 bodily injury per occurrence and at least \$100,000 property damage liability per accident.
 - (1) The policy shall include these endorsements in favor of the City of Austin:
 - (a) Waiver of Subrogation, Endorsement TE 2046A, or equivalent coverage
 - (b) Thirty (30) days Notice of Cancellation, Endorsement TE 0202A, or equivalent coverage
 - (c) The City of Austin listed as an additional insured, Endorsement TE 9901B, or equivalent coverage.
- C. Endorsements. The specific insurance coverage endorsements specified above, or their equivalents must be provided. In the event that endorsements, which are the equivalent of the required coverage, are proposed to be substituted for the required coverage, copies of the equivalent endorsements must be provided for the City's review and approval.
- iv. Insurance Agents/Brokers Errors and Omissions Insurance. The Contractor shall provide coverage, at a minimum limit of \$1,000,000 per claim, to pay on behalf of the assured all sums which the assured shall become legally obligated to pay as damages by reason of any negligent act, error, or omission arising out of the performance of professional services under this Agreement.

If coverage is written on a claims-made basis, the retroactive date shall be prior to or coincident with the date of the Contract and the certificate of insurance shall state that the coverage is claims-made and indicate the retroactive date. This coverage shall be continuous and will be provided for 24 months following the completion of the contract.

3. TERM OF CONTRACT

- A. The Contract shall be in effect for an initial term of 12 months and may be extended thereafter for up to 5 additional 12 month periods, subject to the approval of the Contractor and the City Purchasing Officer or his designee.
- B. Upon expiration of the initial term or period of extension, the Contractor agrees to hold over under the terms and conditions of this agreement for such a period of time as is reasonably necessary to re-solicit and/or complete the project (not to exceed 120 days unless mutually agreed on in writing).

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- C. Upon written notice to the Contractor from the City's Purchasing Officer or his designee and acceptance of the Contractor, the term of this contract shall be extended on the same terms and conditions for an additional period as indicated in paragraph A above. A price increase, subject to the provisions of this Contract, may be requested by the Contractor (for each period of extension) for approval by the City's Purchasing Officer or his designee.

THIS IS A 12 MONTH CONTRACT.

FIRM PRICES ARE TO BE SUBMITTED FOR THE FIRST TWELVE (12) MONTH PERIOD

4. QUANTITIES

The quantities listed herein are estimates for the period of the Contract. The City reserves the right to purchase more or less of these quantities as may be required during the Contract term. Quantities will be as needed and specified by the City for each order. Unless specified in the solicitation, there are no minimum order quantities.

5. INVOICES and PAYMENT (reference paragraphs 12 and 13 in Section 0300)

- A. Invoices shall contain a non-duplicated invoice number and the information required in Section 0300, paragraph 12, entitled "Invoices." Invoices received without all required information cannot be processed and will be returned to the vendor.

Invoices shall be mailed to the below address:

	City of Austin
Department	Human Resources
Attn:	Leslie Milvo
Address	505 Barton Springs Road, Suite 600
City, State Zip Code	Austin, Texas 78704

- B. The Contractor agrees to accept payment by either credit card, check or Electronic Funds Transfer (EFT) for all goods and/or services provided under the Contract. The Contractor shall factor the cost of processing credit card payments into the Offer. There shall be no additional charges, surcharges, or penalties to the City for payments made by credit card.

6. LIVING WAGES AND BENEFITS (applicable to procurements involving the use of labor)

- A. In order to help assure low employee turnover, quality services, and to reduce costs for health care provided to uninsured citizens, the Austin City Council is committed to ensuring fair compensation for City employees and those persons employed elsewhere in Austin. This commitment has been supported by actions to establish a "living wage" and affordable health care protection. Currently, the minimum wage for City employees is \$11.00 per hour. This minimum wage is required for any Contractor employee directly assigned to this City Contract, unless Published Wage Rates are included in this solicitation. In addition, the City may stipulate higher wage rates in certain solicitations in order to assure quality and continuity of service.
- B. Additionally, the City provides health insurance for its employees, and for a nominal rate, employees may obtain coverage for their family members. Contractors must offer health insurance with optional

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family coverage for all Contractor employees directly assigned to this contract. Proof of the health care plan shall be provided prior to award of a Contract. In addition, an insurance certificate for Workers' Compensation Insurance Coverage must be provided if required by the solicitation.

- C. The City requires Contractors submitting Offers on this Contract to provide a signed certification (**see the Living Wages and Benefits Contractor Certification included in the Solicitation**) with their Offer certifying that all employees directly assigned to this City Contract will be paid a minimum living wage equal to or greater than \$11.00 per hour and are offered a health care plan. The certification shall include a list of all employees directly assigned to providing services under the resultant contract including their name and job title. The list shall be updated and provided to the City as necessary throughout the term of the Contract.
- D. The Contractor shall maintain throughout the term of the resultant contract basic employment and wage information for each employee as required by the Fair Labor Standards Act (FLSA). Basic employment records shall at a minimum include:
 - i. employee's full name, as used for social security purposes, and on the same record, the employee's identifying symbol or number if such is used in place of name on any time, work, or payroll records;
 - ii. time and date of week when employee's workweek begins;
 - iii. hours worked each day and total hours worked each workweek;
 - iv. basis on which employee's wages are paid;
 - v. regular hourly pay rate;
 - vi. total daily or weekly straight-time earnings;
 - vii. total overtime earnings for the workweek;
 - viii. all additions to or deductions from the employee's wages;
 - ix. total wages paid each pay period; and
 - x. date of payment and the pay period covered by the payment.
- E. The Contractor shall provide with the first invoice and as requested by the Department's Contract Manager, individual Employee Certifications (**see the Living Wages and Benefits Employee Certification included in the Solicitation**) for all employees directly assigned to the contract containing:
 - i. the employee's name and job title;
 - ii. a statement certifying that the employee is paid at a rate equal to or greater than the Living Wage of \$11.00 per hour;
 - iii. a statement certifying that the employee is offered a health care plan with optional family coverage.

Employee Certifications shall be signed by each employee directly assigned to the contract.

- A. Contractor shall submit employee certifications quarterly with the respective invoice to verify that employees are paid the Living Wage throughout the term of the contract.
- G. The Department's Contract Manager will periodically review the employee data submitted by the Contractor to verify compliance with this Living Wage provision. The City retains the right to review employee records identified in paragraph D above to verify compliance with this provision.

7. NON-COLLUSION, NON-CONFLICT OF INTEREST, AND ANTI-LOBBYING

**CITY OF AUSTIN
PURCHASING OFFICE
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- A. On November 10, 2011, the Austin City Council adopted Ordinance No. 20111110-052 amending Chapter 2.7, Article 6 of the City Code relating to Anti-Lobbying and Procurement. The policy defined in this Code applies to Solicitations for goods and/or services requiring City Council approval under City Charter Article VII, Section 15 (Purchase Procedures). During the No-Contact Period, Offerors or potential Offerors are prohibited from making a representation to anyone other than the Authorized Contact Person in the Solicitation as the contact for questions and comments regarding the Solicitation.
- B. If during the No-Contact Period an Offeror makes a representation to anyone other than the Authorized Contact Person for the Solicitation, the Offeror's Offer is disqualified from further consideration except as permitted in the Ordinance.
- C. If a Respondent has been disqualified under this article more than two times in a sixty (60) month period, the Purchasing Officer shall debar the Offeror from doing business with the City for a period not to exceed three (3) years, provided the Respondent is given written notice and a hearing in advance of the debarment.
- D. The City requires Offerors submitting Offers on this Solicitation to provide a signed Section 0810, Non-Collusion, Non-Conflict of Interest, and Anti-Lobbying Affidavit, certifying that the Offeror has not in any way directly or indirectly made representations to anyone other than the Authorized Contact Person during the No-Contact Period as defined in the Ordinance. The text of the City Ordinance is posted on the Internet at:
<http://www.ci.austin.tx.us/edims/document.cfm?id=161145>

8. NON-SOLICITATION

- A. During the term of the Contract, and for a period of six (6) months following termination of the Contract, the Contractor, its affiliate, or its agent shall not hire, employ, or solicit for employment or consulting services, a City employee employed in a technical job classification in a City department that engages or uses the services of a Contractor employee.
- B. In the event that a breach of Paragraph A occurs the Contractor shall pay liquidated damages to the City in an amount equal to the greater of: (i) one (1) year of the employee's annual compensation; or (ii) 100 percent of the employee's annual compensation while employed by the City. The Contractor shall reimburse the City for any fees and expenses incurred in the enforcement of this provision.
- C. During the term of the Contract, and for a period of six (6) months following termination of the Contract, a department that engages the services of the Contractor or uses the services of a Contractor employee will not hire a Contractor employee while the employee is performing work under a Contract with the City unless the City first obtains the Contractor's approval.
- D. In the event that a breach of Paragraph C occurs, the City shall pay liquidated damages to the Contractor in an amount equal to the greater of: (i) one (1) year of the employee's annual compensation or (ii) 100 percent of the employee's annual compensation while employed by the Contractor.

9. CONTRACT MANAGER

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CITY OF AUSTIN
PURCHASING OFFICE
REQUEST FOR PROPOSAL
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The following person is designated as Contract Manager, and will act as the contact point between the City and the Contractor during the term of the Contract:

Leslie Milvo, Risk Manager

Human Resources Department

(512) 974-3245

*Note: The above listed Contract Manager is not the authorized Contact Person for purposes of the **NON-COLLUSION, NON-CONFLICT OF INTEREST, AND ANTI-LOBBYING Provision** of this Section; and therefore, contact with the Contract Manager is prohibited during the no contact period.

City of Austin
Purchasing Office
Local Business Presence Identification Form

A firm (Offeror or Subcontractor) is considered to have a Local Business Presence if the firm is headquartered in the Austin Corporate City Limits, or has a branch office located in the Austin Corporate City Limits in operation for the last five (5) years. The City defines headquarters as the administrative center where most of the important functions and full responsibility for managing and coordinating the business activities of the firm are located. The City defines branch office as a smaller, remotely located office that is separate from a firm's headquarters that offers the services requested and required under this solicitation.

OFFEROR MUST SUBMIT THE FOLLOWING INFORMATION FOR EACH LOCAL BUSINESS (INCLUDING THE OFFEROR, IF APPLICABLE).

NOTE: ALL FIRMS MUST BE IDENTIFIED ON THE MBE/WBE COMPLIANCE PLAN OR NO GOALS UTILIZATION PLAN, SECTION 0900 OF THE SOLICITATION.

USE ADDITIONAL PAGES AS NECESSARY

OFFEROR:

Name of Local Firm	Falcon Insurance Agency, Inc.					
Physical Address	5316 Hwy 290 W, Suite #440, Austin, TX 78735					
Is Firm located in the Corporate City Limits? (circle one)	YES Yes <input checked="" type="checkbox"/>					
In business at this location for past 5 yrs?	Yes <input checked="" type="checkbox"/> YES					
Location Type:	Headquarters	Yes	No <input checked="" type="checkbox"/>	Branch <input checked="" type="checkbox"/>	Yes YES <input checked="" type="checkbox"/>	No

SUBCONTRACTOR(S):

Name of Local Firm						
Physical Address						
Is Firm located in the Corporate City Limits? (circle one)	Yes			No		
In business at this location for past 5 yrs?	Yes			No		
Location Type:	Headquarters	Yes	No	Branch	Yes	No

SUBCONTRACTOR(S):

Name of Local Firm						
Physical Address						
Is Firm located in the Corporate City Limits? (circle one)	Yes			No		
In business at this location for past 5 yrs?	Yes			No		
Location Type:	Headquarters	Yes	No	Branch	Yes	No

**City of Austin
Purchasing Office
Local Business Presence Identification Form**

ACKNOWLEDGEMENT

THE STATE OF TEXAS

COUNTY OF TRAVIS

I certify that my responses and the information provided on Form 0605 are true and correct to the best of my personal knowledge and belief and that I have made no willful misrepresentations in this Section, nor have I withheld any relevant information in my statements and answers to questions. I am aware that any information given by me in this Section may be investigated and I hereby give my full permission for any such investigation and I fully acknowledge that any misrepresentations or omissions in my responses and information may cause my offer to be rejected.

OFFEROR'S FULL NAME AND ENTITY STATUS:

Donn E. Gauger II

Signature, Authorized Representative of Offeror

Vice President

Title

08/02/2013

Date

END

**MINORITY- AND WOMEN-OWNED BUSINESS ENTERPRISE (MBE/WBE)
PROCUREMENT PROGRAM
NO GOALS FORM**

SOLICITATION NUMBER: JSD0137

PROJECT NAME: Aviation Insurance

The City of Austin has determined that no goals are appropriate for this project. Even though no goals have been established for this solicitation, the Bidder/Proposer is required to comply with the City's MBE/WBE Procurement Program, if areas of subcontracting are identified.

If any service is needed to perform the Contract and the Bidder/Proposer does not perform the service with its own workforce or if supplies or materials are required and the Bidder/Proposer does not have the supplies or materials in its inventory, the Bidder/Proposer shall contact the Small and Minority Business Resources Department (SMBR) at (512) 974-7600 to obtain a list of MBE and WBE firms available to perform the service or provide the supplies or materials. The Bidder/Proposer must also make a Good Faith Effort to use available MBE and WBE firms. Good Faith Efforts include but are not limited to contacting the listed MBE and WBE firms to solicit their interest in performing on the Contract; using MBE and WBE firms that have shown an interest, meet qualifications, and are competitive in the market; and documenting the results of the contacts.

Will subcontractors or sub-consultants or suppliers be used to perform portions of this Contract?

No NO If no, please sign the No Goals Form and submit it with your Bid/Proposal in a sealed envelope.

Yes _____ If yes, please contact SMBR to obtain further instructions and an availability list and perform Good Faith Efforts. Complete and submit the No Goals Form and the No Goals Utilization Plan with your Bid/Proposal in a sealed envelope.

After Contract award, if your firm subcontracts any portion of the Contract, it is a requirement to complete Good Faith Efforts and the No Goals Utilization Plan, listing any subcontractor, subconsultant, or supplier. Return the completed Plan to the Project Manager or the Contract Manager.

I understand that even though no goals have been established, I must comply with the City's MBE/WBE Procurement Program if subcontracting areas are identified. I agree that this No Goals Form and No Goals Utilization Plan shall become a part of my Contract with the City of Austin.

Falcon Insurance Agency, Inc.

Company Name

Donn E. Gauger II

Name and Title of Authorized Representative (Print or Type)

Signature

08/02/2013

Date

CITY OF AUSTIN
PURCHASING OFFICE
PROPOSAL PREPARATION INSTRUCTIONS AND EVALUATION FACTORS
SOLICITATION NUMBER: JSD0137

QUOTE SHEET FOR AIRPLANE/HELICOPTER COVERAGE

Proposers submitting a liability and physical damage quote must complete each item below. Do not leave any item blank. If the item is not applicable, indicate this with "N/A".

Primary Carrier quoting the coverage: Phoenix Aviation Managers, Inc. (Old Republic Insurance Company)

Current A.M. Best Rating: A XI

COVERAGE QUOTE FOR 2013 AS 350 EUROCOPTER:

COVERAGE PROVISION		LIMIT EACH OCCURRENCE	
Single Limit Liability (Including War Risk & Passengers)		\$25,000,000	
Medical Payments (Including Crew)		\$25,000	
Liability for the Use of Non-Owned Aircraft		\$25,000,000	
Liability for Property Damage to Non-Owned Aircraft		\$1,000,000	
Liability for Property Damage to Hangars & Contents		\$500,000	
Liability For the Use of Premises		\$25,000,000	
Liability Under Contractual Agreements		\$25,000,000	
LIABILITY PREMIUM		\$3,866.	
Physical Damage Coverage for Helicopter	\$3,750,000 NIL 1.0% of Insured Value 1.0% of Insured Value	Agreed Value Rotors Not in Motion Deductible Rotors in Motion Deductible During Any Slung Load Use	
Physical Damage Coverage for Spare Engines and Spare Parts	\$1,000,000 NIL	Each Loss Deductible Each Loss	
Temporary Replacement Parts	\$250,000	Each Loss	
Search and Rescue Expenses	\$1,000,000	Each Occurrence	
Emergency Landing Expenses	\$500,000	Each Occurrence	
Runway Foaming and Crash Control Expenses	\$1,000,000	Each Occurrence	
Automatic Insurance for Newly Acquired Aircraft	\$3,750,000	Physical Damage Limit	
Personal Effects and Baggage Coverage	\$25,000	Each Person	
10% NO CLAIMS BONUS APPLICABLE TO HULL PREMIUM AT RENEWAL?		YES	
PHYSICAL DAMAGE PREMIUM		\$35,962.	

PROVIDE ANY EXCEPTIONS TO LIMITS OR COVERAGE INDICATED IN THE ABOVE QUOTE

Increased limits quoted over requested amount shown in **blue bold type**, also reduced deductibles quoted. Additional coverages are included as per the coverage proposal outline.

CITY OF AUSTIN
PURCHASING OFFICE
PROPOSAL PREPARATION INSTRUCTIONS AND EVALUATION FACTORS
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COVERAGE QUOTE FOR 2001 EC 120 EUROCOPTER:

COVERAGE PROVISION		LIMIT EACH OCCURRENCE	
Single Limit Liability (Including War Risk & Passengers)		\$25,000,000	
Medical Payments (Including Crew)		\$25,000	
Liability for the Use of Non-Owned Aircraft		\$25,000,000	
Liability for Property Damage to Non-Owned Aircraft		\$1,000,000	
Liability for Property Damage to Hangars & Contents		\$500,000	
Liability For the Use of Premises		\$25,000,000	
Liability Under Contractual Agreements		\$25,000,000	
LIABILITY PREMIUM		\$3,866.	
Physical Damage Coverage for Helicopter	\$1,600,000 NIL 1.0% of Insured Value Ded. 1.0% of Insured Value Ded.	Agreed Value Rotors Not in Motion Deductible Rotors in Motion Deductible During Any Slung Load Use	
Physical Damage Coverage for Spare Engines and Spare Parts	\$1,000,000 NIL	Each Loss Deductible Each Loss	
Temporary Replacement Parts	\$250,000	Each Loss	
Search and Rescue Expenses	\$1,000,000	Each Occurrence	
Emergency Landing Expenses	\$500,000	Each Occurrence	
Runway Foaming and Crash Control Expenses	\$1,000,000	Each Occurrence	
Automatic Insurance for Newly Acquired Aircraft	\$3,750,000	Physical Damage Limit	
Personal Effects and Baggage Coverage	\$25,000	Each Person	
10% NO CLAIMS BONUS APPLICABLE TO HULL PREMIUM AT RENEWAL?		<u>YES</u>	
PHYSICAL DAMAGE PREMIUM		\$15,344.	

PROVIDE ANY EXCEPTIONS TO LIMITS OR COVERAGE INDICATED IN THE ABOVE QUOTE

Increased limits quoted over requested amount shown in **blue bold type**, also **reduced deductibles** quoted. Additional coverages are included as per the coverage proposal outline.

CITY OF AUSTIN
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COVERAGE QUOTE FOR 1973 CESSNA 182P:

COVERAGE PROVISION		LIMIT EACH OCCURRENCE	
Single Limit Liability (Including War Risk & Passengers)		\$25,000,000	
Medical Payments (Including Crew)		\$25,000	
Liability for the Use of Non-Owned Aircraft		\$25,000,000	
Liability for Property Damage to Non-Owned Aircraft		\$1,000,000	
Liability for Property Damage to Hangars & Contents		\$500,000	
Liability For the Use of Premises		\$25,000,000	
Liability Under Contractual Agreements		\$25,000,000	
LIABILITY PREMIUM		\$1,517.	
Physical Damage Coverage for Airplane,	\$68,000 NIL Deds.	Agreed Value Rotors Not in Motion Deductible Rotors in Motion Deductible	
Physical Damage Coverage for Spare Engines and Spare Parts	\$1,000,000 NIL	Each Loss Deductible Each Loss	
Temporary Replacement Parts	\$250,000	Each Loss	
Search and Rescue Expenses	\$1,000,000	Each Occurrence	
Emergency Landing Expenses	\$500,000	Each Occurrence	
Runway Foaming and Crash Control Expenses	\$1,000,000	Each Occurrence	
Automatic Insurance for Newly Acquired Aircraft	\$3,750,000	Physical Damage Limit	
Personal Effects and Baggage Coverage	\$25,000	Each Person	
10% NO CLAIMS BONUS APPLICABLE TO HULL PREMIUM AT RENEWAL?		YES	
PHYSICAL DAMAGE PREMIUM		\$580.	

PROVIDE ANY EXCEPTIONS TO LIMITS OR COVERAGE INDICATED IN THE ABOVE TABLE:

Increased limits quoted over requested amount shown in **blue bold type**,

While named Student pilots are receiving instruction in the C182 the limit of liability is \$5,000,000 CSL.

This is an increase in coverage over current policy and bid requirements. (Full policy limit applies to Private Pilots or better.)

Additional coverages are included as per the coverage proposal outline

CITY OF AUSTIN
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SOLICITATION NUMBER: JSD0137

COVERAGE QUOTE FOR 1969 Bell OH 58:

COVERAGE PROVISION		LIMIT EACH OCCURRENCE	
Single Limit Liability (Including War Risk & Passengers)		\$25,000,000	
Medical Payments (Including Crew)		\$25,000	
Liability for the Use of Non-Owned Aircraft		\$25,000,000	
Liability for Property Damage to Non-Owned Aircraft		\$1,000,000	
Liability for Property Damage to Hangars & Contents		\$500,000	
Liability For the Use of Premises		\$25,000,000	
Liability Under Contractual Agreements		\$25,000,000	
LIABILITY PREMIUM		\$3,714.	
Physical Damage Coverage for Airplane, including War Risk	\$150,000 NIL 1.0% of Insured Value 1.0% of Insured Value	Agreed Value Rotors Not in Motion Deductible Rotors in Motion Deductible During Any Slung Load Use	
Physical Damage Coverage for Spare Engines and Spare Parts	\$1,000,000 NIL	Each Loss Deductible Each Loss	
Temporary Replacement Parts	\$250,000	Each Loss	
Search and Rescue Expenses	\$1,000,000	Each Occurrence	
Emergency Landing Expenses	\$500,000	Each Occurrence	
Runway Foaming and Crash Control Expenses	\$1,000,000	Each Occurrence	
Automatic Insurance for Newly Acquired Aircraft	\$3,750,000	Physical Damage Limit	
Personal Effects and Baggage Coverage	\$25,000	Each Person	
10% NO CLAIMS BONUS APPLICABLE TO HULL PREMIUM AT RENEWAL?		<u>YES</u>	
PHYSICAL DAMAGE PREMIUM		\$2,615.	

PROVIDE ANY EXCEPTIONS TO LIMITS OR COVERAGE INDICATED IN THE ABOVE TABLE:

Increased limits quoted over requested amount shown in **blue bold type**, , also reduced deductibles
Additional coverages are included as per the coverage proposal outline

CITY OF AUSTIN
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PROPOSAL PREPARATION INSTRUCTIONS AND EVALUATION FACTORS
SOLICITATION NUMBER: JSD0137

PROVIDE DETAILS WITH REGARD TO SPECIFIC RESTRICTIONS OR LIMITATIONS THAT MAY BE IMPORTANT TO THE CITY IN REVIEWING YOUR PROPOSAL:

PILOTS/RESTRICTIONS

PROVIDE A DETAILED ATTACHMENT OF PILOT APPROVAL CONDITIONS/RESTRIONS

PROVIDE A SPECIFIC EXAMPLE OF HOW YOUR FIRM CALCULATES THE "NO CLAIMS BONUS".
A 15% No Claims Bonus on Renewal will apply with respect to the Physical Damage Premium
only in the event there are no claims/losses prior to expiration of coverage.
(15% of the total annual hull premiums)

PROVISIONS WITH ADDITIONAL/RETURN PREMIUMS NOT INCLUDED IN QUOTES ABOVE:

PREMIUM FOR THE LIMITED WRITE BACK OF THE EXCLUSION OF THE WAR RISK AND OTHER
PERILS COVERAGE:
Included at no charge

PREMIUM FOR INCLUSION OF THE ADDITIONAL INSURED ENDORSEMENT IN FAVOR OF TRAVIS
COUNTY:
Included at no charge

PROVIDE A QUOTE FOR PERSONAL INJURY PROTECTION:
Included at no charge

IS CERTIFIED TERRORISM COVERAGE INCLUDED? IF SO, IS THERE AN ADDITIONAL PREMIUM
FOR THIS COVERAGE? WHAT IS IT?:
Included at no charge

INDICATE ALL ADDITIONAL FEES, COMMISSIONS, TAXES, OR OTHER CHARGES THAT
SHOULD BE ADDED TO THE LIABILITY AND PHYSICAL DAMAGE PREMIUMS TO CALCULATE
A TOTAL GROSS POLICY PREMIUM:

Flat Fee Charged by Broker (N/A if commission is charged and included in premium shown above)**	N/A
Commission Percentage Charged by Broker (*included in quoted current year premiums).	2.5%*
Surplus Lines Tax %, if any	N/A
Stamping Office Fee, if any	N/A
<u>TOTAL POLICY PREMIUM</u>	\$67,464

****BROKER MUST PROVIDE PROOF OF COMMISSION OR FEES RECEIVED ON CITY OF AUSTIN
ACCOUNT IF THE PROPOSED CARRIER IS A SYNDICATE, A LIST OF THE NAMES OF EACH
SYNDICATE AND THEIR COMMITTED PERCENTAGE OF PARTICIPATION AND BEST RATING IS
REQUIRED. IF PERCENTAGE DOES NOT = 100%, QUOTE WILL BE CONSIDERED NON-RESPONSIVE**

CITY OF AUSTIN
PURCHASING OFFICE
PROPOSAL PREPARATION INSTRUCTIONS AND EVALUATION FACTORS
SOLICITATION NUMBER: JSD0137

ALTERNATE QUOTE
SHEET
SEC. 3.1 ALT

QUOTE SHEET FOR AIRPLANE/HELICOPTER COVERAGE

Proposers submitting a liability and physical damage quote must complete each item below not leave any item blank. If the item is not applicable, indicate this with "N/A".

Primary Carrier quoting the coverage: Phoenix Aviation Managers, Inc. (Old Republic Insurance Company)

Current A.M. Best Rating: A XI

Option for increased limits \$50Mil.

COVERAGE QUOTE FOR 2013 AS 350 EUROCOPTER:

COVERAGE PROVISION		LIMIT EACH OCCURRENCE	
Single Limit Liability (Including War Risk & Passengers)		\$50,000,000	
Medical Payments (Including Crew)		\$25,000	
Liability for the Use of Non-Owned Aircraft		\$50,000,000	
Liability for Property Damage to Non-Owned Aircraft		\$1,000,000	
Liability for Property Damage to Hangars & Contents		\$500,000	
Liability For the Use of Premises		\$50,000,000	
Liability Under Contractual Agreements		\$50,000,000	
LIABILITY PREMIUM		\$5,523.	
Physical Damage Coverage for Helicopter	\$3,750,000	Agreed Value	
	NIL	Rotors Not in Motion Deductible	
	1.0% of Insured Value	Rotors in Motion Deductible	
Physical Damage Coverage for Spare Engines and Spare Parts	\$1,000,000	During Any Slung Load Use	
	NIL	Each Loss	
Temporary Replacement Parts	\$250,000	Deductible Each Loss	
Search and Rescue Expenses	\$1,000,000	Each Loss	
Emergency Landing Expenses	\$500,000	Each Occurrence	
Runway Foaming and Crash Control Expenses	\$1,000,000	Each Occurrence	
Automatic Insurance for Newly Acquired Aircraft	\$3,750,000	Physical Damage Limit	
Personal Effects and Baggage Coverage	\$25,000	Each Person	
10% NO CLAIMS BONUS APPLICABLE TO HULL PREMIUM AT RENEWAL?		YES	
PHYSICAL DAMAGE PREMIUM		\$35,962.	

PROVIDE ANY EXCEPTIONS TO LIMITS OR COVERAGE INDICATED IN THE ABOVE QUOTE

Increased limits quoted over requested amount shown in **blue bold type**, also reduced deductibles quoted. Additional coverages are included as per the coverage proposal outline.

CITY OF AUSTIN
PURCHASING OFFICE
PROPOSAL PREPARATION INSTRUCTIONS AND EVALUATION FACTORS
SOLICITATION NUMBER: JSD0137

Option for increased limits \$50Mil

COVERAGE QUOTE FOR 2001 EC 120 EUROCOPTER:

COVERAGE PROVISION		LIMIT EACH OCCURRENCE	
Single Limit Liability (Including War Risk & Passengers)		\$50,000,000	
Medical Payments (Including Crew)		\$25,000	
Liability for the Use of Non-Owned Aircraft		\$50,000,000	
Liability for Property Damage to Non-Owned Aircraft		\$1,000,000	
Liability for Property Damage to Hangars & Contents		\$500,000	
Liability For the Use of Premises		\$50,000,000	
Liability Under Contractual Agreements		\$50,000,000	
LIABILITY PREMIUM		\$5,523.	
Physical Damage Coverage for Helicopter	\$1,600,000 NIL 1.0% of Insured Value Ded. 1.0% of Insured Value Ded.	Agreed Value Rotors Not in Motion Deductible Rotors in Motion Deductible During Any Slung Load Use	
Physical Damage Coverage for Spare Engines and Spare Parts	\$1,000,000 NIL	Each Loss Deductible Each Loss	
Temporary Replacement Parts	\$250,000	Each Loss	
Search and Rescue Expenses	\$1,000,000	Each Occurrence	
Emergency Landing Expenses	\$500,000	Each Occurrence	
Runway Foaming and Crash Control Expenses	\$1,000,000	Each Occurrence	
Automatic Insurance for Newly Acquired Aircraft	\$3,750,000	Physical Damage Limit	
Personal Effects and Baggage Coverage	\$25,000	Each Person	
10% NO CLAIMS BONUS APPLICABLE TO HULL PREMIUM AT RENEWAL?		<u>YES</u>	
PHYSICAL DAMAGE PREMIUM		\$15,344.	

PROVIDE ANY EXCEPTIONS TO LIMITS OR COVERAGE INDICATED IN THE ABOVE QUOTE

Increased limits quoted over requested amount shown in **blue bold type**, also **reduced deductibles** quoted. Additional coverages are included as per the coverage proposal outline.

CITY OF AUSTIN
PURCHASING OFFICE
PROPOSAL PREPARATION INSTRUCTIONS AND EVALUATION FACTORS
SOLICITATION NUMBER: JSD0137

Option for increased limits \$50Mil

COVERAGE QUOTE FOR 1973 CESSNA 182P:

COVERAGE PROVISION		LIMIT EACH OCCURRENCE	
Single Limit Liability (Including War Risk & Passengers)		\$50,000,000	
Medical Payments (Including Crew)		\$25,000	
Liability for the Use of Non-Owned Aircraft		\$50,000,000	
Liability for Property Damage to Non-Owned Aircraft		\$1,000,000	
Liability for Property Damage to Hangars & Contents		\$500,000	
Liability For the Use of Premises		\$50,000,000	
Liability Under Contractual Agreements		\$50,000,000	
LIABILITY PREMIUM		\$2,166.	
Physical Damage Coverage for Airplane,	\$68,000 NIL Deds.	Agreed Value Rotors Not in Motion Deductible Rotors in Motion Deductible	
Physical Damage Coverage for Spare Engines and Spare Parts	\$1,000,000 NIL	Each Loss Deductible Each Loss	
Temporary Replacement Parts	\$250,000	Each Loss	
Search and Rescue Expenses	\$1,000,000	Each Occurrence	
Emergency Landing Expenses	\$500,000	Each Occurrence	
Runway Foaming and Crash Control Expenses	\$1,000,000	Each Occurrence	
Automatic Insurance for Newly Acquired Aircraft	\$3,750,000	Physical Damage Limit	
Personal Effects and Baggage Coverage	\$25,000	Each Person	
10% NO CLAIMS BONUS APPLICABLE TO HULL PREMIUM AT RENEWAL?		YES	
PHYSICAL DAMAGE PREMIUM		\$580.	

PROVIDE ANY EXCEPTIONS TO LIMITS OR COVERAGE INDICATED IN THE ABOVE TABLE:

Increased limits quoted over requested amount shown in **blue bold type**,

While named Student pilots are receiving instruction in the C182 the limit of liability is \$5,000,000 CSL.

This is an increase in coverage over current policy and bid requirements. (Full policy limit applies to Private Pilots or better.)

Additional coverages are included as per the coverage proposal outline

CITY OF AUSTIN
PURCHASING OFFICE
PROPOSAL PREPARATION INSTRUCTIONS AND EVALUATION FACTORS
SOLICITATION NUMBER: JSD0137

COVERAGE QUOTE FOR 1969 Bell OH 58:

Option for increased limits \$50Mil

COVERAGE PROVISION		LIMIT EACH OCCURRENCE	
Single Limit Liability (Including War Risk & Passengers)		\$50,000,000	
Medical Payments (Including Crew)		\$25,000	
Liability for the Use of Non-Owned Aircraft		\$50,000,000	
Liability for Property Damage to Non-Owned Aircraft		\$1,000,000	
Liability for Property Damage to Hangars & Contents		\$500,000	
Liability For the Use of Premises		\$50,000,000	
Liability Under Contractual Agreements		\$50,000,000	
LIABILITY PREMIUM		\$5,307.	
Physical Damage Coverage for Airplane, including War Risk	\$150,000 NIL 1.0% of Insured Value 1.0% of Insured Value	Agreed Value Rotors Not in Motion Deductible Rotors in Motion Deductible During Any Slung Load Use	
Physical Damage Coverage for Spare Engines and Spare Parts	\$1,000,000 NIL	Each Loss Deductible Each Loss	
Temporary Replacement Parts	\$250,000	Each Loss	
Search and Rescue Expenses	\$1,000,000	Each Occurrence	
Emergency Landing Expenses	\$500,000	Each Occurrence	
Runway Foaming and Crash Control Expenses	\$1,000,000	Each Occurrence	
Automatic Insurance for Newly Acquired Aircraft	\$3,750,000	Physical Damage Limit	
Personal Effects and Baggage Coverage	\$25,000	Each Person	
10% NO CLAIMS BONUS APPLICABLE TO HULL PREMIUM AT RENEWAL?		YES	
PHYSICAL DAMAGE PREMIUM		\$2,615.	

PROVIDE ANY EXCEPTIONS TO LIMITS OR COVERAGE INDICATED IN THE ABOVE TABLE:

Increased limits quoted over requested amount shown in **blue bold type**, , also reduced deductibles

Additional coverages are included as per the coverage proposal outline

CITY OF AUSTIN
PURCHASING OFFICE
PROPOSAL PREPARATION INSTRUCTIONS AND EVALUATION FACTORS
SOLICITATION NUMBER: JSD0137

PROVIDE DETAILS WITH REGARD TO SPECIFIC RESTRICTIONS OR LIMITATIONS THAT MAY BE IMPORTANT TO THE CITY IN REVIEWING YOUR PROPOSAL:

PILOTS/RESTRICTIONS

PROVIDE A DETAILED ATTACHMENT OF PILOT APPROVAL CONDITIONS/RESTRIONS

PROVIDE A SPECIFIC EXAMPLE OF HOW YOUR FIRM CALCULATES THE "NO CLAIMS BONUS".
A 15% No Claims Bonus on Renewal will apply with respect to the Physical Damage Premium
only in the event there are no claims/losses prior to expiration of coverage.
(15% of the total annual hull premiums)

PROVISIONS WITH ADDITIONAL/RETURN PREMIUMS NOT INCLUDED IN QUOTES ABOVE:

PREMIUM FOR THE LIMITED WRITE BACK OF THE EXCLUSION OF THE WAR RISK AND OTHER
PERILS COVERAGE:
Included at no charge

PREMIUM FOR INCLUSION OF THE ADDITIONAL INSURED ENDORSEMENT IN FAVOR OF TRAVIS
COUNTY:
Included at no charge

PROVIDE A QUOTE FOR PERSONAL INJURY PROTECTION:
Included at no charge

IS CERTIFIED TERRORISM COVERAGE INCLUDED? IF SO, IS THERE AN ADDITIONAL PREMIUM
FOR THIS COVERAGE? WHAT IS IT?:
Included at no charge

INDICATE ALL ADDITIONAL FEES, COMMISSIONS, TAXES, OR OTHER CHARGES THAT
SHOULD BE ADDED TO THE LIABILITY AND PHYSICAL DAMAGE PREMIUMS TO CALCULATE
A TOTAL GROSS POLICY PREMIUM:

Flat Fee Charged by Broker (N/A if commission is charged and included in premium shown above)**	N/A
Commission Percentage Charged by Broker (*included in quoted current year premiums).	2.5%*
Surplus Lines Tax %, if any	N/A
Stamping Office Fee, if any	N/A
<u>TOTAL POLICY PREMIUM</u>	\$73,020 @ \$50Mil option

****BROKER MUST PROVIDE PROOF OF COMMISSION OR FEES RECEIVED ON CITY OF AUSTIN
ACCOUNT IF THE PROPOSED CARRIER IS A SYNDICATE, A LIST OF THE NAMES OF EACH
SYNDICATE AND THEIR COMMITTED PERCENTAGE OF PARTICIPATION AND BEST RATING IS
REQUIRED. IF PERCENTAGE DOES NOT = 100%, QUOTE WILL BE CONSIDERED NON-RESPONSIVE**



REQUEST FOR PROPOSAL ADDENDUM
PURCHASING OFFICE
CITY OF AUSTIN, TEXAS

DESCRIPTION: AVIATION INSURANCE
RFP NO. JSD0137 ADDENDUM NO. 1
DATE OF ADDENDUM 7/2/2013

This Request for Proposal is hereby amended to incorporate the following:

1. The proposal closing date and time has been changed as follows:

FROM: 2:00p.m. on 7/19/2013

TO: 2:00p.m. on 8/8/2013

2. All other terms and conditions shall remain the same.

APPROVED BY: Signed copy available in Purchasing Office
Jeff Dilbert, (512) 974-2021
Purchasing Office, Finance and Administrative Services Department

ACKNOWLEDGED BY:

Donn Gauger

[Signature]

7/2/13

BIDDER AUTHORIZED SIGNATURE DATE

FALLON INSURANCE AGENCY, INC.

RETURN ONE (1) COPY TO PURCHASING OFFICE, CITY OF AUSTIN, PRIOR TO
CLOSING DATE OR WITH YOUR PROPOSAL; FAILURE TO DO SO MAY
CONSTITUTE GROUNDS FOR REJECTION OF YOUR PROPOSAL.



August 1, 2013

City of Austin
Jeffrey Dilbert
Municipal Building
124 W 8th Street
Austin, TX 78701

RE: RFP 5800 JSD0137
Aviation Insurance

Dear Mr. Dilbert,

We are pleased to enclose our response to the above referenced Request for Proposal outlining terms as offered by Phoenix Aviation Managers, Inc. which is the current insurer for this coverage for the City of Austin.

Enclosed you will find an original and 5 signed copies as requested. If there are any questions or if additional clarification on any items are required, please do not hesitate to contact me.

Thank you for the opportunity to respond to the RFP.

Sincerely,



Donni Gauger
Vice President



REQUEST FOR PROPOSAL ADDENDUM
PURCHASING OFFICE
CITY OF AUSTIN, TEXAS

DESCRIPTION: AVIATION INSURANCE
RFP NO. JSD0137 ADDENDUM NO. 1
DATE OF ADDENDUM 7/2/2013

This Request for Proposal is hereby amended to incorporate the following:

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FROM: 2:00p.m. on 7/19/2013

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2. All other terms and conditions shall remain the same.

APPROVED BY: Signed copy available in Purchasing Office
Jeff Dilbert, (512) 974-2021
Purchasing Office, Finance and Administrative Services Department

ACKNOWLEDGED BY:

Donn Gauger

[Signature]

7/2/13

BIDDER AUTHORIZED SIGNATURE DATE

FALLON INSURANCE AGENCY, INC.

RETURN ONE (1) COPY TO PURCHASING OFFICE, CITY OF AUSTIN, PRIOR TO
CLOSING DATE OR WITH YOUR PROPOSAL; FAILURE TO DO SO MAY
CONSTITUTE GROUNDS FOR REJECTION OF YOUR PROPOSAL.

AVIATION INSURANCE - AIRCRAFT
PHYSICAL DAMAGE AND LIABILITY
INSURANCE COVERAGE PROPOSAL

RFP 5800 JSD 0137

FOR

CITY OF AUSTIN
AUSTIN POLICE DEPARTMENT
Effective Dates: TBA

Phoenix Aviation Managers, Inc.

August 8, 2013

ARRANGED BY:



DONN GAUGER, VICE PRESIDENT
FALCON INSURANCE AGENCY, INC.
P.O. Box 92409
AUSTIN, TX 78709
512-891-8473
512 891-8483 FAX

GENERAL CONDITIONS

- The contents of this document reflect a general outline of coverages quoted through Falcon Insurance Agency, Inc by the insurance carrier.
- All coverages, however, are subject to the terms and conditions, exclusions, limitations stipulated by the policy(ies) forms themselves. Note, not all exclusions are shown. It will be necessary to refer to the policy forms for a full listing of exclusions.
- In addition the only coverages that will be implemented are those coverages specifically requested by you, the insured.
- This document is reflective of the exposures (values, payrolls, receipts, operations, locations, etc.) supplied by ***you, the insured.***

NOTE: *It should be emphasized that the description of coverage enclosed is a summary only. The coverage is subject to terms and conditions outlined and certain restrictions, limitations and exclusions contained in the policies of insurance. The description is not a policy of insurance. In the event of any conflict between the enclosed description of coverage and the policy of insurance, the provisions contained in the policy of insurance will govern.*

THIS DOCUMENT IS ISSUED AS A MATTER OF INFORMATION ONLY AND DOES NOT AMEND, EXTEND, OR ALTER THE COVERAGE PROVIDED BY INSURANCE POLICIES. THE INFORMATION CONTAINED IN THIS PROPOSAL IS BASED ON THE HISTORICAL LOSS EXPERIENCE AND EXPOSURES THAT WERE PROVIDED TO FALCON INSURANCE AGENCY, INC. THIS PROPOSAL IS NOT AN ACTUARIAL STUDY.

THE PRIMARY CARRIERS



PHOENIX AVIATION MANAGERS, INC.

⌘ A.M. BEST'S RATING ⌘

OLD REPUBLIC INSURANCE COMPANY

Policy Holder Rating	A
Financial Category	XI
As currently rated by AM Best.	

NAMED INSURED

**City of Austin
Austin Police Department
PO Box 1088
AUSTIN, TX 78767-3411**

CITY OF AUSTIN, AUSTIN POLICE DEPARTMENT

SUMMARY OF AIRCRAFT COVERAGES

LIABILITY FOR SCHEDULED AIRCRAFT ¹ (INCLUDING WAR RISKS)	\$ 25,000,000² Each Occurrence Single Limit Bodily Injury and Property Damage, including passengers. Liability arising from ownership, maintenance and operation of scheduled aircraft. Including Mutual Aid Liability.
PASSENGER VOLUNTARY SETTLEMENT, INCLUDING CREW	\$250,000 Per Person, Including Crew Regardless of legal liability and without admitting to the liability of any party, the company will offer to pay on behalf of the insured the sum requested by the named insured to or for the benefit of each covered passenger if Bodily Injury results in the permanent or total disability, or the loss of one or more limbs. The limit provided is a part of and not in addition to the primary limit provided.
LIABILITY COVERAGE FOR THE USE OF NON-OWNED AIRCRAFT	\$Policy Limit Each Occurrence Single Limit Bodily Injury and Property Damage, including Passengers. Liability for use of any non-owned, fixed wing and/or rotor wing aircraft not exceeding fifteen (15) seats or leased for period exceeding thirty (30) consecutive days.

¹ While named Student pilots are receiving instruction in the C182 the limit of liability is \$5,000,000 CSL. This is an increase in coverage over current policy and bid requirements. (Full policy limit applies to Private Pilots or better.)

² Alternate quoted premiums are provided for increased limit of \$50Mil CSL Limit.

CITY OF AUSTIN , AUSTIN POLICE DEPARTMENT

SUMMARY OF AIRCRAFT COVERAGES

LIABILITY FOR PROPERTY DAMAGE TO NON-OWNED AIRCRAFT	\$ 1,000,000 Each Occurrence Coverage for physical damage caused by your negligence to Non-Owned Aircraft, Temporary Substitute Aircraft and Aircraft of others in your care custody and control. Liability arising from damage to non-owned aircraft while in the care, custody and control for which you are legally responsible. Coverage limit is part of and not in addition to the limit provided in Coverage C. Deductibles: NIL
LIABILITY FOR PROPERTY DAMAGE TO AIRCRAFT HANGARS AND THEIR CONTENTS	\$ 500,000 Each Occurrence Coverage for damage to non-owned hangars and their contents in your care, custody and control that results from your negligence. The limit is part of and not in addition to the limit of liability set forth in Coverage A, or C as applicable.

CITY OF AUSTIN , AUSTIN POLICE DEPARTMENT

SUMMARY OF AIRCRAFT COVERAGES

CARGO LEGAL LIABILITY	\$1,000,000 Each Occurrence	
	Coverage for non-owned property being transported in aircraft. The limit is part of and not in addition to the primary limit of liability.	
PERSONAL INJURY LIABILITY	\$25,000,000	Occurrence & Aggregate
	Will provide protection against one or more of the following offenses committed during the policy period and arising out of the ownership, maintenance or use of covered aircraft. False arrest, detention or imprisonment; malicious prosecution; wrongful entry or eviction; invasion of the right of private occupancy; libel or slander, except if it is committed with the insured's consent if known false.	
SALE OF AIRCRAFT LIABILITY	Policy Limit	Each Occurrence & Aggregate
	Coverage for Bodily Injury and Property Damage for Sale of <u>owned</u> aircraft, aircraft parts or maintenance services.	
LIABILITY UNDER CONTRACTUAL AGREEMENTS ASSUMED BY THE NAMED INSURED	\$Policy Limit Each Occurrence	
	<p>Liability assumed by insured under a written contract or agreement relative to the ownership, maintenance or use of the scheduled aircraft. The Named Insured agrees to submit a copy of all contracts as soon as possible after it comes to the attention of the insurance department. (Excluding temporary aircraft storage, minor servicing agreements, and military or governmental agreements for the use of airport or lease of premises.)</p> <p>We recommend all contracts be sent to us for review prior to signing the agreement.</p> <p>The limit is part of and not in addition to the primary limit of liability. (Policy Form AV431)</p>	

CITY OF AUSTIN , AUSTIN POLICE DEPARTMENT

SUMMARY OF AIRCRAFT COVERAGES

LIABILITY FOR THE USE OF PREMISES	\$Policy Limit Each Occurrence Coverage for bodily injury, mental anguish and or damage to someone else's property resulting from your ownership, maintenance or use of Airport premises. (policy form AV431)	
LIABILITY FOR THE OPERATION OF MOBILE EQUIPMENT	\$Policy Limit	Each Occurrence
	<p>Liability coverage also applies to Mobile Equipment. Mobile equipment means any of the following types of land vehicles, including ay attached machinery or equipment:</p> <ul style="list-style-type: none">a. Bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads;b. Vehicles maintained for use solely on or next to premises you own or rent including special use vehicles designed for operations on airports; however this shall not include passenger cars, pickup trucks, ambulances, tow trucks, buses, snow plows (Except while within the confines of the aircraft operations area) <p>However, "mobile equipment" does not include any land vehicles that are subject to a compulsory or financial responsibility law or other motor vehicle insurance law in the state where it is licensed or principally garaged. Please refer to the policy for the full description for Mobile equipment.</p>	

CITY OF AUSTIN, AUSTIN POLICE DEPARTMENT

SUMMARY OF AIRCRAFT COVERAGES

PHYSICAL DAMAGE COVERAGE FOR SCHEDULED AIRCRAFT <u>Including War Risk</u>	\$See Agreed Value Schedule Rotor Wing Aircraft Deductibles \$Nil Rotors not in Motion \$1.% of insured value Rotors in Motion Fixed Wing Aircraft Deductibles \$Nil Ground/Not in Motion \$Nil Full Flight / in Motion
PHYSICAL DAMAGE COVERAGE FOR SPARE ENGINES AND SPARE PARTS	As respects spare engines or spare parts. Includes coverage for Transit <u>(including equipment and tools of Insured and Insured's employees)</u> \$ 1,000,000 Each Loss \$ Nil Deductible Each Loss
TEMPORARY REPLACEMENT PARTS RENTAL EXPENSE	\$ 250,000 Each Loss Coverage for the rental of temporary parts while aircraft is being repaired. Minimum required repair period of five (5) days.
SEARCH AND RESCUE EXPENSES	\$ 1,000,000 Each Occurrence Expenses for search or rescue operations for missing scheduled aircraft, but only after authorities have abandoned search operations.
EMERGENCY LANDING EXPENSES	\$ 500,000 Each Occurrence Expenses for emergency landing. <u>Includes coverage for intentional/deliberate landing off airport including aircraft retrieval, whether the aircraft is damaged or not.</u>
RUNWAY FOAMING AND CRASH CONTROL EXPENSES	\$ 1,000,000 Each Occurrence Coverage for emergency expenses incurred for runway foaming, fire crash and rescue operations.

CITY OF AUSTIN , AUSTIN POLICE DEPARTMENT

SUMMARY OF AIRCRAFT COVERAGES

AUTOMATIC INSURANCE FOR NEWLY ACQUIRED AIRCRAFT	\$Not to exceed highest insured hull value of insured aircraft.	Maximum Physical Damage Limit, newly acquired aircraft must be reported within 30 days.
PERSONAL EFFECTS AND BAGGAGE COVERAGE	\$ 25,000	Each Person Coverage for luggage, and other contents that travelers normally carry.
MEDICAL PAYMENTS FOR: SCHEDULED AIRCRAFT, PREMISES, AND NON OWNED AIRCRAFT	\$ 25,000	Each Occurrence Includes coverage for Crew Members. To pay the reasonable Medical expense (Expenses for medical, surgical, dental, ambulance, hospital, professional nursing and funeral services) incurred within on year from date of injury, to or for each passenger who sustains bodily injury caused by an occurrence, provided the aircraft is being used by or with permission of the named insured.
MECHANICS TOOLS	\$100,000	Each Occurrence Physical Damage for mechanics tools. This endorsement provides coverage for all risks of physical loss of or damage to "mechanics' tools" which are owned by full-time employee mechanics and which are in your care, custody or control. "Mechanics' tools" are defined as tools and equipment used for maintenance or repair of aircraft or aircraft service equipment.

CITY OF AUSTIN , AUSTIN POLICE DEPARTMENT

SUMMARY OF AIRCRAFT COVERAGES

TRIP INTERRUPTION	\$25,000	Each Passenger / Occurrence
	Reasonable expenses incurred for food, lodging and travel of passengers (excluding employees and crew) from the location where the damage occurred to the final destination or to the place where the aircraft originally departed.	
EXTRA EXPENSE – RENTAL TEMPORARY SUBSTITUTE AIRCRAFT	\$5,000	Each Day
	\$500,000	Each Occurrence
LOSS OF USE	Coverage for the rental of like make and model aircraft to be used during repair of damage by a covered cause of loss to scheduled aircraft.	
ON AIRPORT PREMISES AUTO LIABILITY	\$Policy Limit	Each Occurrence
	Liability coverage is extended to include "Bodily Injury" and "Property Damage" caused by an occurrence during the policy period arising out of your ownership, maintenance or use of any "automobile", and only while on an airport premises occupied by the Named Insured.	
MUTUAL AID AGREEMENT LIABILITY	Included	
GOVERNMENTAL IMMUNITY	It is agreed that the company will not use the defense of governmental immunity, which includes any collateral source offset, in respects to any claims or suits covered by this policy except upon written request by a duly authorized officer of the Named Insured.	
UNINTENTIONAL FAILURE TO REPORT	It is understood and agreed that any unintentional error or failure on the part of the Insured to disclose facts to the Company shall not be a basis for the denial of any coverage, provided that it is corrected as soon as the circumstances comes to the attention of Risk Management.	

CITY OF AUSTIN , AUSTIN POLICE DEPARTMENT

SUMMARY OF AIRCRAFT COVERAGES

BREACH OF WARRANTY	As required by lienholder – if any
HULL WAR AND TRIA	Included
LIABILITY WAR / EXTENDED COVERAGE AND TRIA	Included
BAIL BONDS	Premiums on appeal bonds required in any such suit, premiums on bonds to release attachments in any such suit for an amount not in excess of the applicable limit of liability of this policy and the cost of bail bonds required of the Insured because of an occurrence or violation of law or a regulation for civil aviation arising out of the use of the aircraft, not to exceed \$250 per bail bond, but the Company shall have no obligation to apply for or furnish any such bonds;
UN EARNED PREMIUM INSURANCE	In the event of a total loss the company will pay you the unearned portion of the annual hull premium.
NO CLAIMS BONUS ON RENEWAL	A 15% No Claims Bonus on Renewal will apply with respect to the Physical Damage Premium only in the event there are no claims / losses prior to expiration of coverage – if renewed with Phoenix Aviation Managers.

AIRCRAFT LIABILITY / PHYSICAL DAMAGE COVERAGES

☐ AIRCRAFT POLICY LIMITATIONS / CONDITIONS

- ☐ **Approved Uses:**
 - As respects Eurocopter EC120 N1240W and Eurocopter AS350B3a:** All uses in connection with the operations of your Law Enforcement Missions, including but not limited to patrol, aerial surveillance, transportation of prisoners, slung operations.
 - As respects C182, N21475:** All uses in connection with the operations of your Law Enforcement Missions, including but not limited to your aerial surveillance, photography, including transportation of prisoners.
 - As respects Bell OH-58, N909K:** All uses in connection with the operations of your Law Enforcement, including aerial photography, surveillance, and pilot training, excluding transportation of prisoners, excluding slung operations.
 - Use for all aircraft excludes any use involving application of chemicals.
- ☐ **Approved Pilots:** **Any properly licensed and certificated pilot as approved by the chief pilot or his/her designee .**
- ☐ **Approved Territory:** USA (excluding Alaska), Canada, and Mexico
- ☐ **Notice of Cancellation:** **Ninety (90) days**, except in the event of non-payment of premium, ten (10) days notice shall apply.

MAJOR EXCLUSIONS

Wear and Tear

Deterioration

Conversion, Embezzlement or Secretion

Non adherence to pilot requirements or approved uses

Use of Chemicals

Pollution except arising from an accident

Electronic Data Recognition Limitation

NOTE: *Not all exclusions are shown. It will be necessary to refer to the actual policy for coverage, conditions, provisions and limitations.*

CITY OF AUSTIN , AUSTIN POLICE DEPARTMENT

AIRCRAFT SCHEDULE

AIRCRAFT	N NUMBER	AGREED VALUE
2012 Eurocopter AS350B3	N6227	\$3,750,000
2001 Eurocopter EC120	N1240W	\$1,600,000
1973 Cessna 182P	N21475	\$68,000
1969 Bell OH58	N909K	\$150,000

PREMIUM SUMMARY

COVERAGES AND PREMIUMS
\$25MIL LIMIT OPTION AS QUOTED

Aircraft Physical Damage: Values as shown in aircraft schedule/description of aircraft

Aircraft Liability: Combined Single Limit \$25,000,000³ each occurrence bodily injury and property damage including passengers

Description of Aircraft

		<u>Value</u>	<u>Physical Damage Premium</u>	<u>Liability Premium</u>
N6227	2013 Eurocopter AS350B3e	\$3,750,000	\$35,962	\$3,866
N1240W	2001 Eurocopter EC120	\$1,600,000	\$15,344	\$3,866
N21475	1973 Cessna 182P	\$ 68,000	\$ 580	\$1,517
N909K	1969 Bell OH-58	\$ 150,000	\$ 2,615	\$3,714

Premiums shown are annual.

Total Premiums Hull (Phys Dmg) & Liability: \$67,464.

Additional Coverages: As outlined in proposal are included

Hull War and TRIA Included
Liability War/Extended Coverage and TRIA included

Note:

1. A 10% no claims bonus on Renewal with Phoenix Aviation in 2013 will apply with respect to written Physical Damage premiums under the current / expiring 2012-13 policy only in the event there are no claims/losses prior to expiration of coverage under the current Policy, provided that coverage is renewed with Phoenix.

2. A 15% no claims bonus will apply on renewal in 2014 with respect to quoted Physical Damage premiums only in the event there are no claims/losses prior to expiration of coverage and provided that coverage is renewed with Phoenix Aviation Managers.

³ Except Combined Single Limit \$5,000,000 each occurrence bodily injury and property damage including passengers when named student pilots are receiving instruction in the Cessna 182. This is an increase in coverage over current policy and bid requirements. (Full policy limit applies to Private Pilots or better.)

PREMIUM SUMMARY

COVERAGES AND PREMIUMS
\$50MIL LIMIT OPTION AS QUOTED

Aircraft Physical Damage: Values as shown in aircraft schedule/description of aircraft

Aircraft Liability: Combined Single Limit \$50,000,000⁴ each occurrence bodily injury and property damage including passengers

Description of Aircraft

		<u>Value</u>	<u>Physical Damage Premium</u>	<u>Liability Premium</u>
N6227	2013 Eurocopter AS350B3e	\$3,750,000	\$35,962	\$5,523
N1240W	2001 Eurocopter EC120	\$1,600,000	\$15,344	\$5,523
N21475	1973 Cessna 182P	\$ 68,000	\$ 580	\$2,166
N909K	1969 Bell OH-58	\$ 150,000	\$ 2,615	\$5,307

Premiums shown are annual.

Total Premiums Hull (Phys Dmg) & Liability: \$73,020.

Additional Coverages: As outlined in proposal are included

Hull War and TRIA Included

Liability War/Extended Coverage and TRIA included

Note:

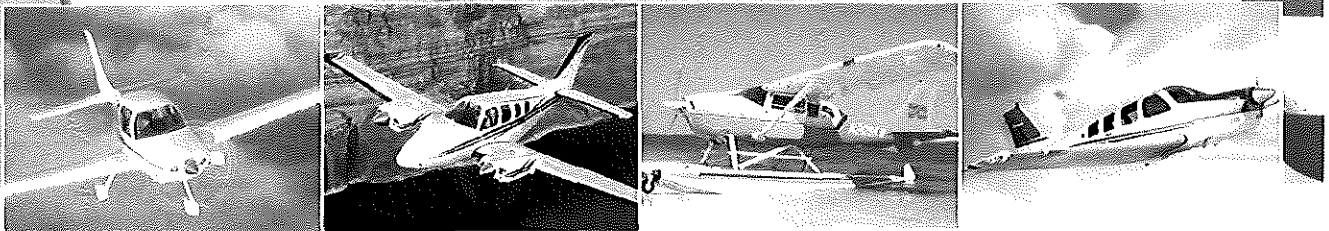
1. A 10% no claims bonus on Renewal with Phoenix Aviation in 2013 will apply with respect to written Physical Damage premiums under the current/expiring 2012-13 policy only in the event there are no claims/losses prior to expiration of coverage under the current Policy provided that coverage is renewed with Phoenix.

2. A 15% no claims bonus will apply on renewal in 2014 with respect to quoted Physical Damage premiums only in the event there are no claims/losses prior to expiration of coverage and provided that coverage is renewed with Phoenix Aviation Managers.

⁴ Except Combined Single Limit \$5,000,000 each occurrence bodily injury and property damage including passengers when named pilots are receiving instruction in the Cessna 182. This is an increase in coverage over current policy and bid requirements. (Full policy limit applies to Private Pilots or better.)



Aircraft Insurance Policy



PHOENIX AVIATION MANAGERS, INC.

**SPECIMEN POLICY
SEC. 3.2**

Issuing and Policyholder Servicing Offices:

Phoenix Aviation Managers, Inc. (Corporate Office)

1990 Vaughn Road, Suite 350

Kennesaw, Georgia 30144

Phone: (770) 590-4950

Fax: (770) 590-0599

Phoenix Aviation Managers, Inc.

15660 North Dallas Parkway, Suite 400

Dallas, Texas 75248

Phone: (972) 991-7223

Fax: (972) 490-7069

Phoenix Aviation Managers, Inc.

215 Shuman Blvd., Suite 208

Naperville, Illinois 60563

Phone: (630) 369-1076

Fax: (630) 369-1221

Phoenix Aviation Managers, Inc.

199 Water Street, 30th Floor

New York, New York 10038

Phone: (212) 607-2624

Fax: (212) 607-2614

Phoenix Aviation Managers, Inc.

555 S. Renton Village Place, Suite 550

Renton, Washington 98057

Phone: (425) 277-7407

Fax: (425) 277-0112

AVIATION POLICY

POLICY PROVISIONS—FORM PAM - AV2

Old Republic Insurance Company, a stock insurance company (hereinafter called the Company), in consideration of payment of the premium and in reliance upon the statements in the Declarations and subject to the Limits of Liability, Exclusions, Conditions and all other terms of the Policy, agrees with the Named Insured identified in the Declarations Page herein as follows:

INSURING AGREEMENTS

I. LIABILITY COVERAGES

Coverage A—Bodily Injury Liability Excluding Passengers-To pay on behalf of the Insured all sums which the Insured shall become legally obligated to pay as damages because of bodily injury sustained by any person excluding any passenger.

Coverage B—Property Damage Liability-To pay on behalf of the Insured all sums which the Insured shall become legally obligated to pay as damages because of property damage.

Coverage C—Passenger Bodily Injury Liability-To pay on behalf of the Insured all sums which the Insured shall become legally obligated to pay as damages because of bodily injury sustained by any passenger.

Coverage D—Single Limit Bodily Injury and Property Damage Liability-To pay on behalf of the Insured all sums which the Insured shall become legally obligated to pay as damages because of bodily injury sustained by any person (excluding any passenger unless the words "Including Passengers" appear in Item 4 of the Declarations) and property damage.

caused by an occurrence and arising out of the ownership, maintenance or use of the aircraft; and if the purpose of use stated in Item 7 of the Declarations is "Pleasure and Business" Coverages A, B and D shall apply to an occurrence arising out of the maintenance or use of the premises in or upon which the aircraft is stored.

II. EXPENSES FOR MEDICAL SERVICES COVERAGE

Coverage E—Expenses for Medical Services-To pay all reasonable medical expense incurred within one year from the date of injury, to or for each passenger who sustains bodily injury caused by an occurrence, provided the aircraft is being used by or with the express permission of the Named Insured.

III. PHYSICAL DAMAGE COVERAGES

Coverage F—All Risk Basis-To pay for any physical damage to or loss of the aircraft, including disappearance of the aircraft.

Coverage G—All Risk Basis Not In Motion-To pay for any physical damage to or loss of the aircraft sustained while the aircraft is not in motion and which is not the result of fire or explosion following crash or collision while the aircraft was in motion.

IV. DEFENSE, SETTLEMENT AND SUPPLEMENTARY PAYMENTS

Coverages A, B, C, and D

The Company shall have the right and duty to defend any suit against the Insured seeking damages on account of such bodily injury or property damage, even if any of the allegations of the suit are groundless, false or fraudulent. It may make such investigation and settlements of any claim or Suit as it deems expedient, but the Company shall not be obligated to pay any claim or judgment or to defend any Suit after the applicable limit of the Company's liability has been exhausted by payment of judgments or settlements.

During such time as the Company is obligated to defend a claim or claims under the provisions of the preceding paragraph, the Company will pay with respect to such claim, in addition to the applicable limits of liability:

- (a) all expenses incurred by the Company, all costs taxed against the Insured in any suit defended by the Company and all interest accruing after judgment upon that portion of the judgment falling within the Policy limits before the Company has paid or tendered or deposited in court that part of the judgment which does not exceed the limit of the Company's liability thereon;

- (b) premiums on appeal bonds required in any such suit, premiums on bonds to release attachments in any such suit for an amount not in excess of the applicable limit of liability of this policy and the cost of bail bonds required of the Insured because of an occurrence or violation of law or a regulation for civil aviation arising out of the use of the aircraft, not to exceed \$250 per bail bond, but the Company shall have no obligation to apply for or furnish any such bonds;
- (c) expenses incurred by the Insured for first aid to others at the time of an accident, for bodily injury to which this policy applies;
- (d) all reasonable expenses incurred by the Insured at the Company's request, other than for loss of earnings or for wages or salaries of employees of the Insured.

V. POLICY PERIOD, TERRITORY (All Coverages)

This policy applies only to bodily injury or property damage which occurs, and to physical damage losses to the aircraft which are sustained during the policy period, while the aircraft is within the United States of America, Canada or Mexico, or while being transported between ports thereof.

VI. TWO OR MORE AIRCRAFT

All Coverages

When two or more aircraft are insured under this policy the terms of this policy shall apply separately to each.

SPECIAL INSURING AGREEMENTS

(APPLICABLE ONLY IF THE PURPOSE OF USE SHOWN IN ITEM 7 IS LIMITED TO PLEASURE AND BUSINESS)

I. TEMPORARY USE OF SUBSTITUTE AIRCRAFT (Coverages A, B, C, D and E)

Solely with respect to the liability of the Named Insured: While an aircraft described in Item 5 of the Declarations is withdrawn from normal use because of its breakdown, repair, servicing, loss or destruction, such insurance as is afforded under Coverages A, B, C, D and E is extended to apply with respect to the use, by or on behalf of the Named Insured of any other aircraft bearing a "Standard" airworthiness certificate, not owned in whole or in part by the Named Insured, while temporarily used as a substitute therefor.

In the event that the aircraft has a passenger capacity greater than that of any aircraft listed in the Declarations, then the Company's liability under Coverage D for passenger claims shall be determined in accordance with the provisions of the "Limit of Company's Liability" section of this policy, as if the aircraft involved had the same seating capacity as that aircraft listed in the Declarations which has the greatest seating capacity.

II. USE OF OTHER AIRCRAFT (Coverages A, B, C, D and E)

If the Named Insured is one individual or, one individual and spouse, such insurance as is afforded under Coverages A, B, C, D and E with respect to the aircraft described in Item 5 of the Declarations is extended to apply with respect to the use, by or on behalf of the Named Insured, of any other aircraft bearing a "Standard" airworthiness certificate not owned in whole or in part by, or furnished for regular use to, such Named Insured and spouse. The insurance provided by this Agreement shall apply only to the Named Insured and spouse.

In the event that the aircraft has a passenger capacity greater than that of any aircraft listed in the Declarations, then the Company's liability under Coverage D for passenger claims shall be determined in accordance with the provisions of the "Limit of Company's Liability" section of this policy, as if the aircraft involved had the same seating capacity as that aircraft listed in the Declarations which has the greatest seating capacity.

III. AUTOMATIC INSURANCE FOR NEWLY ACQUIRED AIRCRAFT (Coverages A, B, C, D and E)

If the Named Insured acquires ownership of an aircraft having a Standard Airworthiness Certificate in addition to the aircraft described in Item 5 of the Declarations and within thirty days thereafter reports such acquisition to the Aviation Managers, then the insurance afforded by Coverages A, B, C, D and E shall apply to such additional aircraft as of the time of such acquisition, provided the Company insured all other aircraft owned in whole or in part by the Named Insured on such acquisition date. Unless the Named Insured and the Company agree otherwise the coverages and limits of liability pertaining to said additional aircraft shall be the same as is provided for that aircraft which is described in Item 5 of the Declarations having the greater passenger carrying capacity. The Named Insured shall pay any additional premium required because of the application of this insurance to such other aircraft. All coverages provided by this Agreement shall cease to apply upon expiration of the policy to which it is attached.

EXCLUSIONS

This policy does not apply:

1. To any Insured while the aircraft is in flight with the knowledge and consent of such Insured or of any executive officer, partner, or managing agent of such Insured for any unlawful purpose, or any purpose not designated in the Declarations.
2. To any Insured while the aircraft is in flight
 - (a) if piloted by other than the pilot or pilots designated in the Declarations;
 - (b) if piloted by a pilot not properly certificated, qualified and rated under the current applicable Federal Aviation Regulations for the operation involved, whether or not said pilot is designated in the Declarations;
 - (c) if the Airworthiness Certificate of the aircraft is not in full force and effect;
 - (d) If the aircraft has not been subjected to appropriate airworthiness inspection(s) as required under current applicable Federal Aviation Regulations for the operations involved.
3. To any loss, injury or damage arising from war, invasion, civil war, revolution, rebellion, insurrection or warlike operations, whether there be a declaration of war or not.
4. To any loss or damage due to radioactive contamination.
5. Under Coverages A, B, C, D and E
 - (a) to liability assumed by the Insured under any contract or agreement, but this exclusion 5(a) does not apply to the assumption by the Named Insured of the liability of others for bodily injury or property damage in any written hold harmless agreement required by a military or governmental authority as a prerequisite to the use of an airport or an airport facility;
 - (b) to an Insured under this policy who is also an Insured under a contract of nuclear energy liability insurance issued by the Nuclear Energy Liability Insurance Association or the Mutual Atomic Energy Liability Underwriters and in effect at the time of the occurrence resulting in such injury, sickness, disease, death or destruction; provided, such contract of nuclear energy liability insurance shall be deemed to be in effect at the time of such occurrence notwithstanding such contract has terminated upon exhaustion of its limit of liability;
 - (c) (i) To claims directly or indirectly occasioned by, happening through or in consequence of:
 1. noise (whether audible to the human ear or not), vibration, sonic boom and any phenomena associated therewith,
 2. pollution and contamination of any kind whatsoever,
 3. electrical and electromagnetic interference,
 4. interference with the use of property,unless caused by a crash or collision of aircraft or a recorded in flight emergency causing abnormal aircraft operation.
 - (ii) with respect to any provision in the policy concerning any duty of the Company to investigate or defend claims, such provision shall not apply and the Company shall not be required to defend:
 1. claims excluded by paragraph (c) (i) or
 2. a claim or claims covered by the policy when combined with any claims excluded by paragraph (c) (i) referred to below as "Combined Claims".
 - (iii) In respect of any Combined Claims, the Company shall (subject to proof of loss and the limits of the policy) reimburse the Insured for that portion of the following items which may be allocated to the claim or claims covered by the policy:
 1. damages awarded against the Insured and
 2. defense fees and expenses incurred by the Insured.
 - (d) To claims in respect of death, bodily injury, illness or disease of any person or persons and/or damage to or destruction of property caused by or resulting from the use by the Insured or his agent of any forms of chemical dispersed from the aircraft.

6. Under Coverages A, C and D

- (a) to any obligation for which the Insured or any carrier as his insurer may be held liable under any worker's compensation, unemployment compensation or disability benefits law, or under any similar law;
- (b) to bodily injury to any employee of the Named Insured arising out of and in the course of his employment by such Named Insured;
- (c) to bodily injury or death of any person who is a Named Insured.

7. Under Coverages B and D to property damage to property owned, occupied, rented or used by, or in the care, custody or control of the Insured or carried in or on any aircraft, but this exclusion does not apply, as respects the Named Insured, to:

- (a) damages not exceeding \$250 for damage or loss of the personal effects and baggage of any guest passenger in any one occurrence; or
- (b) damages not exceeding \$1,000 any one occurrence for damage to hangars not owned by the Named Insured.

8. Under Coverages F and G

- (a) to loss or damage due to conversion, embezzlement or secretion by any person in possession of the aircraft under a bailment, lease, rental agreement, conditional sale, purchase agreement, mortgage or other encumbrance, nor for any loss or damage during or resulting therefrom;
- (b) to wearing apparel and other personal effects;
- (c) to loss or damage which is due and confined to wear and tear, deterioration, freezing, mechanical, hydraulic, pneumatic, structural or electrical breakdown or failure, or to tires unless damaged by fire or stolen, unless any such loss or damage is the direct result of other physical damage covered by this policy;
- (d) to loss or damage arising from capture, confiscation, seizure, arrest, restraint or detention or the consequences thereof or of any attempt there at, or any taking of the property insured or damage to or destruction thereof by any government or governmental authority or agent (whether secret or otherwise) or by any military, naval or usurped power, whether any of the foregoing be done by way of requisition or otherwise and whether in time of peace or war and whether lawful or unlawful;
- (e) damage to turbine engines caused by excessive heat which results from operations, attempted operation or shutdown of the engine.

LIMIT OF COMPANY'S LIABILITY

ALL COVERAGES (Other Insurance)

Except with respect to insurance afforded by Special Insuring Agreements I and II and to insurance specifically purchased by the Named Insured to apply in excess of this policy, if there is other insurance in the Insured's name or otherwise, against loss, liability or expense covered by this policy, the Company shall not be liable under this policy for a greater proportion of such loss, liability or expense than the applicable limit of the Company's liability bears to the total applicable limit of liability of all valid and collectible insurance against such loss, liability or expense. Insurance afforded by Special Insuring Agreements I and II shall be excess insurance over any other valid and collectible insurance available to the Insured, either as Insured under a policy applicable to the aircraft or otherwise and if such other insurance shall have been written through the Aviation Managers as primary insurance, then the Company's limits of Liability under this policy shall be reduced by the applicable limits of such other policy.

COVERAGES A, B, C AND D (Total Liability)

Regardless of the number of (1) Insureds under this policy, (2) persons or organizations who sustain bodily injury or property damage, (3) claims made or suits brought on account of bodily injury or property damage, or (4) aircraft to which this policy applies, the Company's liability is limited as follows:

Coverages A and C. The total liability of the Company for all damages, including damages for care and loss of services, because of bodily injury sustained by any person as the result of any one occurrence shall not exceed the limit of liability stated in the Declarations as applicable to "each person." Subject to the above provision respecting "each person" the total liability of the Company for all damages, including damages for care and loss of services, because of bodily injury sustained by two or more persons as the result of any one occurrence shall not exceed the limit of liability stated in the Declarations as applicable to "each occurrence".

Coverage B. The total liability of the Company for all damages because of all property damage sustained by one or more persons or organizations as the result of any one occurrence shall not exceed the limit of liability stated in the Declarations as applicable to "each occurrence".

Coverage D. The total liability of the Company for all damages, including damages for care and loss of services, because of bodily injury or property damages sustained by one or more persons or organizations as the result of any one occurrence shall not exceed the limit of liability stated in the Declarations as applicable to "each occurrence".

And further provided that if the Declarations are completed to show "passenger liability limited to", the total liability of the Company for all damages, including damages for care and loss of service because of bodily injury to passengers shall not exceed:

- (a) as respects any one passenger, the amount stated in the Declarations as applicable to "each person," regardless of the number of persons bringing a claim.
- (b) as respects two or more passengers, subject to the above provisions respecting any one passenger, the amount stated in the Declarations as applicable to "each person" multiplied by the number of passengers on board the aircraft or by the number of passenger seats as stated in Item 5 for aircraft involved (whichever is less), but in no event shall the Company's Liability for all bodily injury (including passenger bodily injury) and property damage exceed the limits stated in the Declarations as applicable to "each occurrence".

For the purpose of determining the limit of the Company's liability, all bodily injury and property damage arising out of continuous or repeated exposure to substantially the same general conditions shall be considered as arising out of one occurrence.

COVERAGES A, B, C AND D (Severability of Interests)

The insurance afforded applies separately to each Insured against whom claim is made or suit is brought, except with respect to the limits of the Company's liability.

COVERAGE E (Total Liability)

The limit of liability stated in the Declarations as applicable to "each person" is the limit of the Company's liability for all medical expenses incurred by or on behalf of each person who sustains bodily injury, sickness, or disease, including death resulting therefrom, in any one occurrence. The limit of liability stated in the Declarations for Coverage E as applicable to "each occurrence" is, subject to the above provision respecting each person, the total limit of the Company's liability for all expenses incurred by or on behalf of two or more persons who sustain bodily injury, sickness or disease, including death resulting therefrom in any one such occurrence.

COVERAGE F AND G (Total Liability)

With respect to total loss, the Company will pay the insured value of the aircraft, as stated in the Declarations, subject to any applicable deductible.

With respect to partial loss, the Company will pay, subject to any applicable deductible as hereinafter provided:

- (1) If repairs are made by other than the Named Insured, the cost to repair the damaged property with material of like kind and quality (excluding any charges for overtime), plus the cost of the least expensive, reasonable method of transporting new and/or damaged parts and/or damaged aircraft to the place of repair and the return of the repaired aircraft to the place where the loss occurred or the place where the aircraft is regularly based, whichever is nearer;
- (2) if repairs are made by the Named Insured, the total of the following:
 - (a) actual cost to the Insured of material of like kind and quality;
 - (b) actual wages paid for labor, excluding any overtime;
 - (c) 100% of item (b) in lieu of overhead and supervisory services;
 - (d) cost of the least expensive, reasonable method of transporting new and/or damaged parts and/or damaged aircraft to the place of repair and the return of the repaired aircraft to the place where the loss occurred or the place where the aircraft is regularly based, whichever is nearer.

The amount due under this policy with respect to partial loss shall in no event exceed the amount due were the loss payable as a total loss. In any event, when the amount paid or payable hereunder is equal to the amount payable as a total loss, any Salvage value remaining shall inure to the benefit of the Company. Equipment installed in the aircraft subsequent to the effective date of coverage shall be considered a part of the aircraft, and the salvage value thereof shall inure to the benefit of the Company. There shall, however, be no abandonment of any damaged property without the consent of the Company.

If the loss is due to theft, the Company shall have the right to return the stolen property at any time prior to actual payment of the claim hereunder, with payment for any physical damage sustained thereto.

DEFINITIONS

When appearing in this policy:

"Aircraft" means the aircraft described in the Declarations or any Aircraft qualifying under the provisions of the Special Insuring Agreements and shall include propulsion systems, operating, navigation and radio equipment usually attached thereto, and parts and repair equipment which are standard for the make and type of aircraft. Parts temporarily detached from the aircraft which have not been replaced by other similar parts shall be deemed part of the aircraft. Aviation fuel shall not be deemed part of the aircraft.

"Aviation Managers" means Phoenix Aviation Managers, Inc. and Phoenix Aviation Managers (Texas), Inc.

"Bodily Injury" means bodily injury, sickness, disease or mental anguish sustained by any person which occurs during the policy period, including death at any time resulting therefrom.

"Charter" means used principally in the business of the Insured, including passenger or freight carrying for hire or reward and Pleasure and Business uses, but excluding instruction of or rental to others.

"Commercial" means used principally in the business of the Insured, including student instruction, passenger or freight carrying for hire or reward, rental to others for the purpose of Pleasure and Business and those uses defined under Pleasure and Business.

"Disappearance" means missing and not reported by sixty days after commencing the last known flight.

"Federal Aviation Administration" means the duly constituted authority of the United States of America having jurisdiction over civil aviation, or its duly constituted equivalent in any other country.

"In Flight" means the time commencing with the actual take-off run of the aircraft and continuing thereafter until it has completed its landing roll or, if the aircraft is a rotorcraft, from the time the rotors start to revolve under power for the purpose of flight until they subsequently cease to revolve.

"In Motion" means while the aircraft is moving under its own power or the momentum generated therefrom or while it is in flight and, if the aircraft is a rotorcraft, any time that the rotors are rotating.

"Instruction and Rental" means used principally in the business of the Insured, including Pleasure and Business, student instruction and rental to others for the purpose of Pleasure and Business uses, but excluding passenger or freight carrying for hire or reward.

"Insured" The unqualified word "Insured" wherever used in this Policy with respect to Coverages A, B, C and D, includes not only the Named Insured but also any person while using or riding in the aircraft and any person or organization legally responsible for its use, provided the actual use is with the express permission of the Named Insured. Except with respect to the Named Insured the provisions of this paragraph do not apply:

- (a) to any employee with respect to bodily injury, sickness, disease or death of another employee of the same employer injured in the course of such employment;
- (b) To any person or organization or to any agent or employee thereof (other than any employee of the Named Insured while acting in the scope and course of his employment by the Named Insured) engaged in the manufacture or sale of aircraft, aircraft engines or aircraft accessories or in the operating of an aircraft repair shop, airport, hangar, aircraft sales agency, aircraft rental service, commercial flying service or flying school with respect to any occurrence arising out of such manufacture, sale or operations;
- (c) to any person (other than any employee of the Named Insured while acting in the scope and course of his employment by the Named Insured) engaged in providing flight instruction for hire or reward;
- (d) to any person operating the aircraft who has paid or agreed to pay the Named Insured for the use of said aircraft;
- (e) to the owner or lessor, or any agent or employee thereof, of any aircraft which is the subject of the provisions of Special Insuring Agreements I and II.

"Medical Expense" means expenses for necessary medical, surgical x-ray or dental services, including prosthetic devices, and necessary ambulance, hospital, professional nursing and funeral services, but excluding monuments, head stones or burial plots.

"Named Insured" means the person or organization named in Item 1 of the Declarations.

"Occurrence" means an accident, including continuous or repeated exposure to conditions, which results in bodily injury or property damage during the policy period neither expected nor intended from the standpoint of the Insured, but the definition shall not be construed so as to preclude coverage for bodily injury or property damage resulting from efforts to prevent dangerous interference with the operation of the aircraft.

"Partial Loss" means any physical damage loss which is not a total loss.

"Passenger" means any person in, on, or boarding the aircraft for the purpose of riding or flying therein or alighting therefrom after a flight or attempted flight therein, including pilot(s) or crew member(s).

"Physical Damage" means direct and accidental physical loss or damage to the aircraft, hereinafter called loss, but does not include loss of use or any residual depreciation in value, if any, after repairs have been made.

"Pleasure and Business" means used in the business of the Insured, including personal and pleasure uses, but excluding any operation for hire or reward. Cost reimbursement shall be included within the definition of Pleasure and Business provided that such cost reimbursement is limited to:

- (1) Fuel, oil, lubricants, and other additives
- (2) Expenses of the crew, including food, lodging, and ground transportation, but excluding salary or wages
- (3) Hangar and tie-down costs away from the aircraft's base of operation
- (4) Insurance obtained for the specific flight
- (5) Landing fees and similar assessments
- (6) Customs, foreign permit, and similar fees directly related to the flight
- (7) In flight food and beverages

"Premises" means such portions of airports as are designated and used for the parking or storage of aircraft, including premises owned by, or leased for more than thirty days to, the Named Insured.

"Property Damage" means (a) physical injury to or destruction of tangible property which occurs during the policy period, including loss of use thereof at any time resulting therefrom, or (b) loss of use of tangible property which has not been physically injured or destroyed, provided such loss of use is caused by a covered occurrence.

"Total Loss" means any physical damage loss for which the "cost to repair" when added to the "salvage value" (the value of the aircraft after physical damage and prior to repairs) equals or exceeds the Insured Value of the aircraft as set forth in item 5 of the Declarations. Disappearance or theft of the entire aircraft shall be considered as a total loss.

CONDITIONS

APPLICABLE TO COVERAGES A, B, C AND D (BODILY INJURY AND PROPERTY DAMAGE)

1. NOTICE OF OCCURRENCE. When an occurrence takes place written notice shall be given by or on behalf of the Insured to the Aviation Managers at their nearest office as soon as practicable. Such notice shall contain particulars sufficient to identify the Insured and also reasonably obtainable information respecting the time, place and circumstances of the occurrence, the names and addresses of the injured and of available witnesses.

2. NOTICE OF CLAIM OR SUIT. If claim is made or suit is brought against the Insured, the Insured shall immediately forward to the Aviation Managers every demand, notice, summons or other process received by him or his representative.

3. SEVERABILITY OF INTEREST. The term "Insured" is used severally and not collectively, but the inclusion herein of more than one Insured shall not operate to increase the limits of the Company's liability.

4. ACTION AGAINST COMPANY. No action shall lie against the Company in respect of Coverages A, B, C and D unless, as a condition precedent thereto, the Insured shall have fully complied with all the terms of this policy, nor until the amount of the Insured's obligation to pay shall have been finally determined either by judgment against the Insured after actual trial or by written agreement of the Insured, the claimant and the Company.

Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this policy to the extent of the insurance afforded by this policy. Nothing contained in this policy shall give any person or organization any right to join the Company as a co-defendant in any action against the Insured to determine the Insured's liability.

5. BANKRUPTCY AND INSOLVENCY. Bankruptcy or insolvency of the Insured or of the Insured's estate shall not relieve the Company of any of its obligations hereunder.

6. FINANCIAL RESPONSIBILITY LAWS. Such insurance as is afforded by this policy shall comply with the provisions of any financial responsibility law of any State or Province which shall be applicable to aircraft with respect to any such liability arising out of the ownership, maintenance or use of the aircraft during the policy period, to the extent of the coverage and limits of liability required by such law, but in no event in excess of the limits of liability stated in this policy. The Insured agrees to reimburse the Company for any payment made by the Company which it would not have been obligated to make under the terms of this policy except for the agreement contained in this paragraph.

APPLICABLE TO COVERAGE E (MEDICAL PAYMENTS)

7. MEDICAL REPORTS: PROOF AND PAYMENT OF CLAIM. As soon as practicable the injured person or someone on his behalf shall give to the Company written proof of claim, under oath if required, and shall, after each request from the Company, execute authorization to enable the Company to obtain medical reports and copies of records. The injured person shall submit to physical examination by a physician selected by the Company when and as often as the Company may reasonably require. The Company may pay the injured person or any person or organization rendering the services and such payment shall reduce the amount payable hereunder for such injury. Payment hereunder shall not constitute admission of liability of the Insured, or except hereunder, of the Company.

8. ACTION AGAINST COMPANY. No action shall lie against the company in respect of Coverage E unless, as a condition precedent thereto, there shall have been full compliance with all the terms of this policy, nor until thirty (30) days after the required proofs of claim have been filed with the Company.

APPLICABLE TO COVERAGES F AND G (PHYSICAL DAMAGE)

9. INSURED'S DUTIES WHEN LOSS OCCURS. When loss occurs, the Insured shall:

(a) protect the aircraft, provided the Insured is able to do so, whether or not the loss is covered by this policy, and any further loss due to the Insured's failure to protect shall not be recoverable under this policy; reasonable expense incurred in affording such protection shall be deemed incurred at the Company's request;

(b) give notice thereof as soon as practicable to the Aviation Managers, and, also, in the event of theft, to the police, but shall not, except at his own cost, offer to pay any reward for recovery of the aircraft;

(c) file proof of loss with the Aviation Managers, or the company, within sixty (60) days after the occurrence of loss, unless such time is extended in writing by the Aviation Managers or the Company, in the form of a sworn statement of the Named Insured setting forth the interest of the Named Insured and of all others in the property affected, any encumbrances thereon, the actual cash value thereof at time of loss, the amount, place, time and cause of such loss, and the description and amounts of all other insurance covering such property. Upon the Company's request, the Named Insured shall exhibit the damaged property to the Company, and produce for the Company's examination all pertinent records and sales invoices, or certified copies if originals be lost, permitting copies thereof to be made, all at such reasonable times and places as the Company shall designate.

10. APPRAISAL. If the Named Insured and the Company fail to agree as to the amount of loss, each shall, on the written demand of either, made within sixty (60) days after receipt of proof of loss by the Company, select a competent and disinterested appraiser and the appraisal shall be made at a reasonable time and place. The appraisers shall first select a competent and disinterested umpire, and failing for fifteen (15) days to agree upon such umpire, then on the request of the Named Insured or the Company, such umpire shall be selected by a judge of a court of record in the county and state in which such appraisal is pending. The appraisers shall then appraise the loss, stating separately the amount of loss, and failing to agree shall submit their differences to the umpire. An award in writing of any two shall determine the amount of loss. The Named Insured and the Company shall each pay his or its chosen appraiser and shall bear equally the other expenses of the appraisal and the umpire. The Company shall not be held to have waived any of its rights by any act relating to appraisal.

11. PAYMENT FOR LOSS: ACTION AGAINST COMPANY. Payment for loss may not be required nor shall action lie against the Company in respect of Coverages F and G unless as a condition precedent thereto, the Named Insured shall have complied with all the terms of this policy nor until sixty (60) days after proof of loss is filed and the amount of loss is determined as provided in this policy, nor shall any action lie against the Company unless commenced within twelve (12) months after the happening of the loss.

12. NO BENEFIT TO BAILEE. The insurance afforded by this policy shall not inure directly or indirectly to the benefit of any carrier or bailee liable for loss to the aircraft.

13. AUTOMATIC REINSTATEMENT. In the event of loss, whether or not covered by this policy, the amount of insurance in respect to any aircraft, shall be reduced as of the time and date of loss by the amount of such loss and such reduced value shall continue until repairs are commenced when the amount of insurance shall be automatically increased by the value of the completed repairs until the amount of insurance is fully reinstated or the policy has expired.

APPLICABLE TO ALL COVERAGES

14. ASSISTANCE AND COOPERATION OF THE INSURED. The Insured shall cooperate with the Company and, upon the Company's request, shall attend hearings and trials and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and in the conduct of suits. Further, upon the Company's request, the Insured shall submit to examinations under oath by anyone designated by the Company.

The Insured shall not, except at his own cost, voluntarily make any payment, assume any obligation or incur any expense other than for such immediate medical and surgical relief to others as shall be imperative at the time of occurrence.

15. INSPECTION AND AUDIT. The Company or the Aviation Managers shall be permitted to inspect the aircraft and any records pertaining thereto during the policy period or within one year thereafter.

16. SUBROGATION. Except in respect to Coverage E, in the event of any payment under this policy, the Company shall be subrogated to all the Insured's rights of recovery therefor against any person or organization and the Insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Insured shall do nothing after the loss to prejudice such rights.

17. CHANGES. Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this policy or estop the Company from asserting any right under the terms of this policy; nor shall the terms of this policy be waived or changed, except by endorsement issued to form a part hereof signed by the Aviation Managers.

18. ASSIGNMENT. Assignment of interest under this policy shall not bind the Company until its consent is endorsed hereon by the Aviation Managers; if, however, the Named Insured shall die or be adjudged bankrupt or insolvent within the policy period, this policy unless canceled, shall if written notice be given to the Company within sixty (60) days after the date of such death or adjudication, cover (1) the Named Insured's legal representative as the Named Insured, and (2) subject otherwise to the provisions of the definition of Insured, any person having proper temporary custody of the aircraft, as an Insured, until the appointment and qualification of such legal representative but in no event for a period of more than sixty (60) days after the date of such death or adjudication.

19. CANCELLATION. This policy may be cancelled by the Named Insured by surrender thereof to or by mailing to the Aviation Managers written notice stating when thereafter the cancellation shall be effective. This policy may be cancelled by the Company or the Aviation Managers by mailing to the Named Insured at the address shown in this policy written notice stating when not less than thirty (30) days (ten (10) days if for nonpayment of premium) thereafter such cancellation shall be effective. The mailing of notice as aforesaid shall be sufficient proof of notice. The time of the surrender or the effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Named Insured, the Company or the Aviation Managers shall be equivalent to mailing.

20. RETURN PREMIUM. If the Named Insured cancels, earned premium shall be computed in accordance with the customary short rate table and procedure. If the Company or the Aviation Managers cancel, earned premium shall be computed pro rata. Premium adjustment may be made either at the time cancellation is effected or as soon as practicable after cancellation becomes effective, but payment or tender of unearned premium is not a condition of cancellation. The Company shall not be liable for any return physical damage premium in respect to an aircraft on which a total loss has been paid.

21. FRAUD OR MISREPRESENTATION. This policy shall be void if the Named Insured has concealed or misrepresented any material fact or circumstance concerning this insurance or the subject thereof or in case of any fraud, attempted fraud or false swearing by the Named Insured touching any matter relating to this insurance or the subject thereof, whether before or after a loss.

22. TERMS OF POLICY CONFORMED TO STATE LAWS. Terms of this policy which are in conflict with the laws of the State wherein this policy is issued are hereby amended to conform to such laws.

23. DECLARATIONS. By acceptance of this policy the Named Insured agrees that the statements in the Declarations are his agreements and representations, that this policy is issued in reliance upon the truth of such representations and that this policy embodies all agreements existing between himself and the Aviation Managers, the Company or any of their agents relating to this insurance.

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PLEASE READ YOUR POLICY**

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SHORT RATE CANCELLATION TABLE FOR ONE-YEAR POLICIES

Days Policy In Force	Per Cent of One Year Premium	Days Policy In Force	Per Cent of One Year Premium	Days Policy In Force	Per Cent of One Year Premium	Days Policy In Force	Per Cent of One Year Premium	Days Policy In Force	Per Cent of One Year Premium	Days Policy In Force	Per Cent of One Year Premium
1	5%	37-40	21%	95-98	37%	154-156	53%	219-223	69%	292-296	85%
2	6	41-43	22	99-102	38	157-160	54	224-228	70	297-301	86
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33-36	20	92-94	36	150-153	52	215-218	68	288-291	84	361-365	100

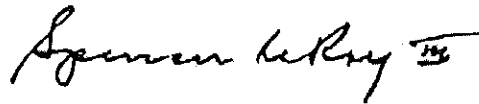
Phoenix Aviation Managers, Inc.
1990 Vaughn Road
Suite 350
Kennesaw, Georgia 30144

INSURANCE IS PROVIDED BY
THE COMPANY DESIGNATED ON THE DECLARATIONS PAGE

IN WITNESS WHEREOF, we have caused this policy to be executed and attested,
and, if required by law, this policy shall not be valid unless countersigned by our
authorized representative.

OLD REPUBLIC INSURANCE COMPANY

133 Oakland Avenue
Greensburg, Pennsylvania 15601
A Stock Company

A handwritten signature in black ink, appearing to read "Spencer LeRoy" with a stylized flourish at the end.

Secretary

A handwritten signature in black ink, appearing to read "J. A. Keeler" with a stylized flourish at the end.

President

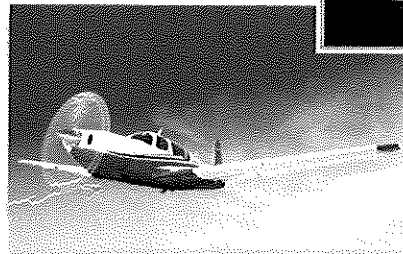


307 North Michigan Avenue
Chicago, Illinois 60601
(312) 346-8100

The Following pages are not part of your Insurance Policy, but are provided for you as supplementary information. Below is an index of the documents that follow this page:

1. Phoenix Aviation Managers, Inc. Claims Contact list and Office Locations
2. Privacy Policy for Phoenix Aviation Managers, Inc. and Old Republic Insurance Company

Phoenix Aviation Managers, Inc.



Claims Specialists

Please contact the claims specialist below in the nearest state to which the mishap occurred.

AVIATION CLAIMS

All Offices Mail to:
PO Box 440757
Kennesaw, GA 30160

Home Office

Atlanta, Georgia
(or outside U.S.A.)

Phone: 770-590-4950
Facsimile: 770-919-8646

Baltimore, Maryland

Phone: 410-321-0314
Facsimile: 410-321-0392

Chicago, Illinois

Phone: 630-369-1076
Facsimile: 630-369-1221

Dallas, Texas

Phone: 972-991-7223
Facsimile: 972-720-1117

Denver, Colorado

Phone: 303-989-7902
Facsimile: 720-247-4884

Los Angeles, California

Phone: 805-496-7181
Facsimile: 805-496-7189

New Orleans, Louisiana

Phone: 504-527-6160
Facsimile: 504-527-6391

Seattle, Washington

Phone: 425-277-7407
Facsimile: 425-277-0112

St. Augustine, Florida

Phone: 904-687-0132
Facsimile: 904-239-5445

St. Louis, Missouri

Phone: 636-536-0832
Facsimile: 636-536-1017



PRIVACY POLICY

WE ARE COMMITTED TO PROTECTING YOUR PRIVACY

Collecting personal information about you is essential to our ability to offer you high-quality insurance products and services. We take great care to keep your nonpublic personal information accurate, confidential and secure.

Our Policy sets high standards for collecting, using, disclosing and storing nonpublic personal information.

For Privacy Policy questions regarding Phoenix Aviation Managers Inc., writing aviation insurance products on behalf of Old Republic Insurance Company, please contact Corporate Administration at (770) 590-4950 or visit our website www.phoenixaviationmgrs.com to submit your questions electronically.

In this document, you and your mean the individual who is a customer or potential customer of Phoenix Aviation Managers, Inc., writing on behalf of Old Republic Insurance Company and we, us and our mean Phoenix Aviation Managers, Inc. and Old Republic Insurance Company. The term "nonpublic personal information" (NPI) means any "personally identifiable financial information" that a financial institution collects about an individual in connection with providing a financial product or service, unless that information is otherwise "publicly available."

HOW WE COLLECT, USE AND DISCLOSE NONPUBLIC PERSONAL INFORMATION

We ask you for only the information we need.

We collect only the information we need for the purposes we have identified to you.

Our files are kept for the purpose of providing and servicing insurance related products for you.

We will not sell your nonpublic personal information.

Why we need the information.

Generally, we need to collect nonpublic personal information to:

- Fully understand the risk or exposure,
- determine your eligibility,
- meet regulatory or contractual requirements relating to the services and products provided to you.

We will obtain your permission.

We collect, use or disclose your nonpublic personal information only with your permission or as permitted by or required by law.

Your permission may be expressed in writing or be implied and you may give it to us verbally, electronically, or through your authorized representative.

You may withdraw your permission to collect, use and disclose your nonpublic personal information at any time, subject to legal and contractual restrictions and reasonable notice. Doing so, however, may prevent us from being able to provide insurance coverage or services to you.

Where your medical information is collected or released, we will obtain your consent to do so.

Before we make any information available to third parties, other than your agent or service provider who needs it or as otherwise required by law, we will tell you at the time we obtain your consent or before we make the information available, who those persons or organizations are, the kind of information we want to share with them and why.

We will limit how long we keep information.

We will keep your nonpublic personal information only for as long as it is necessary, including updating the product or service or as required by law.

When we destroy nonpublic personal information, we will use safeguards to prevent unauthorized parties from gaining access to the information during the process.

WE WILL PROTECT YOUR NONPUBLIC PERSONAL INFORMATION

We are responsible for your information.

We are responsible for all nonpublic personal information in our possession; including information transferred to a third party service provider or agent if necessary, so that we can provide you with a product or service.

All employees, agents and authorized service providers of Old Republic Insurance Company are required to properly protect the confidentiality of your nonpublic personal information.

How we protect information.

Access to your nonpublic personal information is restricted to those of Old Republic Insurance Company's employees, agents and authorized service providers who need it to do their jobs.

We have adopted commercially reasonable physical, technological and administrative safeguards to protect your nonpublic personal information against loss, theft, unauthorized disclosure, copying, and unauthorized use or modification. We maintain safeguards and security procedures appropriate to the types of documents, including electronic or paper records. We have instituted organizational measures including security clearances and limiting access on a "need-to-know" basis, and technological measures such as the use of passwords and encryption.

While we endeavor to protect all information, the most sensitive information, such as medical information, receives our highest level of protection.

YOUR RIGHT TO ACCESS YOUR NONPUBLIC PERSONAL INFORMATION

Your rights.

You have the right to ask whether we hold any nonpublic personal information about you and to see that information, as provided by law. Where we have obtained medical information about you from a third party, we will release this information only through your physician.

You also have the right to know:

- how we collected your nonpublic personal information,
- how we are using it, and
- to whom it may have been disclosed.

How to request an update or correction.

If you believe any of the information we have collected about you is incorrect or incomplete, you have the right to ask us to change it.

If you show that your nonpublic personal information is inaccurate or incomplete, we will make the necessary changes.

FOR MORE INFORMATION

For more information, please contact Phoenix Aviation Managers, Inc. Corporate Administration by email at www.phoenixaviationmgrs.com or by U.S. mail at:

Corporate Administration
C/O Phoenix Aviation Managers, Inc.
1990 Vaughn Road Suite 350
Kennesaw, GA 30144

Customer Service – Time Frame for policy issuance

Binders will be issued immediately (within 24/48 hours) upon receipt of the request to bind coverage.

The policy typically will be issued within 30 days of the request to bind coverage and any endorsement requests are processed and issued by the underwriters within 30 days.

Every attempt will be made to provide the client with immediate response to all service requests, coverage questions, etc.

The claims handling process is described as per the additional information provided.



PHOENIX AVIATION MANAGERS, INC.

Phoenix Aviation Managers, Inc. administers the handling of all claims. In some special cases, and only after consultation with the insured, we appoint local insurance adjusters to conduct investigations under our supervision. All investigations are coordinated through designated airport personnel.

Our emphasis is on prompt, efficient, proactive claims handling. Strong communications with all concerned, particularly our insureds, is a cornerstone of the operation.

We do not abdicate handling to defense attorneys when cases enter suit. We maintain an aggressive approach throughout the life of the case. We are strong believers in mediation and arbitration as alternative means of resolving litigation. Our claims staff are active negotiators. But we are not adverse to carrying cases through trial, when appropriate and, for that reason, we seek strong, aggressive defense attorneys. We use local defense counsel chosen in concert with our insureds.

With respect to aircraft losses, these could be handled from our offices in Dallas or Atlanta. We have a strong contingent of aircraft adjusters in both of those offices. As with the non-aircraft losses, we emphasize the need to fully coordinate our activities with our insureds.

Our airport losses are handled from our offices in Atlanta and New Orleans. The New Orleans office is headed by Greg C. Fuxan, Assistant Vice President/Airport Division Claims Manager. The staff of five has over 100 years of claims experience.

When we are working on airport claims, we copy the airports and producing agents on all appropriate correspondence. We work hard to be joint participants with the airports during the entire claims process.

Additionally, we assist airports by making recommendations in regard to hazardous situations and contractual shortcomings that we discover during our claims handling.

Old Republic and its key subsidiary companies have received high claims-paying ability ratings and have retained or improved them.

**CLAIMS HANDLING
SEC. 3.4**



PHOENIX AVIATION MANAGERS, INC.

CLAIM REPORTING INFORMATION

Dallas Office

Telephone: 972 991 7223
Facsimile: 972 720 1117

Atlanta Office

Telephone: 770 590 4950
Facsimile: 770 919 8646

New Orleans Office

Telephone: 504 527 6160
Facsimile: 504 527 6391



PHOENIX AVIATION MANAGERS, INC.

CLAIMS OVERVIEW

Phoenix Aviation Managers, Inc. administers the handling of all claims. Practically all claims are handled by telephone and mail out of our New Orleans office. In some special cases, and only after consultation with the involved airport, we appoint local insurance adjusters to conduct investigations under our supervision. All investigations are coordinated through designated airport personnel.

Our emphasis is on prompt, efficient, proactive claims handling. Strong communications with all concerned, particularly our insureds, is a cornerstone of the operation. We copy the airports and producing agents on all appropriate correspondence. We work hard to be joint participants with the airports during the entire claims process.

We do not abdicate handling to defense attorneys when cases enter suit. We maintain an aggressive approach throughout the life of the case. We are strong believers in mediation and arbitration as alternative means of resolving litigation. Our New Orleans staff are active negotiators. But we are not adverse to carrying cases through trial, when appropriate and, for that reason, we seek strong, aggressive defense attorneys. We use local defense counsel chosen in concert with our insureds.

Additionally, we assist airports by making recommendations in regard to hazardous situations and contractual shortcomings that we discover during our claims handling.

Old Republic and its key subsidiary companies have received high claims-paying ability ratings and have retained or improved them.

A MEMBER OF THE OLD REPUBLIC INSURANCE GROUP

15660 NORTH DALLAS PARKWAY, SUITE 1100, DALLAS, TEXAS 75248
(972) 991-7223 TELEPHONE / (972) 490-7069 FAX



PHOENIX AVIATION MANAGERS, INC.

NOTICE OF CLAIM

Our emphasis is on prompt, efficient, proactive claims handling. Strong communications with all concerned, particularly our insureds, is a cornerstone of the operation. We copy producing agents on all appropriate correspondence. We work hard to be joint participants with our insureds during the entire claims process.

As to any aircraft loss, these will be handled from our offices in New Orleans or Dallas. We have a strong contingent of aircraft adjusters in both of those offices. With any loss, we emphasize the need to fully coordinate our activities with our insureds.

Old Republic and its key subsidiary companies have received high claims-paying ability ratings and have retained or improved them.

Our adjusters can be reached 24 hours a day by calling our office – 972 991 7223. If a call is received after the close of the business day, the answering machine provides the caller with a number to reach an adjuster.

When an incident report or telephone claim report is received during the business day, an adjuster will usually respond within the same day.

PROPOSAL

RFP 5800 JSD0137
Part III
Item 3., 4., and 5.

Conditions

Item 3.

Binder will be issued immediately within 24 to 48 hours upon receipt of the request to bind coverage.

Policies and Endorsements are normally issued within 30 days of receipt of request to issue / endorse.

Falcon Insurance Agency, Inc. and Phoenix Aviation Managers, Inc. will make every effort to service your account in a professional and expedient manner.

Item 4.

See enclosed Claims Handling Procedures from Phoenix Aviation Managers, Inc.

Item 5.

Compliance Statement

This will serve as our statement of compliance with all applicable rules and regulations of Federal, State, and local Governing entities.

This will also serve as our statement of compliance with the terms of this Request for Proposal.

**COMPLIANCE
SEC 3.3 - 3.5**

City of Austin, Texas
EQUAL EMPLOYMENT/FAIR HOUSING OFFICE
NON-DISCRIMINATION CERTIFICATION

SOLICITATION NO JSD0137

City of Austin, Texas
Human Rights Commission

To: City of Austin, Texas, ("OWNER")

I hereby certify that our firm conforms to the Code of the City of Austin, Section 5-4-2 as reiterated below:

Chapter 5-4. Discrimination in Employment by City Contractors.

Sec. 4-2 Discriminatory Employment Practices Prohibited. As an Equal Employment Opportunity (EEO) employer, the Contractor will conduct its personnel activities in accordance with established federal, state and local EEO laws and regulations and agrees:

- (B) (1) Not to engage in any discriminatory employment practice defined in this chapter.
- (2) To take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without discrimination being practiced against them as defined in this chapter. Such affirmative action shall include, but not be limited to: all aspects of employment, including hiring, placement, upgrading, transfer, demotion, recruitment, recruitment advertising; selection for training and apprenticeship, rates of pay or other form of compensation, and layoff or termination.
- (3) To post in conspicuous places, available to employees and applicants for employment, notices to be provided by OWNER setting forth the provisions of this chapter.
- (4) To state in all solicitations or advertisements for employees placed by or on behalf of the Contractor, that all qualified applicants will receive consideration for employment without regard to race, creed, color, religion, national origin, sexual orientation, gender identity, disability, veteran status, sex or age.
- (5) To obtain a written statement from any labor union or labor organization furnishing labor or service to Contractors in which said union or organization has agreed not to engage in any discriminatory employment practices as defined in this chapter and to take affirmative action to implement policies and provisions of this chapter.
- (6) To cooperate fully with OWNER's Human Rights Commission in connection with any investigation or conciliation effort of said Human Rights Commission to ensure that the purpose of the provisions against discriminatory employment practices are being carried out.
- (7) To require compliance with provisions of this chapter by all subcontractors having fifteen or more employees who hold any subcontract providing for the expenditure of \$2,000 or more in connection with any contract with OWNER subject to the terms of this chapter.

For the purposes of this Offer and any resulting Contract, Contractor adopts the provisions of the City's Minimum Standard Nondiscrimination Policy set forth below.

**City of Austin
Minimum Standard Non-Discrimination in Employment Policy:**

As an Equal Employment Opportunity (EEO) employer, the Contractor will conduct its personnel activities in accordance with established federal, state and local EEO laws and regulations.

The Contractor will not discriminate against any applicant or employee based on race, creed, color, national origin, sex, age, religion, veteran status, gender identity, disability, or sexual orientation. This policy covers all aspects of employment, including hiring, placement, upgrading, transfer, demotion, recruitment, recruitment advertising, selection for training and apprenticeship, rates of pay or other forms of compensation, and layoff or termination.

Further, employees who experience discrimination, sexual harassment, or another form of harassment should immediately report it to their supervisor. If this is not a suitable avenue for addressing their complaint, employees are advised to contact another member of management or their human resources representative. No employee shall be discriminated against, harassed, intimidated, nor suffer any reprisal as a result of reporting a violation of this policy. Furthermore, any employee, supervisor, or manager who becomes aware of any such discrimination or harassment should immediately report it to executive management or the human resources office to ensure that such conduct does not continue.

Contractor agrees that to the extent of any inconsistency, omission, or conflict with its current non-discrimination employment policy, the Contractor has expressly adopted the provisions of the City's Minimum Non-Discrimination Policy contained in Section 5-4-2 of the City Code and set forth above, as the Contractor's Non-Discrimination Policy or as an amendment to such Policy and such provisions are intended to not only supplement the Contractor's policy, but will also supersede the Contractor's policy to the extent of any conflict.

UPON CONTRACT AWARD, THE CONTRACTOR SHALL PROVIDE A COPY TO THE CITY OF THE CONTRACTOR'S NON-DISCRIMINATION POLICY ON COMPANY LETTERHEAD, WHICH CONFORMS IN FORM, SCOPE, AND CONTENT TO THE CITY'S MINIMUM NON-DISCRIMINATION POLICY, AS SET FORTH HEREIN, OR THIS NON-DISCRIMINATION POLICY, WHICH HAS BEEN ADOPTED BY THE CONTRACTOR FOR ALL PURPOSES (THE FORM OF WHICH HAS BEEN APPROVED BY THE CITY'S EQUAL EMPLOYMENT/FAIR HOUSING OFFICE), WILL BE CONSIDERED THE CONTRACTOR'S NON-DISCRIMINATION POLICY WITHOUT THE REQUIREMENT OF A SEPARATE SUBMITTAL.

Sanctions:

Our firm understands that non-compliance with Chapter 5-4 may result in sanctions, including termination of the contract and suspension or debarment from participation in future City contracts until deemed compliant with the requirements of Chapter 5-4.

Term:

The Contractor agrees that this Section 0800 Non-Discrimination Certificate or the Contractor's separate conforming policy, which the Contractor has executed and filed with the Owner, will remain in force and effect for one year from the date of filing. The Contractor further agrees that, in consideration of the receipt of continued Contract payments, the Contractor's Non-Discrimination Policy will automatically renew from year-to-year for the term of the underlying Contract.

Dated this 2nd day of August, 2013.

CONTRACTOR

Falcon Insurance Agency, Inc.

Authorized Signature

[Signature] Dann GAUGER

Title

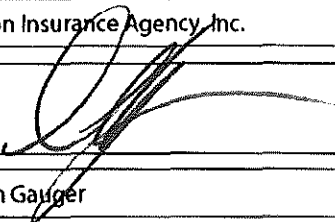
Vice President

City of Austin, Texas
NON-SUSPENSION OR DEBARMENT CERTIFICATION

SOLICITATION NO. JSD0137

The City of Austin is prohibited from contracting with or making prime or sub-awards to parties that are suspended or debarred or whose principals are suspended or debarred from Federal, State, or City of Austin Contracts. Covered transactions include procurement contracts for goods or services equal to or in excess of \$25,000.00 and all non-procurement transactions. This certification is required for all Vendors on all City of Austin Contracts to be awarded and all contract extensions with values equal to or in excess of \$25,000.00 or more and all non-procurement transactions.

The Offeror hereby certifies that its firm and its principals are not currently suspended or debarred from bidding on any Federal, State, or City of Austin Contracts.

Contractor's Name:	Falcon Insurance Agency, Inc.		
Signature of Officer or Authorized Representative:		Date:	08/01/2013
Printed Name:	Donn Gauger		
Title:	Vice President		

CITY OF AUSTIN
NON-COLLUSION,
NON-CONFLICT OF INTEREST, AND ANTI-LOBBYING AFFIDAVIT
SOLICITATION NO. JSD0137
FOR

Aviation Insurance

State of Texas

County of Travis

The undersigned "Affiant" is a duly authorized representative of the Offeror for the purpose of making this Affidavit, and, after being first duly sworn, has deposed and stated and hereby deposes and states, to the best of his or her personal knowledge and belief as follows:

The term "Offeror", as used herein, includes the individual or business entity submitting the Offer and for the purpose of this Affidavit includes the directors, officers, partners, managers, members, principals, owners, agents, representatives, employees, other parties in interest of the Offeror, and anyone or any entity acting for or on behalf of the Offeror, including a subcontractor in connection with this Offer.

1. **Anti-Collusion Statement.** The Offeror has not in any way directly or indirectly:
 - a. colluded, conspired, or agreed with any other person, firm, corporation, Offeror or potential Offeror to the amount of this Offer or the terms or conditions of this Offer.
 - b. paid or agreed to pay any other person, firm, corporation Offeror or potential Offeror any money or anything of value in return for assistance in procuring or attempting to procure a contract or in return for establishing the prices in the attached Offer or the Offer of any other Offeror.
2. **Preparation of Solicitation and Contract Documents.** The Offeror has not received any compensation or a promise of compensation for participating in the preparation or development of the underlying Solicitation or Contract documents. In addition, the Offeror has not otherwise participated in the preparation or development of the underlying Solicitation or Contract documents, except to the extent of any comments or questions and responses in the solicitation process, which are available to all Offerors, so as to have an unfair advantage over other Offerors, provided that the Offeror may have provided relevant product or process information to a consultant in the normal course of its business.
3. **Participation in Decision Making Process.** The Offeror has not participated in the evaluation of Offers or other decision making process for this Solicitation, and, if Offeror is awarded a Contract hereunder, no individual, agent, representative, consultant, subcontractor, or subconsultant associated with Offeror, who may have been involved in the evaluation or other decision making process for this Solicitation, will have any direct or indirect financial interest in the Contract, provided that the Offeror may have provided relevant product or process information to a consultant in the normal course of its business.
4. **Present Knowledge.** Offeror is not presently aware of any potential or actual conflicts of interest regarding this Solicitation, which either enabled Offeror to obtain an advantage over other Offerors or would prevent Offeror from advancing the best interests of the City in the course of the performance of the Contract.
5. **City Code.** As provided in Sections 2-7-61 through 2-7-65 of the City Code, no individual with a substantial interest in Offeror is a City official or employee or is related to any City official or employee within the first or second degree of consanguinity or affinity.
6. **Chapter 176 Conflict of Interest Disclosure.** In accordance with Chapter 176 of the Texas Local Government Code, the Offeror:
 - a. does not have an employment or other business relationship with any local government officer of the City or a family member of that officer that results in the officer or family member receiving taxable income;

**CITY OF AUSTIN
NON-COLLUSION,
NON-CONFLICT OF INTEREST, AND ANTI-LOBBYING AFFIDAVIT**

- b. has not given a local government officer of the City one or more gifts, other than gifts of food, lodging, transportation, or entertainment accepted as a guest, that have an aggregate value of more than \$250 in the twelve month period preceding the date the officer becomes aware of the execution of the Contract or that OWNER is considering doing business with the Offeror.
- c. as required by Chapter 176 of the Texas Local Government Code, Offeror must file a Conflict of Interest Questionnaire with the Office of the City Clerk no later than 5:00 P.M. on the seventh (7) business day after the commencement of contract discussions or negotiations with the City or the submission of an Offer, or other writing related to a potential Contract with the City. The questionnaire is available on line at the following website for the City Clerk:

<http://www.austintexas.gov/departments/conflict-interest-questionnaire>

There are statutory penalties for failure to comply with Chapter 176.

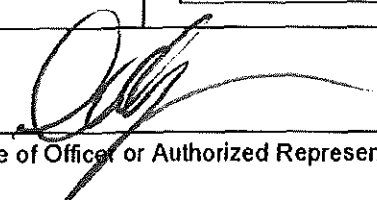
If the Offeror cannot affirmatively swear and subscribe to the forgoing statements, the Offeror shall provide a detailed written explanation in the space provided below or, as necessary, on separate pages to be annexed hereto.

Offeror's
Explanation:

--

7. **Anti-Lobbying Ordinance.** As set forth in the Solicitation Instructions, Section 0200, paragraph 7N, between the date that the Solicitation was issued and the date of full execution of the Contract, Offeror has not made and will not make a representation to a City official or to a City employee, other than the Authorized Contact Person for the Solicitation, except as permitted by the Ordinance.


Contractor's Name:	Falcon Insurance Agency, Inc.
Printed Name:	Donn Gauger
Title:	Vice President



Signature of Officer or Authorized Representative:



Subscribed and sworn to before me this 5th day of August, 2013.



Notary Public

My Commission Expires 11-23-13

CITY OF AUSTIN, TEXAS
LIVING WAGES AND BENEFITS CONTRACTOR CERTIFICATION
(Please duplicate as needed)

SOLICITATION NO. JSD0137

Pursuant to the Living Wages and Benefits provision (reference Section 0400, Supplemental Purchase Provisions) the Contractor is required to pay to all employees directly assigned to this City contract a minimum Living Wage equal to or greater than \$11.00 per hour.

I hereby certify under penalty of perjury that all of the below listed employees of the Contractor who are directly assigned to this contract:

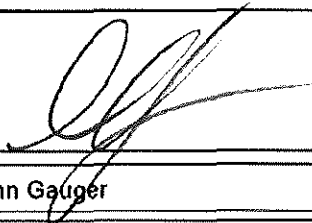
- (1) are compensated at wage rates equal to or greater than \$11.00 per hour; and
- (2) are offered a health care plan with optional family coverage.

(To add additional employees to this page, click the Add Button.)

	Employee Name	Employee Job Title
Add	Donn Gauger	Vice President
Delete		

- (3) all future employees assigned to this Contract will be paid a minimum Living Wage equal to or greater than \$11.00 per hour and offered a health care plan with optional family coverage.
- (4) Our firm will not retaliate against any employee claiming non-compliance with the Living Wage provision.

A Contractor who violates this Living Wage provision shall pay each employee affected the amount of the deficiency for each day the violation continues. Willful or repeated violations of the provision may result in termination of this Contract for Cause and subject the firm to possible suspension or debarment.

Contractor's Name:	Falcon Insurance Agency, Inc.		
Signature of Officer or Authorized Representative:		Date:	08/02/2013
Printed Name:	Donn Gauger		
Title:	Vice President		

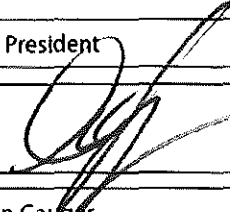
**CITY OF AUSTIN, TEXAS
LIVING WAGES AND BENEFITS EMPLOYEE CERTIFICATION**

Contract Number:	
Description of Services:	Aviation Insurance
Contractor Name:	Falcon Insurance Agency, Inc.

Pursuant to the Living Wages and Benefits provision of the contract (reference Section 0400, Supplemental Purchase Provisions), the Contractor is required to pay to all employees directly assigned to this City contract a minimum Living Wage equal to or greater than \$11.00 per hour. In addition, employees are required to certify that they are compensated in accordance with the Living Wage provision. Contractors are prohibited from retaliating against any employee claiming non-compliance with the Living Wage provision.

I hereby certify under penalty of perjury that I am directly assigned to this contract and that I am:

- (1) compensated at wage rates equal to or greater than \$11.00 per hour; and
- (2) offered a health care plan with optional family coverage.

Employee's Title:	Vice President		
Signature of Employee:		Date:	08/02/2013
Employee's Printed Name:	Donn Gauger		

Linda Berndt
(Witness Signature)

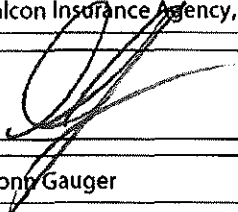
Linda Berndt
(Printed Name)

City of Austin, Texas
NONRESIDENT BIDDER PROVISIONS
SOLICITATION NO. JSD0137

- A. Bidder must answer the following questions in accordance with Vernon's Texas Statutes and Codes Annotated Government Code 2252.002, as amended:

Is the Bidder that is making and submitting this Bid a "Resident Bidder" or a "Non-resident Bidder"?

- ☒ Texas Resident Bidder - A Bidder whose principal place of business is in Texas and includes a Contractor whose ultimate parent company or majority owner has its principal place of business in Texas.
- ☐ Non-resident Bidder

Bidder's Name:	Falcon Insurance Agency, Inc.		
Signature of Officer or Authorized Representative:		Date:	08/02/2013
Printed Name:	Donn Gauger		
Title:	Vice President		

Part VI
Proposal Acceptance Period
RFP 5800 JSD0137

This proposal is valid for a minimum of 120 days subsequent to the closing date of this RFP.

Part VII
Proprietary Information
RFP 5800 JSD0137

**We acknowledge that all material submitted in this proposal
for the RFP becomes public property and is subject to the
Texas Open Records Act, upon receipt.**

**Part VIII
Authorized Negotiator
RFP 5800 JSD0137**

**Donn Gauger
Vice President
Falcon Insurance Agency, Inc.**

dgauger@falconinsurance.com

**5316 Hwy 290 W, Suite #440
Austin, TX 78735**

**PO Box 92409
Austin, TX 78709**

**(800) 370-0557
(512) 891-8473
(512) 636-7443 Cell
(512) 891-8483 fax**

Donn Gauger, will be responsible for servicing your account, and is the authorized person to negotiate contract terms and render binding decisions on contract matters.

PROFESSIONAL PROFILE

DONN E. GAUGER II
VICE PRESIDENT / AGENT

FIELDS OF EXPERTISE

- Aviation Insurance / Underwriting
- Market Trends /Strategy
- Alternative Risk Approach
- Marketing / Coverage Placement
- Exposure /Coverage Analysis
- Policy Review / Analysis
- Claims Analysis

EXPERIENCE

- 20 years' combined experience in Aviation Insurance
- 4 years experience as an Aviation Underwriter
- 16 years experience as an Aviation Broker – Airports, Commercial Aviation and Aerial Applicators

CREDENTIALS

- Bachelors Degree in Aeronautical Studies with an area of concentration in Management – Embry Riddle Aeronautical University
- Private pilot with multi-engine rating

AFFILIATIONS/ DESIGNATIONS

- Specialize in the placement of aviation risk
- Account responsibilities, production, marketing, and servicing
- Coordination of all available resources

CLIENT EXPERIENCE

- **State of Texas Aircraft – TXDOT Flight Services**
- **State of Utah**
- **City of Austin / Austin Police Deparment and Bergstrom Intl Airport**
- **Travis County EMS**
- **Kimble County, Texas**
- **City of Llano, Llano Airport**
- **City of Toledo**
- **City of Harlingen – Valley International Airport**
- Sullivan Propeller Specialists
- Aircraft Propeller Service, Inc.
- R&D Propellers
- New England Propeller Service
- Aircraft Propeller Service
- International Veneer, Co.

**CITY OF AUSTIN
PURCHASING OFFICE
REFERENCE SHEET**

Please Complete and Return This Form with the Offer

Solicitation Number: JSD0137

Offeror's Name Falcon Insurance Agency, Inc.

Date 08/01/2013

The Offeror shall furnish, with the Offer, the following information, for at least ☐ recent customers to whom products and/or services have been provided that are similar to those required by this Solicitation.

To add additional references to this form, click the Add Reference Button.

=====>

Add Reference

Company's Name	City of Austin		
Name of Contact	Leslie Milvo/Carol Vance	Contact Title	Risk Managers
Present Address	505 Barton Springs Road, Suite 600		
City	Austin	State	Texas Zip Code 78704
Telephone Number	(512) 974-3245	FAX Number	
Email Address	leslie.milvo@austintexas.gov, carol.vance@austintexas.gov		

Company's Name	State of Texas - TXDOT Flight Services		
Name of Contact	Carol Basey	Contact Title	Mgr
Present Address	10335 Golf Course Road		
City	Austin	State	Texas Zip Code 78719
Telephone Number	(512) 936-9194	FAX Number	
Email Address	Carol.Basey@txdot.gov		

Company's Name	Travis County - Travis County EMS		
Name of Contact	William Paterson	Contact Title	mgr
Present Address	PO Box 1748		
City	Austin	State	Texas Zip Code 78767
Telephone Number	(512) 854-9650	FAX Number	
Email Address	william.paterson@co.travis.tx.us		

PROPOSER REFERENCES

Hull & Liability Coverage which have been provided for Rotor Wing Aircraft Operators, both Municipal and Commercial.

City of Austin, Austin Police Department

Leslie Milvo, Risk Manager
Carol Vance, Risk Manager
Austin, TX 78767
(512)974-3245

Travis County EMS

Austin, TX

(Falcon Insurance Agency is the current agent handling the insurance placement for Travis County EMS Helicopters)

William Patterson
(512) 854-4204
C.W. Bruner
(512) 854-9760

TXDOT – State of Texas

Dept Flight Services
10335 Golf Course Rd
Austin, TX 78719
Carol Basey
(512) 936-9194

Winthrop Harbor Police Department

Pectonia, IL
Officer Randal Olson
(815) 262-1662

Monroe County Sheriff's Office

Monroe, WI
Major David Thompson
(734) 240-7404

Byron Police Department

(815) 262-1662

City of Montclair

Montclair, CA

Harris County Air Search & Recover

Harris County, TX

**CITY OF AUSTIN
PURCHASING OFFICE
REFERENCE SHEET**

Please Complete and Return This Form with the Offer

Solicitation Number: JSD0137

Offeror's Name Falcon Insurance Agency, Inc.

Date 08/01/2013

The Offeror shall furnish, with the Offer, the following information, for at least ☐ recent customers to whom products and/or services have been provided that are similar to those required by this Solicitation.

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Company's Name	State of Texas - TXDOT Flight Services		
Name of Contact	Carol Basey	Contact Title	Mgr
Present Address	10335 Golf Course Road		
City	Austin	State	Texas Zip Code 78719
Telephone Number	(512) 936-9194	FAX Number	
Email Address	Carol.Basey@txdot.gov		

Company's Name	Travis County - Travis County EMS		
Name of Contact	William Paterson	Contact Title	mgr
Present Address	PO Box 1748		
City	Austin	State	Texas Zip Code 78767
Telephone Number	(512) 854-9650	FAX Number	
Email Address	william.paterson@co.travis.tx.us		

OLD REPUBLIC INSURANCE COMPANY

DECLARATIONS

POLICY NUMBER

RENEWAL OF:

ITEM 1. NAMED INSURED: AUSTIN POLICE DEPARTMENT

ITEM 2. POLICY PERIOD: FROM . TO .
12:01 A.M. STANDARD TIME AT THE ADDRESS IN ITEM 1.

ITEM 3. The insurance afforded is only with respect to such of the following coverages as are indicated by specific premium charge or charges. The limit of the company's liability against each such coverage shall be as stated herein, subject to all of the terms of this policy having reference thereto. This policy is completed by Aircraft Hull and Liability Form PAM-AV2.

LIMITS OF LIABILITY

	EACH PERSON		EACH OCCURRENCE		LIAB PREMIUM
ITEM 4. LIABILITY COVERAGES					
D. SINGLE LIMIT BODILY INJURY, INCLUDING PASSENGERS, AND PROPERTY DAMAGE;					
E. EXPENSES FOR MEDICAL SERVICES	\$		\$		\$
OTHER LIAB COVERAGE - SEE ENDORSEMENTS		****		****	\$
TERRORISM (TRIA)		****		****	Included

LIAB. TOTAL:

ITEM 5. Description of Aircraft and Physical Damage Coverage hereunder:

F.A.A. REG.		SEATS		INSURED
AIRCRAFT	NO. YEAR MAKE AND MODEL	TYPE	CREW PASS.	VALUE
1.		LAND		
2.		LAND		
3.		LAND		

PHYSICAL DAMAGE

COVERAGE	PREMIUM	DEDUCTIBLES	
		NIL ON FIRE AND THEFT NOT IN MOTION	IN MOTION
1. F: ALL RISK: GROUND & FLIGHT	\$	\$ 0	\$
2. F: ALL RISK: GROUND & FLIGHT	\$	\$ 0	\$
3. F: ALL RISK: GROUND & FLIGHT	\$	\$ 0	\$
OTHER HULL COVERAGE	****	****	****
ENDORSEMENT:	\$	****	****
TERRORISM (TRIA)	Included	****	****

PHYSICAL DAMAGE TOTAL:

POLICY PREMIUM:

DECLARATIONS

PAGE 2

AS ENDORSED

ITEM 8. LOSS PAYABLE: Any loss under coverage F or G is payable as interest may appear to the named insured and/or
NOT APPLICABLE

PRODUCER: FALCON INSURANCE AGENCY, INC.
POST OFFICE BOX 291388
KERRVILLE TX 78029

Countersigned _____, 20__ Phoenix Aviation Managers (Texas), Inc.
By _____ (Authorized Representative) Approved by W. H. [Signature]
PAM-AV1A (0786) Aviation Managers

OLD REPUBLIC INSURANCE COMPANY

IMPORTANT NOTICE

To obtain information or make a complaint:

You may call Old Republic Insurance Company's toll-free telephone number for information or to make a complaint at:

1-800-766-5673

or, you may write to Old Republic Insurance Company at:

Old Republic Insurance Company
133 Oakland Avenue
P.O. Box 789
Greensburg, PA 15601

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at:

1-800-252-3439

You may write or contact the Texas Department of Insurance at:

Texas Department of Insurance
P.O. Box 149104
Austin, TX 78714-9104

Fax: 512-475-1771

Web: <http://www.tdi.state.tx.us>

Email: ConsumerProtection@tdi.state.tx.us

PREMIUM OR CLAIM DISPUTES

Should you have a dispute concerning your premium or about a claim you should contact your agent first, then Old Republic Insurance Company. If the dispute is not resolved, you may contact the Texas Department of Insurance.

ATTACH THIS NOTICE TO YOUR POLICY

This notice is for information only and does not become a part or condition of the attached document.

OLD REPUBLIC INSURANCE COMPANY
TERRITORIAL EXCLUSION ENDORSEMENT

It is specifically understood and agreed that the policy territorial limits shall exclude ALASKA.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

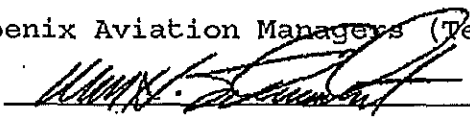
This endorsement becomes effective 1 _____ to be attached to and
hereby made a part of Policy No. _____ issued through OLD REPUBLIC
INSURANCE COMPANY, issued to:

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012

Phoenix Aviation Managers (Texas), Inc.

BY



AV337 (02/92)

OLD REPUBLIC INSURANCE COMPANY

AMENDATORY ENDORSEMENT - CLARIFIES SCOPE OF "EACH PERSON" AND "PASSENGER" BODILY INJURY LIABILITY LIMITS.

IT IS AGREED THAT THE POLICY IS AMENDED TO READ AS FOLLOWS:

POLICY PROVISIONS - FORM PAM-AV-2, PAGE 4, "LIMIT OF COMPANY'S LIABILITY", COVERAGES A, B, C AND D (TOTAL LIABILITY) IS AMENDED TO READ AS FOLLOWS:

COVERAGES A, B, C AND D
(TOTAL LIABILITY)

REGARDLESS OF THE NUMBER OF (1) INSURED UNDER THIS POLICY, (2) PERSONS OR ORGANIZATIONS WHO SUSTAIN BODILY INJURY OR PROPERTY DAMAGE, (3) CLAIMS MADE OR SUITS BROUGHT ON ACCOUNT OF BODILY INJURY OR PROPERTY DAMAGE, OR (4) AIRCRAFT TO WHICH THIS POLICY APPLIES, THE COMPANY'S LIABILITY IS LIMITED AS FOLLOWS:

COVERAGES A AND C. THE TOTAL LIABILITY OF THE COMPANY FOR ALL DAMAGES, INCLUDING BUT NOT LIMITED TO DAMAGES FOR LOSS OF CONSORTIUM, LOSS OF ASSISTANCE, LOSS OF SERVICES, LOSS OF CARE, LOSS OF EARNINGS, LOSS OF SUPPORT, MENTAL ANGUISH, GRIEF AND INFLICTION OF EMOTIONAL DISTRESS, REGARDLESS OF WHO MAKES THE CLAIM, ARISING FROM, DERIVING FROM, RELATED TO OR BECAUSE OF BODILY INJURY SUSTAINED BY ANY PERSON AS THE RESULT OF ANY ONE OCCURRENCE SHALL NOT EXCEED THE LIMIT OF LIABILITY STATED IN THE DECLARATIONS AS APPLICABLE TO "EACH PERSON". SUBJECT TO THE ABOVE PROVISION RESPECTING "EACH PERSON", THE TOTAL LIABILITY OF THE COMPANY FOR BODILY INJURY TO PERSONS OR PASSENGERS AND PROPERTY DAMAGE FOR ONE OCCURRENCE SHALL NOT EXCEED THE LIMIT OF LIABILITY STATED IN THE DECLARATIONS AS APPLICABLE TO "EACH OCCURRENCE".

COVERAGE B. THE TOTAL LIABILITY OF THE COMPANY FOR ALL DAMAGES BECAUSE OF ALL PROPERTY DAMAGE SUSTAINED BY ONE OR MORE PERSONS OR ORGANIZATIONS AS THE RESULT OF ANY ONE OCCURRENCE SHALL NOT EXCEED THE LIMIT OF LIABILITY STATED IN THE DECLARATIONS AS APPLICABLE TO "EACH OCCURRENCE".

COVERAGE D. THE TOTAL LIABILITY OF THE COMPANY FOR ALL DAMAGES, INCLUDING BUT NOT LIMITED TO DAMAGES FOR LOSS OF CONSORTIUM, LOSS OF ASSISTANCE, LOSS OF SERVICES, LOSS OF CARE, LOSS OF EARNINGS, LOSS OF SUPPORT, MENTAL ANGUISH, GRIEF AND INFLICTION OF EMOTIONAL DISTRESS, REGARDLESS OF WHO MAKES THE CLAIM, ARISING FROM, DERIVING FROM, RELATED TO OR BECAUSE OF BODILY INJURY OR PROPERTY DAMAGE SUSTAINED BY ONE OR MORE PERSONS OR ORGANIZATIONS AS THE RESULT OF ANY ONE OCCURRENCE SHALL NOT EXCEED THE LIMIT OF LIABILITY STATED IN THE DECLARATIONS AS APPLICABLE TO "EACH OCCURRENCE".

OLD REPUBLIC INSURANCE COMPANY

AND FURTHER PROVIDED THAT IF THE DECLARATIONS ARE COMPLETED TO SHOW "PASSENGER LIABILITY LIMITED TO", THE TOTAL LIABILITY OF THE COMPANY FOR ALL DAMAGES, INCLUDING BUT NOT LIMITED TO DAMAGES FOR LOSS OF CONSORTIUM, LOSS OF ASSISTANCE, LOSS OF SERVICES, LOSS OF CARE, LOSS OF EARNINGS, LOSS OF SUPPORT, MENTAL ANGUISH, GRIEF AND INFLICTION OF EMOTIONAL DISTRESS, REGARDLESS OF WHO MAKES THE CLAIM, ARISING FROM, DERIVING FROM, RELATED TO OR BECAUSE OF BODILY INJURY TO PASSENGERS SHALL NOT EXCEED:

- (A) AS RESPECTS ANY ONE PASSENGER, THE AMOUNT STATED IN THE DECLARATIONS AS APPLICABLE TO "EACH PERSON".
- (B) AS RESPECTS TWO OR MORE PASSENGERS, SUBJECT TO THE ABOVE PROVISIONS RESPECTING ANY ONE PASSENGER, THE AMOUNT STATED IN THE DECLARATIONS AS APPLICABLE TO "EACH PERSON" MULTIPLIED BY THE NUMBER OF PASSENGERS ON BOARD THE AIRCRAFT OR BY THE NUMBER OF PASSENGER SEATS AS STATED IN ITEM 5 FOR AIRCRAFT INVOLVED, WHICHEVER IS LESS, BUT IN NO EVENT SHALL THE TOTAL LIABILITY OF THE COMPANY FOR BODILY INJURY TO PERSONS OR PASSENGERS AND PROPERTY DAMAGE FOR ANY ONE OCCURRENCE EXCEED THE LIMIT OF LIABILITY STATED IN THE DECLARATIONS AS APPLICABLE TO "EACH OCCURRENCE".

FOR THE PURPOSE OF DETERMINING THE LIMIT OF THE COMPANY'S LIABILITY, ALL BODILY INJURY AND PROPERTY DAMAGE ARISING OUT OF CONTINUOUS OR REPEATED EXPOSURE TO SUBSTANTIALLY THE SAME GENERAL CONDITIONS SHALL BE CONSIDERED AS ARISING OUT OF ONE OCCURRENCE.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective
hereby made a part of Policy No.
INSURANCE COMPANY, issued to:

to be attached to and
issued through OLD REPUBLIC

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012

Phoenix Aviation Managers (Texas), Inc.

BY

AV453 (06/00)

OLD REPUBLIC INSURANCE COMPANY
MECHANICAL BREAKDOWN ENDORSEMENT

IT IS AGREED THAT THE POLICY PROVISIONS - FORM PAM-AV2, PAGE 4, "EXCLUSIONS" PARAGRAPH 8.(c) IS DELETED AND REPLACED WITH (c) (i) AND (ii) BELOW:

THIS POLICY DOES NOT APPLY:

8. UNDER COVERAGES F AND G

(c) (i) TO LOSS OR DAMAGE DUE AND CONFINED TO WEAR AND TEAR, DETERIORATION, FREEZING, MECHANICAL, HYDRAULIC, PNEUMATIC, STRUCTURAL OR ELECTRICAL BREAKDOWN OR FAILURE OR MALFUNCTION, INCLUDING ANY SUCH LOSS OR DAMAGE CAUSED IN WHOLE OR IN PART BY A DEFECTIVE PRODUCT. DAMAGE CAUSED BY BREAKDOWN, FAILURE OR MALFUNCTION OF ANY ENGINE COMPONENT, ACCESSORY OR PART WILL BE CONSIDERED MECHANICAL BREAKDOWN OF THE ENTIRE ENGINE AND IS EXCLUDED. HOWEVER, IF THE ENGINE BREAKDOWN, FAILURE OR MALFUNCTION RESULTS IN DAMAGE TO THE AIRCRAFT WHICH WOULD OTHERWISE BE COVERED BY THE POLICY THE COMPANY WILL COVER THE RESULTING DAMAGE.

(ii) TO LOSS OR DAMAGE TO TIRES UNLESS CAUSED BY FIRE OR THEFT.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective
hereby made a part of Policy No.
INSURANCE COMPANY, issued to:

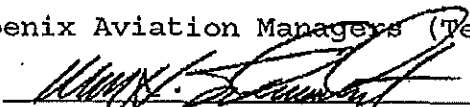
to be attached to and
issued through OLD REPUBLIC

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012

Phoenix Aviation Managers (Texas), Inc.

BY



AV460 (09/04)

OLD REPUBLIC INSURANCE COMPANY

AIRCRAFT TURBINE ENGINE ENDORSEMENT

It is agreed that the Policy Provisions under Coverages F and G are amended as follows:

Damage to a turbine engine caused by an object that is not part of the engine or its accessories is foreign object damage. If such damage results from a single recorded incident noted during ground run-up or while the aircraft is in motion and the engine requires immediate repairs in compliance with the manufacturer's requirements, the damage will not be considered wear and tear and coverage will apply, subject to the in motion deductible shown in Item 5. of the Declarations. If, however, the damage is discovered at the time of inspection or overhaul, the damage must have occurred during the Policy Period.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective
hereby made a part of Policy No.
INSURANCE COMPANY, issued to:

---, to be attached to and
issued through OLD REPUBLIC

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012

Phoenix Aviation Managers (Texas), Inc.

BY

AV464 (05/05)

OLD REPUBLIC INSURANCE COMPANY

DATE RECOGNITION EXCLUSION ENDORSEMENT

This policy does not cover any claim, damage, injury, loss, cost, expense or liability (whether in contract, tort, negligence, product liability, misrepresentation, fraud or otherwise) of any nature whatsoever arising from or occasioned by or in consequence of (whether directly or indirectly and whether wholly or partly):

- (a) the failure or inability of any computer hardware, software, integrated circuit, chip or information technology equipment or system (whether in the possession of the Insured or of any third party) to accurately or completely process, exchange or transfer year, date or time data or information in connection with any change of year, date or time; whether on or before or after such change of year, date or time;
- (b) any implemented or attempted change or modification of any computer hardware, software, integrated circuit, chip or information technology equipment or system (whether in the possession of the Insured or of any third party) in anticipation of or in response to any such change of year, date or time, or any advice given or services performed in connection with any such change or modification;
- (c) any non-use or unavailability for use of any property or equipment of any kind whatsoever resulting from any act, failure to act or decision of the Insured or of any third party related to any such change of year, date or time;

and any provision in this Policy concerning any duty of Insurers to investigate or defend claims shall not apply to any claims so excluded.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective
hereby made a part of Policy No. _____
INSURANCE COMPANY, issued to:

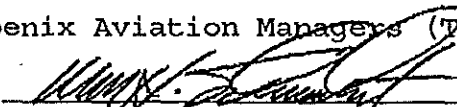
to be attached to and
issued through OLD REPUBLIC

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012

Phoenix Aviation Managers (Texas), Inc.

BY



OLD REPUBLIC INSURANCE COMPANY

WAR, HI-JACKING AND OTHER PERILS EXCLUSION CLAUSE

It is agreed that exclusions 3 and 8(d) of the Policy Provisions are deleted and the following are substituted therefore:

This policy does not cover claims caused by:

- (a) War, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, martial law, military or usurped power or attempts at usurpation of power.
- (b) Any hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.
- (c) Strikes, riots, civil commotions or labor disturbances.
- (d) Any malicious act or act of sabotage.
- (e) Confiscation, nationalization seizure, restraint, detention, appropriation, requisition for title or use by or under the order of any Government (whether civil, military or de facto) or public or local authority.
- (f) Hi-jacking or any unlawful seizure or wrongful exercise of control of the aircraft or crew in flight (including any attempt at such seizure or control) made by any person or persons on board the aircraft acting without the consent of the insured.
- (g) All loss, cost or expense arising out of or related to, either directly or indirectly, any deliberate, unlawful act that includes, involves or is associated with, in whole or in part, the use or threatened use of, or release or threatened release or escape of, any pathogenic, biological, chemical agent, material, device or weapon, and any action taken to hinder, defend against or respond to any such activity. This exclusion applies regardless of any other cause or event that in any way contributes concurrently or in any sequence to such loss, cost or expense.

OLD REPUBLIC INSURANCE COMPANY

WAR, HI-JACKING AND OTHER PERILS EXCLUSION CLAUSE

Furthermore, this policy does not cover claims arising whilst the aircraft is outside the control of the "insured" by reason of the above perils. The aircraft shall be deemed to have been restored to the control of the "insured" upon the safe return of the aircraft to the "insured" at an airfield not excluded by the geographical limits of this policy, and entirely suitable for the operation of the aircraft (such safe return shall require that the aircraft be parked with engines shut down and under no duress).

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective
hereby made a part of Policy No.
INSURANCE COMPANY, issued to:

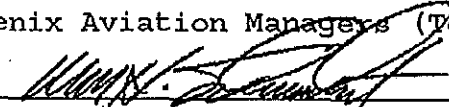
to be attached to and
issued through OLD REPUBLIC

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012

Phoenix Aviation Managers (Texas), Inc.

BY



AV48C (01/07)

OLD REPUBLIC INSURANCE COMPANY

ASBESTOS EXCLUSION ENDORSEMENT

This policy shall not apply to:

1. "bodily injury", sickness, disease, occupational disease, disability, shock, death, mental anguish, mental injury, "property damage" or any other claim whatsoever arising out of or related to asbestos or the exposure to asbestos, asbestos fibers, asbestos dust, or any product or material containing asbestos or the failure of any product or material containing asbestos or the existence of asbestos in any place or thing in the atmosphere, land, or any water course or body of water;
2. any loss, cost or expense arising out of testing for, monitoring, cleaning up, containing, treating, or removing asbestos or any product or material containing asbestos;
3. any obligation to defend or indemnify due in whole or in part to any claim or suit against any "insured" alleging damages arising from or related to asbestos excluded by paragraphs 1 or 2 above.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective
hereby made a part of Policy No.
INSURANCE COMPANY, issued to:

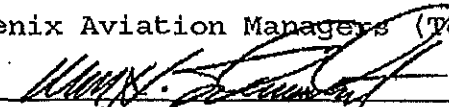
to be attached to and
issued through OLD REPUBLIC

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012

Phoenix Aviation Managers (Texas), Inc.

BY



OLD REPUBLIC INSURANCE COMPANY

KNOWLEDGE AND CONSENT

IT IS AGREED THAT EXCLUSION 2. OF THE POLICY IS AMENDED IN PART TO READ AS FOLLOWS:

2. TO ANY INSURED WHILE THE AIRCRAFT IS IN FLIGHT WITH THE KNOWLEDGE AND CONSENT OF SUCH INSURED OR OF ANY EXECUTIVE OFFICER, PARTNER OR MANAGING AGENT OF SUCH INSURED
 - (a) IF PILOTED BY OTHER THAN THE PILOT OR PILOTS DESIGNATED IN THE DECLARATIONS;
 - (b) IF PILOTED BY A PILOT NOT PROPERLY CERTIFICATED, QUALIFIED AND RATED UNDER THE CURRENT APPLICABLE FEDERAL AIR REGULATIONS FOR THE OPERATION INVOLVED, WHETHER OR NOT SAID PILOT IS DESIGNATED IN THE DECLARATIONS;
 - (c) IF THE AIRWORTHINESS CERTIFICATE OF THE AIRCRAFT IS NOT IN FULL FORCE AND EFFECT;
 - (d) IF THE AIRCRAFT HAS NOT BEEN SUBJECTED TO APPROPRIATE AIRWORTHINESS INSPECTION(S) AS REQUIRED UNDER CURRENT APPLICABLE FEDERAL AIR REGULATIONS FOR THE OPERATION INVOLVED.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective
hereby made a part of Policy No.
INSURANCE COMPANY, issued to:

----- to be attached to and
issued through OLD REPUBLIC

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012

Phoenix Aviation Managers (Texas), Inc.

BY

AV412 (11/93)

OLD REPUBLIC INSURANCE COMPANY
HELICOPTER AMENDATORY ENDORSEMENT

LIMITS OF THE COMPANY'S LIABILITY
COVERAGE F AND G

IT IS HEREBY UNDERSTOOD AND AGREED THAT WITH RESPECT TO ANY PARTS, COMPONENTS OR ASSEMBLIES (INCLUDING ENGINES) WHICH HAVE A RETIREMENT TIME OR OVERHAUL TIME, EITHER MANDATORY OR RECOMMENDED, ESTABLISHED BY THE FEDERAL AVIATION ADMINISTRATION (FAA) OR THE MANUFACTURER OF THE HELICOPTER OR THE INVOLVED PART, COMPONENT OR ASSEMBLY, THE COMPANY'S LIABILITY SHALL BE LIMITED TO:

RETIREMENT ITEMS - THE PRORATED COST OF THE UNUSED LIFE OF THE PART, COMPONENT OR ASSEMBLY.

OVERHAUL ITEMS - THE PRORATED COST OF THE UNUSED OVERHAUL PORTION OF THE PART, COMPONENT OR ASSEMBLY TO BE OVERHAULED.

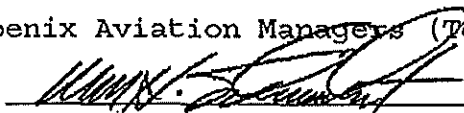
Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective _____ to be attached to and hereby made a part of Policy No. _____ 2 issued through OLD REPUBLIC INSURANCE COMPANY, issued to: _____,

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY



OLD REPUBLIC INSURANCE COMPANY

NUCLEAR RISKS EXCLUSION CLAUSE

This Policy does not cover:

- (i) loss of or destruction of or damage to any property whatsoever or any loss or expense whatsoever resulting or arising therefrom or any consequential loss
- (ii) any legal liability of whatsoever nature

directly or indirectly caused by or contributed to by or arising from:

- (a) the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof;
- (b) ionizing radiations or contamination by radioactivity from, or the toxic, explosive or other hazardous properties of, any other radioactive source whatsoever.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective _____ to be attached to and hereby made a part of Policy No. _____ issued through OLD REPUBLIC INSURANCE COMPANY, issued to:

AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY _____

OLD REPUBLIC INSURANCE COMPANY

EXCLUSION OF CERTIFIED ACTS OF TERRORISM

THIS AMENDMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

- A. In consideration of the premium charged, it is agreed that this policy is amended as follows:

This insurance does not apply to:

CERTIFIED ACTS OF TERRORISM

Any loss, damage, "bodily injury" or "property damage" that in any way, directly or indirectly, arises out of, relates to or results from a "CERTIFIED ACT OF TERRORISM" including action in hindering or defending against an actual or expected incident of a "CERTIFIED ACT OF TERRORISM".

- B. The following definitions are added:

1. For the purposes of this amendment, "any injury or damage" means any injury or damage covered under any Coverage Part to which this amendment is applicable, and includes but is not limited to "bodily injury", "property damage", personal and advertising injury, "injury" or "environmental damage" as may be defined in any applicable Coverage Part.
2. "CERTIFIED ACT OF TERRORISM" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the Terrorism Risk Insurance Act of 2002 and as amended with the Terrorism Risk Insurance Program Reauthorization Extension Act of 2007, The Federal Terrorism Risk Insurance Act of 2002, as amended, sets forth the following criteria for a "certified act of terrorism":
 - a) The act resulted in aggregate losses in excess of \$5 million; and
 - b) The act is to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals acting as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
 - c) Any certification of, or determination not to certify, an act of terrorism under this paragraph shall be final, and shall not be subject to judicial review.

OLD REPUBLIC INSURANCE COMPANY

EXCLUSION OF CERTIFIED ACTS OF TERRORISM

- d) The Secretary may not delegate or designate to any other officer, employee, or person, any determination under this paragraph of whether, during the effective period of the Program, an act of terrorism has occurred.
- C. We will not pay for "any injury or damage" caused directly or indirectly out of an act of terrorism including action in hindering, defending against, or responding to an actual or expected incident of "terrorism" when one or more of the following are attributed to an incident of TERRORISM including a CERTIFIED ACT OF TERRORISM:
1. The TERRORISM involves the use, release or escape of nuclear materials, or directly or indirectly results in nuclear reaction or radiation or radioactive contamination; or
 2. The TERRORISM is carried out by means of the dispersal or application of radioactive material, or through the use of a nuclear weapon or device that involves or produces a nuclear reaction, nuclear radiation or radioactive contamination; or
 3. Radioactive material is released, and it appears that one purpose of the TERRORISM was to release such material; or
 4. The TERRORISM is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
 5. Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the TERRORISM was to release such materials.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective to be attached to and hereby made a part of Policy No. .2 issued through OLD REPUBLIC INSURANCE COMPANY, issued to:

AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012

Phoenix Aviation Managers (Texas), Inc.

OLD REPUBLIC INSURANCE COMPANY

MEXICO - WARNING

THIS IS A WARNING - PLEASE READ IT CAREFULLY.

Even though the coverage territory under this policy may include Mexico, you are strongly encouraged to purchase a separate Mexican liability insurance policy through a Mexican insurance company for any travel to Mexico or through Mexican airspace.

You may be detained for hours or spend many days in jail if you do not carry the recommended policy aboard your aircraft and provide proof of coverage when requested by the Mexican authorities.

It is recommended that you purchase this coverage from a Company licensed under the laws of Mexico to write such insurance to mitigate any potential complications or other penalties possible under the laws of Mexico, including the possible impoundment of your aircraft.

OLD REPUBLIC INSURANCE COMPANY

POLICYHOLDER DISCLOSURE

NOTICE OF TERRORISM INSURANCE COVERAGE

You are hereby notified that under the Terrorism Risk Insurance Act, as extended on December 26, 2007 with the enactment of the Terrorism Risk Insurance Program Reauthorization Extension Act of 2007, that you now have a right to purchase insurance coverage for losses resulting from acts of terrorism, as defined in Section 102(1) of the Act:

The term "act of terrorism" means any act that is certified by the Secretary of the Treasury-in concurrence with the Secretary of State, and the Attorney General of the United States-to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals acting as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THE FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBURSES 85% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE.

THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURER'S LIABILITY FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION. IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

You have a right to purchase insurance coverage for losses arising from terrorism, as defined in the Act. Unless you elect to purchase the coverage we will attach exclusion for Acts of Terrorism, as defined in the Act, to your policy.

OLD REPUBLIC INSURANCE COMPANY

POLICYHOLDER DISCLOSURE

ACCEPTANCE OR REJECTION OF TERRORISM INSURANCE COVERAGE

YOU HAVE FORTY FIVE (45) DAYS TO CONSIDER THIS OFFER OF COVERAGE FOR ACTS OF TERRORISM, AS DEFINED IN THE ACT. FAILURE TO RETURN THIS SIGNED FORM INDICATING AN ELECTION TO PURCHASE TERRORISM COVERAGE, AS DEFINED IN THE ACT WILL BE DEEMED YOUR REJECTION OF TERRORISM COVERAGE, AS DEFINED IN THE ACT.

Please indicate your selection by an X:

____ I hereby elect to purchase terrorism coverage for Acts of Terrorism, as defined in the Act, for a premium of:

1. Physical Damage Coverage: \$ As Quoted

2. Liability Coverage: \$ As Quoted

____ I hereby elect to have the exclusion for Acts of Terrorism, as defined in the Act, added to my policy. I understand that I will have no coverage for losses arising from terrorism, as defined in the Act.

Policy Number:

Insured: AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN, TX 78767

Policyholder/Applicant's Signature

Print Name/Title

Date

OLD REPUBLIC INSURANCE COMPANY

DATE RECOGNITION LIMITED COVERAGE ENDORSEMENT

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

It is agreed that for this extended coverage there is an additional premium of \$. The Date Recognition Exclusion Endorsement (2000a), is subject to all terms and conditions of this Endorsement, which is part of your Policy, shall not apply:

- (1) to any accidental loss of or damage to an aircraft defined on the Declarations;
- (2) to any sums which the Insured shall become legally liable to pay, and (if so required by the Policy) shall pay (including costs awarded against the Insured) in respect of:
 - (a) accidental bodily injury, fatal or otherwise, to passengers caused by an accident to any Insured Aircraft; and/or
 - (b) loss of or damage to baggage and personal articles of passengers, mail and cargo caused by an accident to an Insured Aircraft; and/or
 - (c) accidental bodily injury, fatal or otherwise, and accidental damage to property caused by an insured Aircraft or by any person or object falling therefrom.

PROVIDED THAT:

1. Coverage provided pursuant to this Endorsement shall be subject to all terms, conditions, limitations, warranties, exclusions and cancellation provisions of the Policy (except as specifically provided herein), and nothing in this Endorsement extends coverage beyond that which is provided by the Policy.
2. Nothing in this Endorsement shall provide any coverage:
 - (a) In respect of grounding of any aircraft; and/or
 - (b) In respect of loss of use of any property unless it arises out of physical damage to or destruction of property in the accident giving rise to a claim under the Policy.

OLD REPUBLIC INSURANCE COMPANY

DATE RECOGNITION LIMITED COVERAGE ENDORSEMENT

3. The Insured agrees that it has an obligation to disclose in writing to the Insurer during the Policy period any material facts relating to the Date Recognition Conformity of the Insured's operations, equipment and products.

PAGE 2 OF 2

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

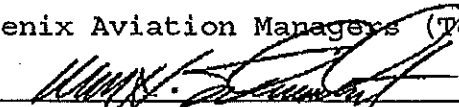
This endorsement becomes effective _____ to be attached to and
hereby made a part of Policy No. _____ issued through OLD REPUBLIC
INSURANCE COMPANY, issued to:

AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY



OLD REPUBLIC INSURANCE COMPANY

PASSENGER VOLUNTARY SETTLEMENT ENDORSEMENT

In consideration of an additional premium of \$included, it is understood and agreed to provide the following coverage:

1. INSURING AGREEMENT

Regardless of legal liability, at the Named Insured's request, the Company will offer settlement in respect of death or bodily injury to passengers provided the death or bodily injury:

- (a) is caused by an occurrence, and;
- (b) arises from the ownership, maintenance or use of the aircraft shown in Item 6(b) of this endorsement, and;
- (c) would be covered under coverages C or D of this policy, whichever has been purchased by the Named Insured.

2. LIMITS OF SETTLEMENT

The "each passenger" amount shown in Item 6(c) below is the maximum the Company will offer to each passenger, subject to the scale of benefits shown in Item 6(d) below.

The amount of the benefits offered by the terms of this endorsement are a part of, and not in addition to, the limits of liability specified for coverage C - Passenger Bodily Injury Liability, or the limit of liability specified for coverage D - Single Limit Bodily Injury and Property Damage Liability, if passengers are included under coverage D.

3. ADDITIONAL DEFINITIONS

"Loss of Limb" means loss by physical separation of a hand at or above the wrist or of a foot at or above the ankle.

"Total Loss of Sight" means loss of sight which is certified as being entire and irrecoverable by a licensed physician specializing in ophthalmology.

"Permanent Total Disablement"

- (a) with respect to passengers who are not professional pilots, means the same as "Temporary Total Disablement", or
- (b) with respect to passengers who are professional pilots, means disablement which a licensed physician certifies entirely prevents the passenger from attending to business or occupation of any and every kind.

In either case the disablement must have continued for a period of one year after the date of the occurrence after which time a licensed physician must have certified that there is no hope for improvement of the condition.

OLD REPUBLIC INSURANCE COMPANY

PASSENGER VOLUNTARY SETTLEMENT ENDORSEMENT

"Temporary Total Disablement" means disablement which a licensed physician certifies:

- (a) Entirely prevents the passenger from attending to his/her business or occupation of any and every kind, or;
- (b) If the passenger has no business or occupation, confines the passenger to hospital or home and entirely prevents him/her from attending to any of his/her duties (if any).

4. ADDITIONAL EXCLUSIONS

The Company will not offer settlement:

- (a) to any crew member unless Item 6(a) below shows that crew members are covered;
- (b) If that settlement may be used to satisfy any obligation which the insured, or their insurer, may have under any Worker's Compensation Law.

5. ADDITIONAL CONDITIONS

- (a) The Named Insured will give the Company details of any death or injury as soon as possible.
- (b) Policy Exclusion 6.(b) shall not apply with respect to the coverage afforded by this Endorsement.
- (c) The injured passenger or any person having cause for action against the insured must sign a full legal release of all claims for death or bodily injury against the insured. This release will not apply to claims for which the insured, or their insurer, may be held liable under any Worker's Compensation Law.
- (d) If the injured passenger or any person having cause for action against the insured:
 - (i) Fails to give the Company the full legal release mentioned above within thirty days of the date the Company offers settlement, the Company will consider this to be a refusal of its offer; or
 - (ii) Claims against or sues the insured after the Company has offered settlement, the Company will consider this to be a refusal of its offer.
- (e) If a passenger disappears, the Company will only assume that the passenger is dead if the body is not found within one year of the occurrence. The insured must help the Company recover any settlement it makes under this policy and must help the Company recover any settlement it makes under this condition, if the passenger is later found to be alive.

OLD REPUBLIC INSURANCE COMPANY

PASSENGER VOLUNTARY SETTLEMENT ENDORSEMENT

6. THE SCHEDULE

(a) This endorsement

X Covers crew members

Does not cover crew members

(b) Aircraft covered by this endorsement

F.A.A Reg. No.	Make and Model	Seating Capacity Passengers	Crew
-------------------	-------------------	--------------------------------	------

Any aircraft owned and operated by the Named Insured and covered under the above referenced policy for which a charge has been made for coverage provided by this endorsement.

(c) Limit of Settlement

. each passenger.

(d) Scale of Limits

	% of Limit Settlement
(i) Death	100%
(ii) Loss of Two Limbs	100%
(iii) Total Loss of Sight in Two Eyes	100%
(iv) Loss of One Limb and Total Loss of Sight in One Eye	100%
(v) Loss of One Limb	50%
(vi) Total Loss of Sight in One Eye	50%
(vii) Permanent Total Disablement	100%

OLD REPUBLIC INSURANCE COMPANY

PASSENGER VOLUNTARY SETTLEMENT ENDORSEMENT

As respects Temporary Total Disablement, the Company will pay up to 0.5% of the 100% limit of settlement for each week of disability but the Company will not pay:

- (A) More than 80% of the passenger's average weekly salary during the past year; nor
- (B) more than \$500 per week; nor
- (C) benefit for longer than 52 consecutive weeks from the date of disability.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective _____ to be attached to and hereby made a part of Policy No. _____ issued through OLD REPUBLIC INSURANCE COMPANY, issued to:

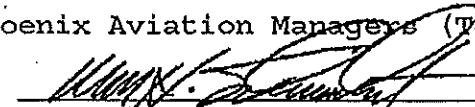
AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012

Phoenix Aviation Managers (Texas), Inc.

BY



OLD REPUBLIC INSURANCE COMPANY
EXCEPTION FOR CERTIFIED ACTS OF TERRORISM

AMENDMENT

THIS AMENDMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

In consideration of an additional premium of \$Included, it is agreed that:

- A. The Exclusion of Terrorism is hereby removed but only as respects to "CERTIFIED ACTS OF TERRORISM" for liability coverage and/or physical damage coverage applicable to the following aircraft:

FAA Reg. No.	Year	Make & Model
--------------	------	--------------

Any aircraft owned and operated by the Named Insured and covered under the above referenced policy for which a charge has been made for coverage provided by this endorsement.

- B. With respect to any one or more "CERTIFIED ACTS OF TERRORISM", we will not pay any amounts for which we are not responsible under the terms of the federal Terrorism Risk Insurance Act of 2002 (including subsequent acts of Congress pursuant to the Act) due to the application of any clause which results in a cap on our liability for payments for terrorism losses.
- C. If aggregate insured losses attributable to terrorist acts certified under the federal Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.
- D. THE FOLLOWING DEFINITIONS ARE ADDED:
1. For the purposes of this amendment, "any injury or damage" means any injury or damage covered under any Coverage Part to which this amendment is applicable, and includes but is not limited to "bodily injury", "property damage", and "injury" or "environmental damage" as may be defined in any applicable Coverage Part.

OLD REPUBLIC INSURANCE COMPANY

EXCEPTION FOR CERTIFIED ACTS OF TERRORISM

2. "CERTIFIED ACT OF TERRORISM" means an act that is certificated by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of 2002 (including subsequent acts of Congress pursuant to the Act). The Terrorism Risk Insurance Act, and as amended with the Terrorism Risk Insurance Program Reauthorization Extension Act of 2007 sets forth the following criteria for a "certified act of terrorism":
 - a. The act resulted in aggregate losses in excess of \$5 million; and
 - b. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
- E. This insurance does not apply and we will not pay for "any injury or damage" caused directly or indirectly out of an act of terrorism including action in hindering, defending against, or responding to an actual or expected incident of "terrorism" when one or more of the following are attributed to an incident of TERRORISM including a CERTIFIED ACT OF TERRORISM:
1. The TERRORISM involves the use, release or escape of nuclear materials, or directly or indirectly results in nuclear reaction or radiation or radioactive contamination; or
 2. The TERRORISM is carried out by means of the dispersal or application of radioactive material, or through the use of a nuclear weapon or device that involves or produces a nuclear reaction, nuclear radiation or radioactive contamination; or
 3. Radioactive material is released, and it appears that one purpose of the TERRORISM was to release such material; or
 4. The TERRORISM is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
 5. Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the TERRORISM was to release such materials.

OLD REPUBLIC INSURANCE COMPANY

EXCEPTION FOR CERTIFIED ACTS OF TERRORISM

Multiple incidents of TERRORISM INCLUDING CERTIFIED ACTS OF TERRORISM which occur within a seventy-two hour period and appear to be carried out in concert or to have a related purpose or common leadership shall be considered to be one incident.

PAGE 3 OF 3

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

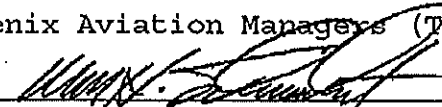
This endorsement becomes effective _____ to be attached to and hereby made a part of Policy No. _____ issued through OLD REPUBLIC INSURANCE COMPANY, issued to:

AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY



CEPAM (01/07)

OLD REPUBLIC INSURANCE COMPANY

ADDITIONAL INSURED

It is agreed that the following is hereby included as an additional "insured" under liability coverages, but only as respects operations of the "Named Insured". This agreement shall not operate to prejudice the Company's rights of recourse against the following as manufacturers, repairers, suppliers or servicing agents where such right of recourse would have existed had this endorsement not been effected under this policy:

Turbomeca USA
2709 Forum Drive
Grand Prairie, Texas 75052

only as respects rental of engine - Arrius 2F Serial #34-019

The coverage limits afforded hereunder shall be included within and not in addition to the limits applicable to the "named insured".

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective hereby made a part of Policy No. INSURANCE COMPANY, issued to:

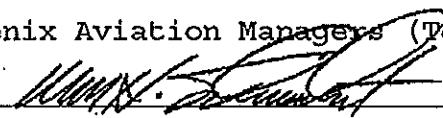
to be attached to and
issued through OLD REPUBLIC
AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012

Phoenix Aviation Managers (Texas), Inc.

BY



OLD REPUBLIC INSURANCE COMPANY

ADDITIONAL INSURED

It is agreed that the following is hereby included as an additional "insured" under liability coverages, but only as respects operations of the "Named Insured". This agreement shall not operate to prejudice the Company's rights of recourse against the following as manufacturers, repairers, suppliers or servicing agents where such right of recourse would have existed had this endorsement not been effected under this policy:

Travis County, Texas
as respects the hangaring of N1240W
and the training of pilots in the
employment of the Austin Police Department.

The coverage limits afforded hereunder shall be included within and not in addition to the limits applicable to the "named insured".

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective _____, to be attached to and
hereby made a part of Policy No. _____ ssued through OLD REPUBLIC
INSURANCE COMPANY, issued to: AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY 

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OLD REPUBLIC INSURANCE COMPANY

AIRCRAFT HULL WAR AND ALLIED PERILS ENDORSEMENT

In consideration of the additional premium shown in the schedule forming part of this endorsement, and only as respects the insurance afforded under coverages F and/or G of this Policy, and then only as respects those aircraft shown in the schedule forming part of this endorsement, it is understood and agreed that:

1. Paragraphs (a), (c), (d), (e) and (f) of AV48C, War, Hi-Jacking and other Perils Exclusions Clause shall not apply.

Further, coverage is provided for loss of or damage to the aircraft occurring while the aircraft is outside the control of the Insured by reason of any of the above perils. The aircraft shall be deemed to have been restored to the control of the Insured on the safe return of the aircraft to the Insured at an airfield not excluded by the geographical limits of the policy, and entirely suitable for the operation of the aircraft (such safe return shall require that the aircraft be parked with engines shut down and under no duress).

2. Innocent Operators Coverage:

Exclusion 1. of the policy shall not apply to loss of or damage to the aircraft arising from the action of any government by reason of actual or alleged infringement of customs or public health regulations.

Warranted the Insured shall:

- (a) Not knowingly carry cargo incorrectly described;
- (b) Take reasonable precautions to adhere to any customs or public health regulations.

3. Extortion

This policy will also indemnify the Insured up to the applicable limit set forth in the schedule forming part of this endorsement for 90% of any payment made in respect of threats against an aircraft insured hereunder or its occupants made during the currency of this policy. It being warranted that the remaining 10% of any such payment shall be uninsured.

No payment will be made under this paragraph 3. in any territory where such insurance is not lawful. The Insured is at all times responsible for ensuring that no arrangements of any kind are made which are not permitted by the proper authorities.

4. Confiscation and Hi-Jacking Expenses

This policy will also indemnify the Insured up to the applicable limit set forth in the Schedule forming part of this endorsement for 90% of any extra expenses necessarily incurred following:

OLD REPUBLIC INSURANCE COMPANY

AIRCRAFT HULL WAR AND ALLIED PERILS ENDORSEMENT

- (a) The confiscation, nationalization, seizure, restraint, detention, appropriation, requisition for title or use by or under the order of any Government (whether civil, military or de facto) or public or local authority;
- (b) Hi-jacking or any unlawful seizure or wrongful exercise of control the aircraft or crew in flight (including any attempt at such seizure or control) made by any person or persons on board the aircraft without the consent of the insured.

It is being warranted that the remaining 10% of any such expenses shall be uninsured.

ADDITIONAL EXCLUSIONS

The insurance afforded by this endorsement does not cover loss, damage, or expense

- (i) Caused by one or any combination of any of the following:
 - (a) War (whether there be a declaration of war or not) between any of the following states: United Kingdom, United States of America, France, The Russian Federation, The People's Republic of China; nevertheless, if any aircraft is in the air when an outbreak of war occurs, this exclusion shall not apply in respect of such aircraft until the said aircraft has completed its first landing thereafter;
 - (b) Confiscation, nationalization, seizure, restraint, detention, appropriation, requisition for title or use by or under the authority of the government(s) named in item 3. of the Schedule forming part of this endorsement and/or any public or local authority under its jurisdiction;
 - (c) Any debt, failure to provide bond or security, or any other financial cause under court order or otherwise;
 - (d) The repossession or attempted repossession of the aircraft either by any title holder or arising out of any contractual agreement to which any Insured protected under this policy may be party;
 - (e) Delay, loss of use, or except as specifically provided for in paragraph 3. or 4. of this endorsement, any other consequential loss following upon loss of or damage to the aircraft or otherwise.
- (ii) Directly, or indirectly arising out of any detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter whether hostile or otherwise.

ADDITIONAL CONDITIONS

1. Should there be any material change in the nature or area of the Insured's operations, the Insured shall give immediate notice of such

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OLD REPUBLIC INSURANCE COMPANY

AIRCRAFT HULL WAR AND ALLIED PERILS ENDORSEMENT

change to the Company; no claim arising subsequent to a material change over which the Insured has control shall be recoverable hereunder unless such change has been accepted by the Company. "Material Change" shall be understood to mean any change in the operation of the Insured which might reasonably be regarded by the Company as increasing its risk in degree or frequency, or reducing possibilities of recovery or subrogation.

CANCELLATION AND AUTOMATIC TERMINATION

1. (a) As respect the insurance afforded by this endorsement, the Company may give notice effective on the expiration of 7 (seven) days from mid-night GMT on the day on which notice is issued, to review the rate of premium and/or geographical limits. In the event of the review of the rate of premium and/or geographical limits not being accepted by the Insured then at the expiration of the said 7 (seven) days, this endorsement shall become cancelled at that date.
 - (b) Notwithstanding 1.(a) above, this endorsement is subject to automatic review by the Company of the rate of premium and/or conditions and/or geographical limits effective on the expiration of 7 (seven) days from the time of any hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter wheresoever or whensoever such detonation may occur and whether or not the Insured aircraft may be directly affected. In the event of the review of the rate of premium and/or conditions and/or geographical limits not being accepted by the Insured then at the expiration of the said 7 (seven) days, this endorsement shall become cancelled at that date.
 - (c) This endorsement may be cancelled by the Company or the Insured giving notice not less than 7 (seven) days prior to the end of each period of three months from inception.
2. Whether or not such notice of cancellation has been given, this endorsement shall TERMINATE AUTOMATICALLY:

Upon the outbreak of war (whether there be a declaration of war or not) between any of the following states, namely, The United Kingdom, The United States of America, France, The Russian Federation, The People's Republic of China.

Provided that if any aircraft is in the air when such outbreak of war occurs then the endorsement subject to its terms and conditions and provided not otherwise cancelled, terminated or suspended, will be continued in respect of such aircraft until the said aircraft has completed its first landing thereafter.

ENDORSEMENT SCHEDULE

(a) Hull - Insured value any one aircraft as scheduled under Item 5. subject to an annual aggregate of \$1,750,000.

(b) Extortion - \$1,575,000. in the annual aggregate.

(c) Confiscation and Hi-Jacking \$1,575,000. in the annual aggregate.

Anywhere in the World.

Item 4. Additional Premium: \$680.

Any aircraft owned and operated by the Named Insured and covered under the above referenced policy for which a charge has been made for coverage provided by this endorsement.

This endorsement becomes effective _____, _____ to be attached to and hereby made a part of Policy No. _____ issued through OLD REPUBLIC INSURANCE COMPANY, issued to: AUSTIN POLICE DEPARTMENT

AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY

AVHWR (03/12)

OLD REPUBLIC INSURANCE COMPANY

EXTENDED COVERAGE ENDORSEMENT - AIRCRAFT LIABILITY

1. Notwithstanding the contents of the War, Hi-jacking and Other Perils Exclusion Clause (AV48C) forming part of this policy, in consideration of an additional premium of \$1,196., it is hereby understood and agreed that as respects "SEE ITEM 6 BELOW", all sub-paragraphs other than (b) and (g) of endorsement AV48C are deleted subject to all terms and conditions of this endorsement.
2. EXCLUSION applicable only to any coverage extended in respect of the deletion of sub-paragraph (a) of endorsement AV48C.

Coverage shall not include liability for damage to any form of property on the ground situated outside Canada and the United States of America unless caused by or arising out of the use of aircraft.

3. LIMITATION OF LIABILITY

The limit of Insurers' liability in respect of the coverage provided by this Endorsement shall be a sub-limit of \$25,000,000 for all "bodily injury" and "property damage" combined or the applicable Policy limit whichever is less any one occurrence and in the annual aggregate except with respect to passengers to whom the full policy limit shall apply. This sub-limit shall be included within the full policy limit and not in addition thereto.

4. AUTOMATIC TERMINATION

To the extent provided below, coverage extended by this Endorsement shall TERMINATE AUTOMATICALLY in the following circumstances:

- (i) All Coverage
 - upon the outbreak of war (whether there be a declaration of war or not) between any two or more of the following States, namely, France, the People's Republic of China, the Russian Federation, the United Kingdom, the United States of America.
- (ii) Any coverage extended in respect of the deletion of sub-paragraph (a) of endorsement AV48C
 - upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter wheresoever or whensoever such detonation may occur and whether or not the Insured Aircraft may be involved.
- (iii) All coverage in respect of any of the Insured Aircraft requisitioned for either title or use
 - upon such requisition

Provided that if an Insured Aircraft is in the air when (i), (ii), or (iii) occurs, then the coverage provided by this Endorsement (unless otherwise cancelled, terminated or suspended) shall continue in respect of such an Aircraft until completion of its first landing thereafter and any passengers have disembarked.

OLD REPUBLIC INSURANCE COMPANY

EXTENDED COVERAGE ENDORSEMENT - AIRCRAFT LIABILITY

5. REVIEW AND CANCELLATION

- (a) Review of Premium and/or Geographical Limits (7 days)
The company may give notice to review premium and/or geographical limits - such notice to become effective on the expiration of seven days from 23:59 hours GMT on the day on which notice is given.
 - (b) Limited Cancellation (48 hours)
Following a hostile detonation as specified in 4 (ii) above, the company may give notice of cancellation of one or more parts of the coverage provided by paragraph 1 of this endorsement by reference to subparagraphs (c), (d), (e), (f) and/or (g) of endorsement AV48C - such notice to become effective on the expiration of forty-eight hours from 23:59 hours GMT on the day on which such notice is given.
 - (c) Cancellation (7 days)
The coverage provided by this endorsement may be cancelled by either the company or the insured giving notice to become effective on the expiration of seven days from 23:59 hours GMT on the day on which such notice is given.
 - (d) Notices
All notices referred to herein shall be in writing.
6. Any aircraft owned and operated by the Named Insured and covered under the above referenced policy for which a charge has been made for coverage provided by this endorsement.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective
hereby made a part of Policy No. _____
INSURANCE COMPANY, issued to: AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY 

OLD REPUBLIC INSURANCE COMPANY

WAIVER OF SUBROGATION

IT IS AGREED THAT THE COMPANY HEREBY WAIVES ITS RIGHT OF SUBROGATION AGAINST THE FOLLOWING AS RESPECTS LOSS OR DAMAGE ARISING UNDER PHYSICAL DAMAGE COVERAGE AS SET FORTH UNDER THIS POLICY, BUT ONLY TO THE EXTENT THAT THE NAMED INSURED HAS WAIVED THEIR RIGHT OF SUBROGATION. THIS WAIVER SHALL NOT PREJUDICE THE COMPANY'S RIGHT OF RECOURSE FOR DAMAGES ARISING FROM THE MANUFACTURE, REPAIR, SALE OR SERVICING OF THE AIRCRAFT WHERE SUCH RIGHT OF RECOURSE WOULD HAVE EXISTED HAD THIS ENDORSEMENT NOT BEEN EFFECTED UNDER THIS POLICY:

Turbomeca USA
2709 Forum Drive
Grand Prairie, TX 75052

Only as respects rental of engine - Arrius 2F Serial #34-019

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective hereby made a part of Policy No. _____ to be attached to and issued through OLD REPUBLIC INSURANCE COMPANY, issued to: AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY 

AV351 (01/92)

OLD REPUBLIC INSURANCE COMPANY

MANUSCRIPT

PA402-02

With respect to Cessna 182 N21475, it is agreed that:

Purpose of use as shown in Item 7 of the Declarations is changed to include the following:

Student flight instruction of Wuthipong Tantaksinanukij
and Tom Lopatowski

It is further agreed that during the student flight training of the above named pilots, the limit of liability as shown in Item 4 of the Declarations is changed to read:

D. Single limit bodily injury,
including passengers, and
property damage \$2,000,000 each occurrence

PA402-02

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective _____ to be attached to and
hereby made a part of Policy No. _____ issued through OLD REPUBLIC
INSURANCE COMPANY, issued to: AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY 

PA402 (09/92)

OLD REPUBLIC INSURANCE COMPANY

PILOTS

IT IS AGREED THAT ITEM 6 OF THE DECLARATIONS - PILOTS: WHEN IN FLIGHT THE AIRCRAFT WILL BE PILOTED ONLY BY - IS COMPLETED TO READ AS FOLLOWS:

Any properly licensed and certificated pilot as approved by the chief pilot or his designee.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective to be attached to and
hereby made a part of Policy No. issued through OLD REPUBLIC
INSURANCE COMPANY, issued to:

AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY 

OLD REPUBLIC INSURANCE COMPANY

MANUSCRIPT

PA402-01

With respect to N21475 and N1240W:

In consideration of the premium charged, it is agreed that paragraph (C) of endorsement AV730 is deleted in its entirety.

PA402-01

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective --, to be attached to and hereby made a part of Policy No. issued through OLD REPUBLIC INSURANCE COMPANY, issued to: AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY 

PA402 (09/92)

OLD REPUBLIC INSURANCE COMPANY

UNINTENTIONAL FAILURE TO REPORT

It is understood and agreed that any unintentional error or failure on the part of the Insured to disclose facts to the Company shall not be a basis for the denial of any coverage, provided that it is corrected as soon as the circumstance comes to the attention of Risk Management.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective to be attached to and
hereby made a part of Policy No. issued through OLD REPUBLIC
INSURANCE COMPANY, issued to: AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY 

OLD REPUBLIC INSURANCE COMPANY

NOISE AND POLLUTION AND OTHER PERILS EXCLUSION CLAUSE

It is agreed that the exclusion pertaining to noise and pollution found elsewhere in this policy is deleted and the following substituted therefor:

1. This policy does not cover claims directly or indirectly occasioned by, happening through or in consequence of:

- (a) noise (whether audible to the human ear or not), vibration, sonic boom and any phenomena associated therewith,
- (b) pollution and contamination of any kind whatsoever,
- (c) electrical and electromagnetic interference,
- (d) interference with the use of property;

unless caused by or resulting in a crash fire explosion or collision or a recorded in-flight emergency causing abnormal aircraft operation.

2. With respect to any provision in the policy concerning any duty of Underwriters to investigate or defend claims, such provision shall not apply and Underwriters shall not be required to defend

- (a) claims excluded by Paragraph 1 or
- (b) a claim or claims covered by the policy when combined with any claims excluded by Paragraph 1 (referred to below as "Combined Claims").

3. In respect of any Combined Claims, Underwriters shall (subject to proof of loss and the limits of the policy) reimburse the Insured for that portion of the following items which may be allocated to the claims covered by the policy:

- (i) damages awarded against the Insured and
- (ii) defense fees and expenses incurred by the Insured.

4. Nothing herein shall override any radioactive contamination or other exclusion clause attached to or forming part of this policy. Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective hereby made a part of Policy No. _____ to be attached to and issued through OLD REPUBLIC INSURANCE COMPANY, issued to:

AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY



OLD REPUBLIC INSURANCE COMPANY

LOSS OF USE

IN CONSIDERATION OF AN ADDITIONAL PREMIUM OF INCLUDED, THE COMPANY AGREES TO PAY THE EXTRA EXPENSE INCURRED BY THE NAMED INSURED TO LEASE OR RENT A SUBSTITUTE AIRCRAFT (HEREINAFTER CALLED THE SUBSTITUTE AIRCRAFT) IN THE EVENT THE AIRCRAFT INSURED UNDER THIS POLICY (HEREINAFTER CALLED THE AIRCRAFT) IS REMOVED FROM SERVICE BECAUSE OF THE LOSS COVERED UNDER PHYSICAL DAMAGE COVERAGE F OF THE POLICY, SUBJECT TO THE FOLLOWING:

A) THIS INSURANCE DOES NOT APPLY TO:

1. ANY EXPENSE INCURRED

- a. DURING THE SEVEN (7) DAYS FOLLOWING; OR
- b. AFTER SIXTY (60) DAYS FOLLOWING THE DATE OF LOSS TO THE AIRCRAFT.

2. ANY EXPENSE INCURRED AFTER

- a. THE REPAIR OF THE AIRCRAFT; OR
- b. THE NAMED INSURED HAS ACQUIRED A REPLACEMENT FOR THE AIRCRAFT; OR
- c. TENDER BY THE COMPANY OF PAYMENT FOR LOSS OF OR TO THE AIRCRAFT, WHICHEVER SHALL FIRST OCCUR.

3. ANY EXPENSE INCURRED AFTER THE COMPANY AND THE NAMED INSURED SHALL AGREE THAT THE AIRCRAFT INSURED FOR PHYSICAL DAMAGE COVERAGE F SHALL BE A TOTAL LOSS OR CONSTRUCTIVE TOTAL LOSS.

B) LIMIT OF LIABILITY. THE LIMIT OF THE COMPANY'S LIABILITY SHALL BE THE ACTUAL COST TO THE NAMED INSURED TO LEASE OR RENT THE SUBSTITUTE AIRCRAFT, EXCLUDING THE COST OF STORAGE, SERVICE, MAINTENANCE, REPAIRS, FUEL AND SALARIES OF CREW MEMBERS AND MECHANICS, BUT NOT TO EXCEED:

1. \$300,000 FOR EACH INSTANCE OF LOSS TO THE AIRCRAFT, BUT IN NO EVENT MORE THAN
2. \$5,000 FOR ANY ONE DAY.

C) PROOF OF LOSS. THE NAMED INSURED WILL PROVIDE THE COMPANY WITH INVOICES FOR ALL EXTRA EXPENSE AND FILE PROOF OF LOSS WITHIN NINETY (90) DAYS FOLLOWING THE DATE SUCH EXTRA EXPENSE IS INCURRED.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective
hereby made a part of Policy No.

INSURANCE COMPANY, issued to:

to be attached to and
issued through OLD REPUBLIC
AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012

Phoenix Aviation Managers (Texas), Inc.

BY

AV336 (01/92)

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OLD REPUBLIC INSURANCE COMPANY
LIMITED ENHANCED COVERAGE ENDORSEMENT

In consideration of an additional premium of Included, it is understood and agreed that the following changes are made to this policy:

Under All Coverages:

1. Insuring Agreement V. (Policy Period, Territory) is amended to read as follows:

This policy applies only to bodily injury and property damage which occurs, and to physical damage losses to aircraft which are sustained during the policy period, while the aircraft is anywhere in the World.

2. While the aircraft is in the care, custody or control of an F.A.A. approved repair station for the purpose of maintenance or repair, the pilot qualifications set forth in this policy with respect to that aircraft will not apply, provided that the Insured does nothing to affect the Company's rights of subrogation as set forth in Condition 16 of this policy.

Under Liability Coverages:

1. Wherever the term "the ownership, maintenance or use of the aircraft" appears with respect to liability coverages, the same is deemed deleted and replaced with the following:

- (a) the ownership, maintenance or use of the aircraft; or
- (b) the sale of aircraft shown in the declarations.

However, it is specifically agreed that no coverage whatsoever shall apply under this endorsement if the aircraft is sold to:

1. Any subsequent owners beyond the initial purchaser to whom you sell.
 2. Any person or organization engaged in the business of aircraft sales, aircraft rental, commercial flying service or flying school.
2. Paragraph (a) of policy exclusion 5 is deleted and replaced with the following:
 - (a) to liability assumed by the Insured under any contract or agreement:
 - A. Which will benefit passengers or their heirs; or
 - B. Which will benefit any manufacturer of an aircraft shown in the Declarations; or
 - C. With respect to any occurrence resulting from a major alteration or repair to the aircraft; or

OLD REPUBLIC INSURANCE COMPANY
LIMITED ENHANCED COVERAGE ENDORSEMENT

- D. Which is an oral agreement between the Insured and another party, unless required by statute or ordinance or by any rule or regulation made by any federal, state, county or municipal authority as a condition of use of any airport or airport facility or is between the Named Insured and a hangar or airport manager that pertains to the temporary storage or minor servicing of the aircraft when away from its regular base.

This exclusion 5(a) does not apply to any legal liability which would have existed had the agreement not been signed.

The Insured agrees to forward copies of all agreements for which insurance is provided under the above (with the exception of those with respect to use of airports or airport facilities) within thirty days of receipt by the Insured.

3. With respect to policy exclusion 7:

- (a) Paragraph (a) is amended to read:

Damages not exceeding \$10,000 for damage or loss of the personal effects of any passenger in any one occurrence.

- (b) Paragraph (b) is amended to read:

Damages not exceeding \$500,000 any one occurrence for damage to hangars, or their contents, not owned by the Named Insured.

4. In the event of an emergency likely to result in an occurrence, the Company will reimburse the Named Insured for:

- (a) the application of fire retardant foam to runways or aircraft, but the Company will not pay more than \$500,000 each emergency;
- (b) expenses paid to an airport or governmental authority in connection with an emergency landing, but the Company will not pay more than \$500,000 each emergency landing.

Payments made by the Company under this paragraph 4. are included within the limit of liability for coverage B or D as applicable.

5. With the prior approval of the Company, the Company will pay up to \$500,000 each occurrence with respect to search and rescue operations begun by the Insured after the termination of search and rescue operations by the responsible government body.

Payments made by the Company under this paragraph 5. are included within the limit of liability for coverage B or D as applicable.

OLD REPUBLIC INSURANCE COMPANY

LIMITED ENHANCED COVERAGE ENDORSEMENT

6. The liability coverages afforded by this policy are extended to apply to the use by, or on behalf of, the Named Insured of any aircraft which:

- (a) is not owned in whole or in part by the Named Insured;
- (b) has a Standard Airworthiness Certificate;
- (c) has a certificated gross take off weight of no more than 12,500 lbs.;
- (d) has a maximum of fifteen seats (15), including crew.

Such insurance as is afforded by this paragraph 6. is subject to the following conditions:

- (1) This insurance shall be excess over any other insurance available to the Named Insured;
- (2) Policy exclusion 7 shall not apply to property damage to the non owned aircraft, however, such insurance as afforded by this paragraph(2) is limited to \$500,000 each occurrence, less a deductible of NIL each and every not in motion loss or NIL each and every in motion loss.
- (3) Special Insuring Agreements entitled "Automatic Attachment for Newly Acquired Aircraft" and "Use of Other Aircraft" are deleted in their entirety.

Under Aircraft Physical Damage Coverages:

1. Aircraft Spare Parts Coverage

The Physical Damage Coverage provided by this policy is extended to apply to aircraft spare parts or equipment owned by the Named Insured. The limit of the Company's liability under this coverage shall not exceed \$500,000 any one location and any one occurrence, subject to a deductible of NIL each occurrence.

As respects the aircraft spare parts coverage provided by this extension, the following additional exclusions shall apply.

This extension does not apply to:

- (a) Loss of or damage to any property occurring at any time after the commencement of the operation of fitting such property to or placing such property on board an aircraft.
- (b) Loss of or damage to any engine occurring during the running or testing thereof.
- (c) Mechanical or electrical breakdown or derangement.

OLD REPUBLIC INSURANCE COMPANY
LIMITED ENHANCED COVERAGE ENDORSEMENT

- (d) Loss of or damage to any property defined under this policy as "aircraft".
- (e) Property of others in care of the insured.
- (f) Mysterious disappearance or unexplained loss or shortage discovered upon taking inventory.
- (g) Loss or damage caused by or resulting from neglect of the Insured to use reasonable means to save and preserve the property at the time of and after any loss or damage.
- (h) Loss or damage to any tools.

It is a condition of this aircraft spare parts extension that the Insured shall keep a proper record of all items of property insured under this coverage and the value of each item.

2. Hull No Claims Bonus On Renewal

If the Named Insured has purchased insurance under coverage F of this policy and there are no claims made under coverage F and this policy is renewed with the Company, then the Company will return to the Named Insured an amount equal to 10% of the earned premium for coverage F.

3. Extra Expenses For Temporary Replacement Parts

If the aircraft sustains physical damage which is covered under this policy, but is not a total loss, the Company will reimburse the Named Insured for expenses incurred for leasing or renting temporary replacement component parts, including the cost of installation, removal and transportation for the period required for repair of the original damaged component part or parts, provided the estimated period necessary for repair exceeds ten days. The Company will not pay more than \$100,000. for all costs under this coverage.

OLD REPUBLIC INSURANCE COMPANY
LIMITED ENHANCED COVERAGE ENDORSEMENT

4. Automatic Insurance For Newly Acquired Aircraft

The provisions of Special Insuring Agreement III are extended to apply to Coverage F, with the additional proviso that the Insured Value of the newly acquired aircraft must not be greater than that of an aircraft currently shown in the Declarations.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

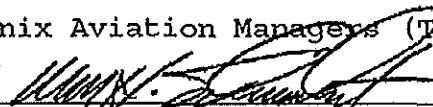
This endorsement becomes effective _____ to be attached to and
hereby made a part of Policy No. _____ issued through OLD REPUBLIC
INSURANCE COMPANY, issued to:

AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY



()

OLD REPUBLIC INSURANCE COMPANY
CANCELLATION/ALTERATION NOTIFICATION

THE COMPANY HEREBY AGREES TO NOTIFY THE FOLLOWING OF ANY MATERIAL ALTERATION OR CANCELLATION OF THIS POLICY BY THE COMPANY AT LEAST 90 DAYS (10 DAYS IF FOR NON-PAYMENT OF PREMIUM) PRIOR TO THE EFFECTIVE DATE OF ALTERATION OR CANCELLATION:

Risk Management Department
Austin Police Department
City of Austin, Texas

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective _____, to be attached to and
hereby made a part of Policy No. _____ issued through OLD REPUBLIC
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CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY 

AV383 (10/98)

OLD REPUBLIC INSURANCE COMPANY
HELICOPTER DEDUCTIBLE ENDORSEMENT

IT IS AGREED THAT ITEM 5 OF THE DECLARATIONS - DESCRIPTION OF AIRCRAFT AND PHYSICAL DAMAGE COVERAGE HEREUNDER - IS AMENDED IN PART AS FOLLOWS:

THE DEDUCTIBLES ARE AMENDED TO READ AS FOLLOWS:

ROTORS NOT IN MOTION - NIL EACH CLAIM / EACH AIRCRAFT

ROTORS IN MOTION - 1.5% OF THE INSURED VALUE EACH CLAIM / EACH AIRCRAFT
AND INGESTION

SLUNG LOAD USE - 1.5% OF THE INSURED VALUE EACH CLAIM / EACH AIRCRAFT

NOTWITHSTANDING ITEM 5 OF THE DECLARATIONS, THE ABOVE DEDUCTIBLES SHALL ALSO APPLY TO FIRE AND THEFT.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

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hereby made a part of Policy No. issued through OLD REPUBLIC
INSURANCE COMPANY, issued to: AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY 

OLD REPUBLIC INSURANCE COMPANY

GOVERNMENTAL IMMUNITY

IN CONSIDERATION OF AN ADDITIONAL PREMIUM OF INCLUDED, IT IS AGREED THAT THE COMPANY WILL NOT USE THE DEFENSE OF GOVERNMENTAL IMMUNITY, WHICH INCLUDES ANY COLLATERAL SOURCE OFFSET, IN RESPECTS TO ANY CLAIMS OR SUITS COVERED BY THIS POLICY EXCEPT UPON WRITTEN REQUEST BY A DULY AUTHORIZED OFFICER OF THE NAMED INSURED.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

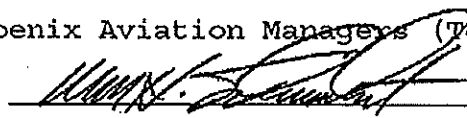
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AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

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Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY



OLD REPUBLIC INSURANCE COMPANY

LAW ENFORCEMENT

- A) ITEM 7 OF THE DECLARATIONS - PURPOSE OF USE - IS COMPLETED TO READ AS FOLLOWS:
- LAW ENFORCEMENT
- B) WHERE USED HEREIN, "LAW ENFORCEMENT" SHALL BE DEFINED AS PLEASURE AND BUSINESS USES ON BEHALF OF THE NAMED INSURED, INCLUDING AERIAL SURVEILLANCE, LAW ENFORCEMENT OR ANY USE REQUIRED BY THE NAMED INSURED IN ITS ADMINISTRATION OF JUSTICE.
- C) THIS POLICY DOES NOT APPLY TO ANY INSURED WHILE THE AIRCRAFT IS IN FLIGHT BEING USED FOR TRANSPORTATION OF PRISONERS.
- D) SPECIAL INSURING AGREEMENTS I, II AND III ARE DELETED IN THEIR ENTIRETY.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective _____ to be attached to and hereby made a part of Policy No. _____ issued through OLD REPUBLIC INSURANCE COMPANY, issued to:

AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

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Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY



OLD REPUBLIC INSURANCE COMPANY

MEDICAL SERVICES AND CONSEQUENTIAL LOSS EXCLUSION

MEDICAL SERVICES AND AGGRAVATION OF EXISTING INJURY EXCLUSION

IT IS AGREED THAT THIS POLICY DOES NOT APPLY TO:

1. BODILY INJURY CAUSED BY OR RESULTING FROM:
 - A. THE RENDERING, OR FAILURE TO RENDER, ANY PROFESSIONAL MEDICAL SERVICES BY THE INSURED;
 - B. THE TRANSPORTATION OF ANY MATERIAL OF HUMAN OR ANIMAL ORIGIN, MEDICATIONS OR EQUIPMENT DESTINED FOR USE IN MEDICAL TREATMENT;
 - C. THE AGGRAVATION OF ANY EXISTING MEDICAL CONDITION;
2. BODILY INJURY TO ANY CADAVER. INJURY TO OR DESTRUCTION OF ANY CADAVER SHALL BE DEEMED PROPERTY DAMAGE.
3. SICKNESS, DISEASE OR MENTAL ANGUISH SUSTAINED BY ANY PERSON CAUSED BY OR RESULTING FROM THE TRANSPORTATION OF SICK OR INJURED PERSONS OR CADAVERS, INCLUDING DEATH AT ANY TIME RESULTING THEREFROM.
4. THIS POLICY SHALL NOT APPLY TO CONSEQUENTIAL LOSS RESULTING IN BODILY INJURY, SICKNESS OR DISEASE, INCLUDING MENTAL ANGUISH OR DEATH RESULTING THEREFROM, OR TO INJURY TO OR DESTRUCTION OF PROPERTY INCLUDING THE LOSS OF USE THEREOF CAUSED BY OR ARISING FROM THE IMPACT WITH POWERLINES.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

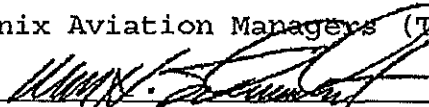
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CITY OF AUSTIN
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AUSTIN TX 78767

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Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY



OLD REPUBLIC INSURANCE COMPANY

PREMISES LIABILITY - AV

IN CONSIDERATION OF AN ADDITIONAL PREMIUM OF INCLUDED,
IT IS AGREED THAT NOTWITHSTANDING ANYTHING TO THE CONTRARY FOUND IN ITEM 1
OF THE INSURING AGREEMENTS, LIABILITY COVERAGES, COVERAGE A, B AND D SHALL
APPLY TO AN OCCURRENCE ARISING OUT OF THE MAINTENANCE OR USE OF THE PREMISES
IN OR UPON WHICH THE AIRCRAFT IS STORED.

Nothing herein contained shall vary, alter, waive or extend any of the
terms, provisions, representations, conditions or agreements of the policy
other than as above stated.

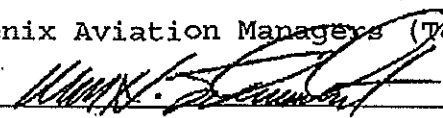
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AUSTIN TX 78767

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of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY



OLD REPUBLIC INSURANCE COMPANY

PURPOSE OF USE AMENDMENT

It is agreed that Item 7 of the Declarations - Purpose of Use - is completed to read as follows:

1. With respect to N1240W:

All uses in connection with the operations of your law enforcement missions, including but not limited to patrol, surveillance, photography and including transportation of prisoners and slung operations, excluding chemical and subject to provisions set forth in Form AV730.

2. With respect to N21475:

All uses in connection with the operations of your law enforcement missions including, but not limited to patrol, aerial surveillance, photography and including transportation of prisoners, excluding chemical and subject to provisions set forth in Form AV730.

3. With respect to N909K:

All uses in connection with the operations of your law enforcement missions (primarily for daylight patrol), including aerial photography and pilot training, excluding transportation of prisoners and slung operations and excluding chemical and subject to provisions set forth in Form AV730.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

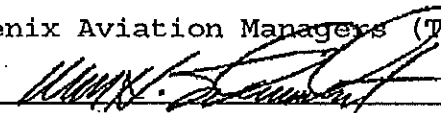
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CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

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Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

BY



OLD REPUBLIC INSURANCE COMPANY

AIRCRAFT PERSONAL INJURY LIABILITY INSURANCE

1. THE FOLLOWING COVERAGE IS ADDED TO INSURING AGREEMENT 1. LIABILITY COVERAGES.

AIRCRAFT PERSONAL INJURY LIABILITY COVERAGE. TO PAY ON BEHALF OF THE INSURED ALL SUMS WHICH THE INSURED SHALL BECOME LEGALLY OBLIGATED TO PAY AS DAMAGES BECAUSE OF "PERSONAL INJURY" CAUSED BY AN OFFENSE BUT ONLY IF:

THE OFFENSE WAS COMMITTED OR ALLEGED TO HAVE BEEN COMMITTED UNINTENTIONALLY BY THE INSURED OR ANY OF THE INSURED'S EMPLOYEES WHILE ENGAGED IN THEIR EMPLOYMENT BY THE INSURED; AND

THE OFFENSE WAS COMMITTED OR ALLEGED TO HAVE BEEN COMMITTED DURING THE POLICY PERIOD AND WITHIN THE TERRITORY DESCRIBED UNDER INSURING AGREEMENT V; AND

THE OFFENSE ARISES OUT OF THE OWNERSHIP, MAINTENANCE OR USE OF THE AIRCRAFT IDENTIFIED UNDER ITEM 4 OF THE DECLARATIONS OR UNDER A NON-OWNERSHIP ENDORSEMENT, IF THE POLICY IS ENDORSED WITH A NON-OWNERSHIP ENDORSEMENT.

2. THE PROVISIONS OF INSURING AGREEMENT 1. - DEFENSE, SETTLEMENT AND SUPPLEMENTARY PAYMENTS SHALL ALSO APPLY TO THIS COVERAGE.
3. THE FOLLOWING ADDITIONAL EXCLUSIONS APPLY TO THIS COVERAGE.

THE COVERAGE PROVIDED DOES NOT APPLY TO:

a. "PERSONAL INJURY"

- (1) ARISING FROM ADVERTISING, PUBLISHING, BROADCASTING OR TELECASTING THE INSURED'S GOODS, PRODUCTS OR SERVICES;
- (2) ARISING OUT OF ORAL OR WRITTEN PUBLICATION OF MATERIAL, IF DONE BY OR AT THE DIRECTION OF THE INSURED WITH KNOWLEDGE OF ITS FALSITY;
- (3) ARISING OUT OF ORAL OR WRITTEN PUBLICATION OF MATERIAL WHOSE FIRST PUBLICATION TOOK PLACE BEFORE THE BEGINNING OF THE POLICY PERIOD;
- (4) ARISING OUT OF THE WILLFUL VIOLATION OF A PENAL STATUTE OR ORDINANCE COMMITTED BY OR WITH THE CONSENT OF THE INSURED; OR
- (5) FOR WHICH THE INSURED HAS ASSUMED LIABILITY IN A CONTRACT OR AGREEMENT. THIS EXCLUSION DOES NOT APPLY TO LIABILITY FOR DAMAGES THAT THE INSURED WOULD HAVE IN THE ABSENCE OF THE CONTRACT OR AGREEMENT.

OLD REPUBLIC INSURANCE COMPANY
AIRCRAFT PERSONAL INJURY LIABILITY INSURANCE

(6) SUSTAINED BY THE NAMED INSURED STATED IN ITEM 1 OF THE DECLARATIONS.

- b. ANY OFFENSE WHICH WAS COMMITTED OR ALLEGED TO HAVE BEEN COMMITTED IN ANY STATE WHICH DOES NOT RECOGNIZE A CAUSE OF ACTION FOR THAT OFFENSE BASED IN NEGLIGENCE.

4. THE FOLLOWING IS ADDED TO LIMIT OF COMPANY'S LIABILITY:

LIMIT OF INSURANCE

- (1) THE LIMITS OF INSURANCE SHOWN IN THE SCHEDULE OF THIS ENDORSEMENT FOR ANY ONE OFFENSE AND THE RULES BELOW FIX THE MOST WE WILL PAY REGARDLESS OF THE NUMBER OF:
- (a) INSUREDS;
 - (b) CLAIMS MADE OR "SUITS" BROUGHT; OR
 - (c) PERSONS OR ORGANIZATIONS MAKING CLAIMS OR BRINGING "SUITS".
- (2) THE PERSONAL INJURY AGGREGATE LIMIT SHOWN IN THE SCHEDULE OF THIS ENDORSEMENT IS THE MOST WE WILL PAY UNDER THIS ENDORSEMENT FOR THE SUM OF ALL DAMAGES BECAUSE OF "PERSONAL INJURY."

THE AGGREGATE LIMITS OF THIS ENDORSEMENT APPLY SEPARATELY TO EACH CONSECUTIVE ANNUAL PERIOD AND TO ANY REMAINING PERIOD OF LESS THAN 12 MONTHS, STARTING WITH THE BEGINNING OF THE POLICY PERIOD SHOWN IN THE DECLARATIONS, UNLESS THE POLICY PERIOD IS EXTENDED AFTER ISSUANCE FOR AN ADDITIONAL PERIOD OF LESS THAN 12 MONTHS. IN THAT CASE, THE ADDITIONAL PERIOD WILL BE DEEMED PART OF THE LAST PRECEDING PERIOD FOR PURPOSES OF DETERMINING THE LIMITS OF INSURANCE.

THE LIMITS OF INSURANCE UNDER THIS ENDORSEMENT ARE PART OF THE LIMITS SHOWN UNDER ITEM 4 OF THE DECLARATIONS AND NOT IN ADDITION THERETO.

5. THE SEVERABILITY OF INTEREST CLAUSE THAT IS APPLICABLE TO COVERAGES A, B, C AND D APPLIES ALSO TO THIS COVERAGE.
6. THE FOLLOWING DEFINITION IS ADDED:

WHEN APPEARING IN THIS POLICY OR ENDORSEMENT ADDED THERETO "PERSONAL INJURY" MEANS INJURY, OTHER THAN "BODILY INJURY," ARISING OUT OF ONE OR MORE OF THE FOLLOWING OFFENSES:

- a. MISTAKEN ARREST, DETENTION OR IMPRISONMENT;
- b. MALICIOUS PROSECUTION;
- c. THE WRONGFUL EVICTION FROM, WRONGFUL ENTRY INTO, OR INVASION OF THE RIGHT OF PRIVATE OCCUPANCY OF A ROOM, DWELLING OR PREMISES THAT A PERSON OCCUPIES BY OR ON BEHALF OF ITS OWNER, LANDLORD OR LESSOR;

OLD REPUBLIC INSURANCE COMPANY

AIRCRAFT PERSONAL INJURY LIABILITY INSURANCE

- d. ORAL OR WRITTEN PUBLICATION OF MATERIAL THAT SLANDERS OR LIBELS A PERSON OR ORGANIZATION OR DISPARAGES A PERSON'S OR ORGANIZATION'S GOODS, PRODUCTS OR SERVICES;
- e. ORAL OR WRITTEN PUBLICATION OF MATERIAL THAT VIOLATES A PERSON'S RIGHT OF PRIVACY; OR
- f. MISDIRECTION OF A PASSENGER BY AN INSURED TO THE WRONG AIRCRAFT, AUTOMOBILE OR OTHER CONNECTING TRANSPORTATION.

THE OFFENSES DESCRIBED IN THIS DEFINITION DO NOT INCLUDE PERSONAL INJURY ARISING OUT OF THE EMPLOYMENT, PAST EMPLOYMENT OR FUTURE EMPLOYMENT OF A PERSON BY ANY INSURED.

7. THE FOLLOWING CONDITION IS ADDED:

OTHER INSURANCE

THE LIMITS OF INSURANCE PROVIDED BY THIS ENDORSEMENT IS EXCESS OVER ANY OTHER INSURANCE, WHETHER PRIMARY, EXCESS, CONTINGENT OR ON ANY OTHER BASIS. WHEN THIS INSURANCE IS EXCESS, WE WILL HAVE NO DUTY TO DEFEND ANY CLAIM OR "SUIT" THAT ANY OTHER INSURER HAS A DUTY TO DEFEND. IF NO OTHER INSURER DEFENDS, WE WILL UNDERTAKE TO DO SO, BUT WE WILL BE ENTITLED TO THE INSURED'S RIGHTS AGAINST ALL THOSE OTHER INSURERS.

WHEN THIS INSURANCE IS EXCESS OVER OTHER INSURANCE, WE WILL PAY ONLY OUR SHARE OF THE AMOUNT OF LOSS, IF ANY, THAT EXCEEDS THE SUM OF:

- (1) THE TOTAL AMOUNT THAT ALL SUCH OTHER INSURANCE WOULD PAY FOR THE LOSS IN THE ABSENCE OF THIS INSURANCE; AND
- (2) THE TOTAL OF ALL DEDUCTIBLE AND SELF-INSURED AMOUNTS UNDER ALL THAT OTHER INSURANCE.

WE WILL SHARE THE REMAINING LOSS, IF ANY, WITH ANY OTHER INSURANCE THAT IS NOT DESCRIBED IN THIS EXCESS INSURANCE PROVISION AND WAS NOT BOUGHT SPECIFICALLY TO APPLY IN EXCESS OF THE LIMITS OF INSURANCE SHOWN IN THE DECLARATIONS OF THE POLICY.

OLD REPUBLIC INSURANCE COMPANY
AIRCRAFT PERSONAL INJURY LIABILITY INSURANCE

SCHEDULE

AIRCRAFT PERSONAL INJURY LIABILITY

LIMITS OF INSURANCE	\$25,000,000. ANY ONE OFFENSE
	\$25,000,000. AGGREGATE
ADDITIONAL PREMIUM	\$Included

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective _____ to be attached to and hereby made a part of Policy No. _____ issued through OLD REPUBLIC INSURANCE COMPANY, issued to: AUSTIN POLICE DEPARTMENT
CITY OF AUSTIN
ATTN: LESLIE MILVO P.O. BOX 1088
AUSTIN TX 78767

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue 12-11-2012 Phoenix Aviation Managers (Texas), Inc.

AV439 (10/03)

BY 

OLD REPUBLIC INSURANCE COMPANY

AIRPORT PREMISES/MOBILE EQUIPMENT ENDORSEMENT

In consideration of an additional premium of \$, it is agreed that Item 4. of the Declarations - Liability Coverages - is extended to include bodily injury and property damage caused by an occurrence during the policy period arising out of the ownership, maintenance or use of mobile equipment.

It is further agreed that mobile equipment shall be defined as:

Any land vehicle (including any machinery or apparatus attached), whether or not self propelled, used in connection with the maintenance or operation of aircraft or premises that is:

1. not subject to motor vehicle registration;
2. used exclusively on premises owned by or rented to the Named Insured including the roadway or property immediately adjoining; or
3. designed for use principally on public roads.

Coverage under this Endorsement shall be excess over any other valid and collectible insurance.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective
hereby made a part of Policy No.
INSURANCE COMPANY, issued to;

, to be attached to and
issued through OLD REPUBLIC

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue - -

Phoenix Aviation Managers, Inc.

BY

AV466 (07/03)

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SPECIMEN

OLD REPUBLIC INSURANCE COMPANY

MANUSCRIPT

ON AIRPORT PREMISES AUTOMOBILE ENDORSEMENT

It is agreed that:

Item 4. of the Declarations - Liability Coverages - is extended to include "bodily injury" and "property damage" caused by an "occurrence" during the policy period arising out of your ownership, maintenance or use of any "automobile", and only while on an airport premises occupied by the Named Insured.

The limit of liability provided by this endorsement shall read as follows:

"Automobile" means a land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment, but automobile does not include mobile equipment.

Coverage provided by this endorsement excludes any claims and/or losses when the "automobile" is off an airport premises or while on any public road or highway.

The coverage limits afforded hereunder shall be included within and not in addition to the limits applicable to the Named Insured.

Coverage provided by this endorsement shall be excess over any other valid and collectible insurance.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

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hereby made a part of Policy No.
INSURANCE COMPANY, issued to:

, to be attached to and
issued through OLD REPUBLIC

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of the company.
Date of issue - - - - -

Phoenix Aviation Managers, **SPECIMEN**

BY _____

PA402 (09/92)

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OLD REPUBLIC INSURANCE COMPANY

PREMISES LIABILITY - AV

IN CONSIDERATION OF AN ADDITIONAL PREMIUM OF \$ _____,
IT IS AGREED THAT NOTWITHSTANDING ANYTHING TO THE CONTRARY FOUND IN ITEM 1
OF THE INSURING AGREEMENTS, LIABILITY COVERAGES, COVERAGE A, B AND D SHALL
APPLY TO AN OCCURRENCE ARISING OUT OF THE MAINTENANCE OR USE OF THE PREMISES
IN OR UPON WHICH THE AIRCRAFT IS STORED.

It is further agreed that Coverage E -- Medical Payments -- as shown in Form PAM-AV-2 is extended to include
occurrences arising out of the maintenance or use of the premises in or upon which the aircraft is stored.

The following limit shall apply:
_____ each person

Nothing herein contained shall vary, alter, waive or extend any of the
terms, provisions, representations, conditions or agreements of the policy
other than as above stated.

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_____ to be attached to and
issued through OLD REPUBLIC

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Date of issue - -

Phoenix Aviation Managers, Inc.

BY _____

AV410 (09/93)

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OLD REPUBLIC INSURANCE COMPANY

MANUSCRIPT

EMERGENCY LANDING

It is agreed that:

Item 4. (b) Under Liability Coverages of AV431 is deleted and replaced with the following:

It is agreed that if the aircraft is forced to land away from an airport due to an emergency the Company will reimburse reasonable expenses (up to the insured value of the aircraft) to have the aircraft transported to the nearest airport, even if there is no physical damage to the aircraft.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

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INSURANCE COMPANY, issued to:

, to be attached to and
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Date of issue - -

Phoenix Aviation Managers,

BY

SPECIMEN

PA402 (09/92)

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OLD REPUBLIC INSURANCE COMPANY

LOSS OF USE

IN CONSIDERATION OF AN ADDITIONAL PREMIUM OF \$ _____, THE COMPANY AGREES TO PAY THE EXTRA EXPENSE INCURRED BY THE NAMED INSURED TO LEASE OR RENT A SUBSTITUTE AIRCRAFT (HEREINAFTER CALLED THE SUBSTITUTE AIRCRAFT) IN THE EVENT THE AIRCRAFT INSURED UNDER THIS POLICY (HEREINAFTER CALLED THE AIRCRAFT) IS REMOVED FROM SERVICE BECAUSE OF THE LOSS COVERED UNDER PHYSICAL DAMAGE COVERAGE F OF THE POLICY, SUBJECT TO THE FOLLOWING:

A) THIS INSURANCE DOES NOT APPLY TO:

1. ANY EXPENSE INCURRED

- a. DURING THE _____ DAYS FOLLOWING; OR
- b. AFTER _____ DAYS FOLLOWING THE DATE OF LOSS TO THE AIRCRAFT.

2. ANY EXPENSE INCURRED AFTER

- a. THE REPAIR OF THE AIRCRAFT; OR
- b. THE NAMED INSURED HAS ACQUIRED A REPLACEMENT FOR THE AIRCRAFT; OR
- c. TENDER BY THE COMPANY OF PAYMENT FOR LOSS OF OR TO THE AIRCRAFT, WHICHEVER SHALL FIRST OCCUR.

3. ANY EXPENSE INCURRED AFTER THE COMPANY AND THE NAMED INSURED SHALL AGREE THAT THE AIRCRAFT INSURED FOR PHYSICAL DAMAGE COVERAGE F SHALL BE A TOTAL LOSS OR CONSTRUCTIVE TOTAL LOSS.

B) LIMIT OF LIABILITY. THE LIMIT OF THE COMPANY'S LIABILITY SHALL BE THE ACTUAL COST TO THE NAMED INSURED TO LEASE OR RENT THE SUBSTITUTE AIRCRAFT, EXCLUDING THE COST OF STORAGE, SERVICE, MAINTENANCE, REPAIRS, FUEL AND SALARIES OF CREW MEMBERS AND MECHANICS, BUT NOT TO EXCEED:

1. \$ _____ FOR EACH INSTANCE OF LOSS TO THE AIRCRAFT, BUT IN NO EVENT MORE THAN
2. \$ _____ FOR ANY ONE DAY.

C) PROOF OF LOSS. THE NAMED INSURED WILL PROVIDE THE COMPANY WITH INVOICES FOR ALL EXTRA EXPENSE AND FILE PROOF OF LOSS WITHIN _____ DAYS FOLLOWING THE DATE SUCH EXTRA EXPENSE IS INCURRED.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

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issued through OLD REPUBLIC

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue - - Phoenix Aviation Managers, Inc.

BY _____

OLD REPUBLIC INSURANCE COMPANY

CARGO LIABILITY

IN CONSIDERATION OF AN ADDITIONAL PREMIUM OF \$_____, IT IS AGREED THAT SUBJECT TO THE LIMITS OF LIABILITY AND OTHER PROVISIONS HEREINAFTER SET FORTH, SUCH COVERAGE AS IS AFFORDED FOR PROPERTY DAMAGE LIABILITY HEREUNDER SHALL APPLY TO ALL SUMS WHICH THE INSURED SHALL BE LEGALLY OBLIGATED TO PAY BECAUSE OF DAMAGE TO OR DESTRUCTION OF CARGO WHICH IS THE PROPERTY OF OTHERS AND WHICH IS BEING TRANSPORTED IN THE INSURED AIRCRAFT (WHICH SHALL INCLUDE CARGO SECURED IN APPROVED EXTERNAL CARGO CARRYING DEVICES/PODS, AND IF THE INSURED AIRCRAFT IS A HELICOPTER ALSO SLUNG CARGO), INCLUDING THE LOADING AND UNLOADING THEREOF.

THE LIMIT OF THE COMPANY'S LIABILITY SHALL BE \$_____ PER OCCURRENCE, SUBJECT TO A DEDUCTIBLE OF \$_____ PER CLAIM. THE INCLUSION HEREIN OF MORE THAN ONE INSURED SHALL NOT OPERATE TO INCREASE THE LIMITS OF THE COMPANY'S LIABILITY. WHEN TWO OR MORE AIRCRAFT ARE INSURED HEREUNDER, THE TERMS OF THIS ENDORSEMENT SHALL APPLY SEPARATELY TO EACH.

THIS ENDORSEMENT DOES NOT APPLY TO:

- A) LIABILITY ASSUMED BY THE INSURED UNDER ANY CONTRACT OR AGREEMENT.
- B) DAMAGE TO OR DESTRUCTION OF THE BAGGAGE OF ANY TRAVELER OR PASSENGER IN THE INSURED AIRCRAFT. "BAGGAGE", AS USED HEREIN, SHALL MEAN HANDBAGS, SUITCASES, VALISES, BRIEFCASES AND OTHER FORMS OF BAGGAGE USUALLY CARRIED BY TOURISTS AND TRAVELERS AND THE CONTENTS THEREOF.
- C) DAMAGE TO, DESTRUCTION OF, OR COST TO RECONSTRUCT ANY ACCOUNTS, BILLS, JEWELRY, CURRENCY, DEEDS, EVIDENCES OF DEBT, LETTERS OF CREDIT, PASSPORTS, DOCUMENTS, MONEY, NOTES, SECURITY AND/OR AIRLINE OR OTHER TICKETS.
- D) INFIDELITY OF THE NAMED INSURED OR ITS EMPLOYEES.
- E) DAMAGE TO PERISHABLE GOODS AS A RESULT OF THE PERISHABLE NATURE OF SUCH GOODS.
- F) DAMAGE CAUSED BY DETERIORATION OR INSECTS, RODENTS OR ANY OTHER VERMIN.
- G) DAMAGE TO CARGO IN STORAGE OR WAREHOUSING (OTHER THAN TEMPORARY STORAGE REQUIRED TO MEET FLIGHT SCHEDULES).
- H) LOSS OF OR DAMAGE TO CADAVERS, BLOOD, BLOOD PRODUCTS, BODY ORGANS OR BODY PARTS, PLANTS, LIVE ANIMALS, REPTILES OR FISH.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective
hereby made a part of Policy No.
INSURANCE COMPANY, issued to:

, to be attached to and
issued through OLD REPUBLIC

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue - -

Phoenix Aviation Managers, Inc.

BY _____

AV404 (09/12)

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OLD REPUBLIC INSURANCE COMPANY

TRIP INTERRUPTION EXPENSE

IT IS AGREED THAT ITEM 5. OF THE DECLARATIONS - PHYSICAL DAMAGE COVERAGE - IS AMENDED TO INCLUDE THE FOLLOWING COVERAGE IN THE EVENT OF A PHYSICAL DAMAGE LOSS WHICH IS COVERED UNDER THIS POLICY:

- A) REASONABLE EXPENSES INCURRED FOR FOOD, LODGING AND TRAVEL OF PASSENGERS (EXCLUDING EMPLOYEES AND CREW) FROM THE LOCATION WHERE THE DAMAGE OCCURRED TO THE FINAL DESTINATION OR TO THE PLACE WHERE THE AIRCRAFT ORIGINALLY DEPARTED, IF THE TRIP IS DISCONTINUED.
- B) THE MAXIMUM LIMIT PAYABLE SHALL NOT EXCEED \$ _____ FOR EACH PASSENGER IN ANY ONE OCCURRENCE.
- C) INVOICES FOR ALL COVERED EXPENSES MUST BE RECEIVED BY THE "AVIATION MANAGERS" WITHIN NINETY (90) DAYS FROM THE DATE YOU INCUR THE EXPENSE.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective
hereby made a part of Policy No.
INSURANCE COMPANY, issued to:

, to be attached to and
issued through OLD REPUBLIC

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue - -

Phoenix Aviation Managers, Inc.

BY _____

AV455 (06/00)

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OLD REPUBLIC INSURANCE COMPANY

AIRPORT PREMISES/MOBILE EQUIPMENT ENDORSEMENT

In consideration of an additional premium of \$, it is agreed that Item 4. of the Declarations - Liability Coverages - is extended to include bodily injury and property damage caused by an occurrence during the policy period arising out of the ownership, maintenance or use of mobile equipment.

It is further agreed that mobile equipment shall be defined as:

Any land vehicle (including any machinery or apparatus attached), whether or not self propelled, used in connection with the maintenance or operation of aircraft or premises that is:

1. not subject to motor vehicle registration;
2. used exclusively on premises owned by or rented to the Named Insured including the roadway or property immediately adjoining; or
3. designed for use principally on public roads.

Coverage under this Endorsement shall be excess over any other valid and collectible insurance.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective
hereby made a part of Policy No.
INSURANCE COMPANY, issued to:

, to be attached to and
issued through OLD REPUBLIC

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue - - Phoenix Aviation Managers, Inc.

BY _____

AV466 (07/03)

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OLD REPUBLIC INSURANCE COMPANY

UNEARNED PREMIUM INSURANCE

IN CONSIDERATION OF AN ADDITIONAL PREMIUM OF \$_____, IT IS AGREED THAT IN THE EVENT OF A PHYSICAL DAMAGE CLAIM HEREUNDER BEING PAID ON THE BASIS OF A TOTAL LOSS, CONSTRUCTIVE TOTAL LOSS OR AGREED TOTAL LOSS, THE COMPANY SHALL RETURN TO THE INSURED THE PRO RATA UNEARNED PREMIUM FROM THE DATE AFTER THE LOSS UNTIL POLICY EXPIRATION.

Nothing herein contained shall vary, alter, waive or extend any of the terms, provisions, representations, conditions or agreements of the policy other than as above stated.

This endorsement becomes effective
hereby made a part of Policy No.
INSURANCE COMPANY, issued to:

, to be attached to and
issued through OLD REPUBLIC

This endorsement shall not be valid unless approved by the Aviation Managers of the company.

Date of issue - - Phoenix Aviation Managers, Inc.

BY _____

AV618 (11/93)

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OLD REPUBLIC INTERNATIONAL CORPORATION

Managing for the long run

2012

*Annual Report
Form 10-K
Proxy Statement*

About Us

Our **MISSION** is to provide quality insurance security and related services to businesses, individuals, and public institutions and be a dependable long-term steward of the trust our policyholders and shareholders place in us.

Old Republic traces its beginnings to 1923, although several acquired subsidiaries began operations much earlier. The Company is one of America's 50 largest shareholder-owned insurance businesses. It is primarily a commercial lines underwriter serving the insurance needs of a large number of organizations, including many of America's leading industrial and financial services institutions. Its 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 the mortgage guaranty and consumer credit insurance lines has devolved into a run-off operating mode in recent years.

For the beneficiaries of their insurance products and services, Old Republic's insurance subsidiaries provide quality assurance of the promises they make. For employees, the Company offers an environment of success in which they can pursue personal goals of professional and economic achievement in the context of our **MISSION's** business objectives.

Old Republic's record as a long-term investment compares very favorably within American industry. The Company's performance reflects an entrepreneurial spirit, a necessary long-term orientation in the management of its business, and a corporate structure that promotes accountability and encourages the taking of prudent business risks. For the 25 years ended in 2012, the Company's total market return, with dividends reinvested, has grown at a compounded annual rate of 10.8 percent per share. For the same period, the total market return, with dividends reinvested, for the S&P 500 Index has grown at a 9.7 percent annual compound rate. During those years, Old Republic's shareholders' equity account, inclusive of cash dividends, has risen at an average annual rate of 10.0 percent per share, and the regular cash dividend has grown at a 9.8 percent annual compound rate. According to the most recent edition of *Mergent's Dividend Achievers*, Old Republic is one of just 94 qualifying companies, out of thousands considered, that have posted at least 25 consecutive years of annual dividend growth.

Managing for the Long Run.

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<i>iv – x</i>	Letter to the Shareholders
<i>xi</i>	Ten Year Financial Summary
<i>xii - xiii</i>	Corporate and Shareholders' Information
	Form 10K Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, including:
	Item 1 – Business Discussion
	Item 1A – Discussion of Risk Factors
	Item 1B through Item 6
	Item 7 – Management Analysis of Financial Position and Results of Operations
	Item 8 – Financial Statements and Footnote Disclosures
	– Report of Independent Registered Public Accounting Firm
	– Management's Responsibility for Financial Statements
	Item 9A – Discussion of Management's Controls and Procedures
	Notice of Annual Meeting of Shareholders and Proxy Statement

This document is not intended to represent a solicitation or offer to buy or sell the Corporation's securities.

Old Republic International Corporation
Financial Highlights (\$ in Millions, Except Per Share Data)

Consolidated Data, Years Ended December 31:

	2012	2011	% Change
Total revenues	\$ 4,970.1	\$ 4,645.5	7.0%
Pretax income (loss)	(128.5)	(236.7)	45.7
Net operating income (loss): Total	(99.7)	(218.5)	54.3
Per share-diluted	(.39)	(.86)	54.7
Net income (loss): Total	(68.6)	(140.5)	51.1
Per share-diluted	(.27)	(.55)	50.9
Operating cash flow	532.0	(94.9)	N/M
Assets, December 31	16,226.8	16,050.4	1.1
Common shareholders' equity, December 31: Total	3,596.2	3,772.5	-4.7
Per share	14.03	14.76	-4.9
Cash dividends per share	\$.71	\$.70	1.4%

Segments of Business Results:

	Revenues			Pretax Income (Loss)		
Years Ended December 31:	2012	2011	% Change	2012	2011	% Change
General Insurance (a)	\$ 2,699.4	\$ 2,488.6	8.5%	\$ 261.0	\$ 353.9	-26.3%
Title Insurance	1,707.1	1,391.8	22.7	73.8	36.2	103.9
Corporate & Other	68.3	84.8	-19.5	(2.7)	(14.6)	75.1
Subtotal	4,474.9	3,965.3	12.9	332.1	375.5	-11.6
RFIG run-off business (a)	447.3	564.6	-20.8	(508.6)	(727.8)	30.1
Subtotal	4,922.2	4,529.9	8.7	(176.4)	(352.2)	49.9
Realized Gains (Losses)	47.8	115.5	-58.6	47.8	115.5	-58.6
Consolidated	\$ 4,970.1	\$ 4,645.5	7.0%	\$ (128.5)	\$ (236.7)	45.7%

Common Share Statistics

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net operating income (loss): Basic	\$ (.39)	\$ (.86)	\$ (.16)	\$ (.67)	\$ (.81)	\$.98	\$ 1.96	\$ 2.22	\$ 1.77	\$ 1.96
Diluted...	(.39)	(.86)	(.16)	(.67)	(.81)	.97	1.94	2.19	1.75	1.95
Net income (loss): Basic	(.27)	(.55)	.13	(.42)	(2.41)	1.18	2.01	2.40	1.91	2.02
Diluted	(.27)	(.55)	.13	(.42)	(2.41)	1.17	1.99	2.37	1.89	2.01
Book value	14.03	14.76	16.16	16.49	15.91	19.71	18.91	17.53	16.94	15.65
Cash dividends paid (b)71	.70	.69	.68	.67	.63	.59	1.31	.40	.89
Closing price	\$ 10.65	\$ 9.27	\$ 13.63	\$ 10.04	\$ 11.92	\$ 15.41	\$ 23.28	\$ 21.01	\$ 20.24	\$ 20.29
Ratio of closing price to:										
Book value8x	.6x	.8x	.6x	.7 x	.8x	1.2x	1.2x	1.2x	1.3x
Net operating income (loss): Diluted.	N/M	N/M	N/M	N/M	N/M	15.9x	12.0x	9.6x	11.6x	10.4x
Net return on beginning equity (c)	(1.8)%	(3.4)%	.8%	(2.6)%	(12.3)%	6.2%	11.6%	14.3%	12.2%	14.6%

(a) Certain 2011 segment information for general insurance and RFIG run-off business has been reclassified to conform to the 2012 presentation. Such reclassification of segment results has no effect on the basic consolidated financial statements of the Company.

(b) Special cash dividends of \$.800 and \$.534 per share were paid in December 2005 and 2003, respectively.

(c) Represents net income less preferred dividend requirements as a percentage of common shareholders' equity at the beginning of the year.

N/M = not meaningful

Old Republic International Corporation

SENIOR EXECUTIVE MANAGEMENT (as of December 31, 2012)

Charles S. Boone
Senior Vice President -
Investments
and Treasurer

James A. Kellogg
Executive Vice
Chairman

Spencer LeRoy III
Senior Vice President,
Secretary, and
General Counsel

Karl W. Mueller
Senior Vice President
and Chief Financial
Officer

Christopher S. Nard
President and Chief
Executive Officer - Republic
Financial Indemnity Group,
Inc.

R. Scott Rager
President and Chief
Operating Officer;
Senior Vice President -
General Insurance;
President and Chief
Operating Officer -
Old Republic General
Insurance Companies

Rande K. Yeager
Senior Vice President -
Title Insurance;
Chairman and Chief
Executive Officer -
Old Republic Title
Insurance Companies

Aldo C. Zucaro
Chairman of the
Board and
Chief Executive
Officer

BOARD OF DIRECTORS (as of December 31, 2012)

Harrington Bischof
President
Pandora Capital
Corporation

Jimmy A. Dew
Vice Chairman (Retired)
Republic Mortgage
Insurance Company

John M. Dixon
Partner (Retired)
Chapman and Culler
Attorneys, Chicago, IL

James C. Hellauer
Owner
James C. Hellauer and
Associates

Leo E. Knight, Jr.
Chairman and Chief
Executive Officer (Retired)
National City
Mortgage Company

Arnold L. Steiner
President (Retired)
Steiner Bank,
Birmingham, AL

Fredricka Taubitz
Executive Vice President and
Chief Financial Officer
(Retired) Zenith National
Insurance Corporation

Charles F. Titterton
Insurance Group
Director (Retired)
Standard & Poor's
Corporation

Dennis P. Van Miegghem
Partner (Retired)
KPMG LLP
Accountants

Steven R. Walker
Partner (Retired)
Leland, Parachini, Steinberg,
Matzger & Melnick, LLP
Attorneys, San Francisco, CA

Aldo C. Zucaro
Chairman of the Board and
Chief Executive Officer

Management Letter

2012: ANNUS MISERABILIS VI

2013: ONWARD TO PROFITABILITY

2012 marked the sixth consecutive year of poor performance since the onset of the Great Recession. The run-off mortgage guaranty and credit indemnity lines—both of which are tied to housing finance—were mainly responsible for Old Republic's overly negative results in all these years. A 26% drop in General Insurance profitability in 2012 did not help overall performance in the latest year. It also negated the substantial bottom-line improvement in our Title Insurance business. These difficulties notwithstanding, our general and title insurance segments are clearly on the mend. We expect them to deliver sustainable profitability for the long run.

Early in 2012, we combined our General Insurance Group's Consumer Credit Indemnity (CCI) Division with our Mortgage Guaranty (MI) business. Then it was renamed the Republic Financial Indemnity Group, Inc. (RFIG). The two operations, which offered similar coverages for many years, have been in run-off operating mode since 2008 (CCI) and August 2011 (MI). This means the group no longer produces new business. The combination affects the way we present segmented information, with the combined results shown as a single run-off book of business. The table below, and several others that follow, shows the interplay of our segmented operations in a consistently reclassified MI and CCI combination.

Income Statement Summary (\$ in millions except per share data)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues:					
General Insurance	\$2,699.4	\$2,488.6	\$1,986.9	\$1,931.1	\$2,051.3
Title insurance	1,707.1	1,391.8	1,238.8	914.1	681.3
Corporate and other	68.3	84.8	91.2	84.3	96.8
Subtotal	4,474.9	3,965.3	3,317.0	2,929.6	2,829.4
RFIG run-off business	447.3	564.6	676.5	867.6	894.7
Total	<u>\$4,922.2</u>	<u>\$4,529.9</u>	<u>\$3,993.5</u>	<u>\$3,797.2</u>	<u>\$3,724.2</u>
Pretax operating income (loss):					
General insurance	\$261.0	\$353.9	\$316.7	\$311.4	\$363.0
Title insurance	73.8	36.2	9.4	2.1	(46.3)
Corporate and other	(2.7)	(14.6)	(2.8)	4.0	13.5
Subtotal	332.1	375.5	323.2	317.7	330.2
RFIG run-off business	(508.6)	(727.8)	(404.8)	(597.7)	(663.0)
Subtotal	(176.4)	(352.2)	(81.5)	(279.9)	(332.7)
Income taxes (credits) on operations	(76.6)	(133.7)	(40.8)	(122.7)	(144.6)
Net operating income (loss)	<u>(99.7)</u>	<u>(218.5)</u>	<u>(40.6)</u>	<u>(157.2)</u>	<u>(188.1)</u>
Realized investment gains (losses) from actual transactions, net of taxes (credits)	31.2	110.7	71.6	10.3	(2.7)
Net income (loss) from consummated transactions	<u>(68.5)</u>	<u>(107.8)</u>	<u>30.9</u>	<u>(146.8)</u>	<u>(190.8)</u>
Investment gains (losses) from mark-to-market adjustments, net of deferred taxes (credits)	(.1)	(32.6)	(0.8)	47.7	(367.5)
Net income (loss)	<u>(68.6)</u>	<u>\$(140.5)</u>	<u>\$30.1</u>	<u>\$(99.1)</u>	<u>\$(558.3)</u>
Net income (loss) per share:					
Net operating income (loss)	\$(0.39)	\$(0.86)	\$(0.16)	\$(0.67)	\$(0.81)
Actual realized investment gains (losses)	0.12	0.44	0.29	0.04	(0.01)
Sub-total	(0.27)	(0.42)	0.13	(0.63)	(0.82)
Mark-to-market gains (losses)	-	(0.13)	-	0.21	(1.59)
Total	<u>\$(0.27)</u>	<u>\$(0.55)</u>	<u>\$0.13</u>	<u>\$(0.42)</u>	<u>\$(2.41)</u>

We rely on two basic sources of bottom-line profitability: 1) income from insurance underwriting and related services, and 2) the interest and dividends earned from invested shareholders' capital and the cash flows generated by insurance underwriting operations. The next table shows the contributions of these profit sources to Old Republic's consolidated results.

Components of Pretax Operating Income (\$ in millions)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Income (loss) from underwriting and related services:					
All lines other than RFIG run-off business	\$65.9	\$114.8	\$54.6	\$43.2	\$42.8
RFIG run-off business	<u>(542.7)</u>	<u>(768.3)</u>	<u>(483.2)</u>	<u>(682.4)</u>	<u>(750.2)</u>
Total	<u>(476.8)</u>	<u>(653.4)</u>	<u>(428.6)</u>	<u>(639.3)</u>	<u>(707.4)</u>
Net investment income	336.5	364.6	379.0	383.5	377.3
Interest and other charges	<u>(36.2)</u>	<u>(63.4)</u>	<u>(32.0)</u>	<u>(24.2)</u>	<u>(2.7)</u>
Consolidated pretax operating income (loss)	<u><u>\$(176.4)</u></u>	<u><u>\$(352.2)</u></u>	<u><u>\$(81.5)</u></u>	<u><u>\$(279.9)</u></u>	<u><u>\$(332.7)</u></u>
Composite underwriting ratio:					
All lines other than RFIG run-off business	98.1%	96.4%	97.5%	97.9%	97.8%
RFIG run-off business	232.2	252.6	182.3	189.1	194.1
All coverages	<u>110.4%</u>	<u>115.8%</u>	<u>111.4%</u>	<u>118.5%</u>	<u>120.9%</u>

Consolidated underwriting results improved significantly in 2012. All of the improvement stemmed from lower claim and operating costs in the RFIG run-off segment. For the most recent decade, the RFIG run-off business registered an average composite underwriting ratio of 141.5%, with all other remaining segments averaging a 95.9% ratio.

2012 General Insurance Results Sidetracked

This table portrays Old Republic's General Insurance performance for the past five years. As noted, the data excludes results from the CCI coverage, which was combined with the RFIG run-off segment for all years shown.

General Insurance Group (\$ in millions)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net premiums earned	\$2,324.4	\$2,109.4	\$1,694.2	\$1,661.1	\$1,785.0
Net investment income	264.9	270.5	260.1	258.9	253.2
Other income	<u>110.0</u>	<u>108.7</u>	<u>32.5</u>	<u>11.0</u>	<u>13.0</u>
Net revenues	<u>2,699.4</u>	<u>2,488.6</u>	<u>1,986.9</u>	<u>1,931.1</u>	<u>2,051.3</u>
Benefits, claims and related settlement expense	1,696.0	1,460.0	1,149.3	1,145.5	1,193.7
Sales & general expenses	708.4	641.3	492.9	452.8	479.8
Interest & other charges	<u>33.9</u>	<u>33.3</u>	<u>27.8</u>	<u>21.3</u>	<u>14.6</u>
Total expenses	<u>2,438.4</u>	<u>2,134.7</u>	<u>1,670.1</u>	<u>1,619.7</u>	<u>1,688.2</u>
Pretax operating income (loss)	<u><u>\$261.0</u></u>	<u><u>\$353.9</u></u>	<u><u>\$316.7</u></u>	<u><u>\$311.4</u></u>	<u><u>\$363.0</u></u>
Underwriting gain (loss)	<u><u>\$30.0</u></u>	<u><u>\$116.8</u></u>	<u><u>\$84.5</u></u>	<u><u>\$73.8</u></u>	<u><u>\$124.4</u></u>
Composite ratio	<u>98.7%</u>	<u>94.4%</u>	<u>94.7%</u>	<u>95.6%</u>	<u>93.1%</u>

Premium growth in 2012 was mainly due to favorable premium trends for workers' compensation and liability insurance coverages in Old Republic's construction, trucking, and large account risk management business. Moderate rate improvements garnered since 2011 in these and other parts of our business, and the slowly strengthening U.S. economy, were major factors driving a 10.2% increase in 2012 premium revenues. Early in 2013, we anticipate these favorable trends will continue and have a positive impact on the all-important underwriting results for the foreseeable future.

Net investment income was basically flat between 2012 and the prior year, repeating what we have seen since the Great Recession began. Even though operating cash flow improved significantly year-over-year, the cost-based invested asset base grew by a little less than 2% and investment yields continued at historic lows. These factors combined to put substantial downward pressure on the segment's net investment income.

General Insurance pretax operating income dropped by 26% to \$261.0 million in 2012. As the above table shows, last year's composite underwriting ratio rose by 4.3 percentage points to 98.7%, and accounted for substantially all of the decline in operating income. Higher loss costs for the aggregated commercial automobile (trucking), general liability, and workers' compensation coverages were most responsible for this uptrend, although greater emergence of workers' compensation claims produced the most adverse effect.

Title Insurance Earnings Momentum Continues

Title Insurance operating momentum which began in 2011, moved at a greater pace in 2012. The progress achieved is clear in this five-year summary.

Title Insurance Group (\$ in millions)					
	2012	2011	2010	2009	2008
Premiums & fees earned	\$1,677.4	\$1,362.4	\$1,211.0	\$888.4	\$656.1
Net investment income	27.3	27.3	26.5	25.2	25.1
Other income	2.3	1.9	1.2	.4	-
Net revenues	<u>1,707.1</u>	<u>1,391.8</u>	<u>1,238.8</u>	<u>914.1</u>	<u>681.3</u>
Claims and claim expenses	120.8	105.7	96.8	70.3	45.6
Sales & general expenses	1,504.7	1,244.5	1,127.3	834.0	680.1
Interest & other charges	7.5	5.3	5.1	7.5	1.8
Total expenses	<u>1,633.2</u>	<u>1,355.5</u>	<u>1,229.4</u>	<u>911.9</u>	<u>727.6</u>
Pretax operating income (loss)	<u>\$73.8</u>	<u>\$36.2</u>	<u>\$9.4</u>	<u>\$2.1</u>	<u>(\$46.3)</u>
Underwriting gain (loss)	<u>\$54.1</u>	<u>\$14.1</u>	<u>(\$12.0)</u>	<u>(\$15.4)</u>	<u>(\$69.6)</u>
Composite ratio	<u>96.8%</u>	<u>99.0%</u>	<u>101.0%</u>	<u>101.7%</u>	<u>110.6%</u>

2012 premiums and fees reached \$1.67 billion, up 23.1% over 2011. Agency and direct production facilities provided similar year-over-year improvements. These record revenues contributed to pretax operating income of \$73.8 million, the segment's best bottom-line performance since 2005.

Fairly managed market share growth, and continued rationalization of the expense structure, led to a decline of the 2012 expense ratio to 89.6%—a seven-year low. The resources we dedicated to underwriting discipline and agent selection and training, as well as our commitment to doing things right, paid off and led to a continuing decrease in the claim ratio. The combination of lower expense and claim ratios produced a composite underwriting ratio below 100% for the second year in a row, and was at the lowest point in six years.

RFIG Run-Off Business Still Challenging

From 2000 to 2006, Old Republic saw the greatest period of profitability in its 33-year stay in the mortgage guaranty field. In those seven years, the business rewarded us with \$1.16 billion of net operating income. In the following seven years that will end in 2013, all of that plenty—and much more—will have been lost.

Our forecast of run-off operations suggests that a modicum of mortgage guaranty profitability will likely emerge between 2014 and 2015. In such a scenario, Old Republic's 43-year (1980-2022) mortgage guaranty journey will have generated \$8.81 billion of premium revenues, and \$240.6 million of net operating profits, or a slight operating margin of just 2.7%.

These are sobering facts. That nearly all private and public sector pillars of American housing finance were caught in the maelstrom is of little solace to Old Republic as a long-term oriented industry participant.

As noted, in early 2012 we combined the similar run-off operations for our MI and CCI coverages. This table shows the results for each in the last five years.

RFIG Run-off Business (\$ in millions)					
	2012	2011	2010	2009	2008
A. Prior to reclassification/ Excluding CCI run-off business:					
Net premiums earned	\$368.0	\$444.9	\$498.8	\$644.5	\$592.5
Net investment income	36.2	59.2	84.9	92.0	86.8
Claim costs	797.5	1,057.1	766.2	1,134.1	1,180.7
Pretax operating income (loss)	<u>(\$433.6)</u>	<u>(\$678.1)</u>	<u>(\$260.8)</u>	<u>(\$486.4)</u>	<u>(\$594.3)</u>
Claim ratio	216.7%	237.6%	153.6%	176.0%	199.3%
Expense ratio	10.4	23.9	14.4	12.6	15.7
Composite ratio	<u>227.1%</u>	<u>261.5%</u>	<u>168.0%</u>	<u>188.6%</u>	<u>215.0%</u>
B. CCI run-off business reclassification*:					
Net premiums earned	\$42.4	\$58.3	\$87.9	\$121.4	\$204.3
Net investment income	0.1	-	-	-	0.3
Claim costs	112.8	102.9	225.4	225.7	264.9
Pretax operating income (loss)	<u>(\$74.9)</u>	<u>(\$49.6)</u>	<u>(\$143.9)</u>	<u>(\$111.2)</u>	<u>(\$68.6)</u>
Claim ratio	265.7%	176.5%	256.4%	185.9%	129.7%
Expense ratio	11.0	8.7	7.4	5.8	4.1
Composite ratio	<u>276.7%</u>	<u>185.2%</u>	<u>263.8%</u>	<u>191.7%</u>	<u>133.8%</u>
C. After reclassification/Total RFIG run-off MI and CCI business:					
Net premiums earned	\$410.5	\$503.2	\$586.8	\$765.9	\$796.8
Net investment income	36.3	59.3	85.0	92.0	87.2
Claim costs	910.4	1,160.1	991.7	1,359.8	1,445.7
Pretax operating income (loss)	<u>(\$508.6)</u>	<u>(\$727.8)</u>	<u>(\$404.8)</u>	<u>(\$597.7)</u>	<u>(\$663.0)</u>
Claim ratio	221.8%	230.5%	169.0%	177.5%	181.4%
Expense ratio	10.4	22.1	13.3	11.6	12.7
Composite ratio	<u>232.2%</u>	<u>252.6%</u>	<u>182.3%</u>	<u>189.1%</u>	<u>194.1%</u>

* \$70.9 million of pretax operating losses for 2012 are retained by certain general insurance companies under various quota share and stop loss reinsurance agreements. These amounts have been reclassified and are included for segment reporting purposes, so Table B incorporates 100% of the CCI run-off business results.

Mortgage guaranty earned premiums continued to decline throughout 2012. The gradual depletion of a book of business in run-off—together with premium refunds related to claim rescission activity and the termination of new business production since August 2011—were major factors leading to the decline. Net investment income fell as the consequence of an invested asset base eroded by declining premium volumes and ongoing claim disbursements, and a pervasively low yield environment for the investment portfolio.

2012 MI claim costs were lower. This reflected a continuing downtrend in newly reported cases, relatively stable cure rates, and lower paid claim levels. That more than offset the combined effect of reduced provisions for claim rescissions or denials and assumptions of greater defaults headed to foreclosure. Lower operating expenses for 2012 came from ongoing cost reductions geared to a run-off operating mode.

Section B in the above table shows 100% of CCI results fully reclassified for segment reporting purposes. 2012 operating performance for this coverage was affected by much greater claim costs. These costs were driven by higher estimates of continuing claim litigation expenses and reduced expectations of salvage recoveries on cumulative claims incurred to date.

In the past several years, we have recounted the reversal of our mortgage guaranty fortunes. We have referred to the Company's flagship mortgage guaranty insurance carrier, Republic Mortgage Insurance Company (RMIC) as the subsidiary primarily affected by this reversal. RMIC had been operating under a waiver of minimum state regulatory capital requirements since late 2009. This waiver expired on August

31, 2011. As a consequence, the underwriting of new policies ceased and the existing book of business was placed in run-off.

During 2012, the North Carolina Department of Insurance (NCDI) issued several orders, which ultimately affected us in these ways:

- Placing RMIC and its affiliate, Republic Mortgage Insurance Company of North Carolina (RMICNC) under NCDI supervision
- Approving a Corrective Plan, submitted by RMIC, in which all settled claims are to be paid in cash for 60% of the settled amount, with the remaining 40% retained in claim reserves as a Deferred Payment Obligation (DPO) until a future payment of all or a portion of this 40% is approved by the NCDI
- Executing the DPO-based run-off plan, under Old Republic's ownership and NCDI supervision of RMIC and RMICNC.

As long as the run-off under NCDI supervision remains in place, the statutory DPO accounting treatment should mitigate the adverse effect of operating losses on the statutory capital balance. In these circumstances, RMIC's and RMICNC's statutory solvency would be retained, and the risk of a regulatory receivership would be averted. If the DPO Plan is continued for a sufficiently long period it should result in the greatest benefit to policyholders.

Recognizing the inability to refinance our mortgage guaranty line, in mid-2012 we organized a spin-off of the combined RFIG run-off operation to Old Republic's shareholders. This was intended to position the operation as a stand-alone, publicly held entity capable of accessing the capital markets to refinance itself. In time, however, major MI stakeholders voiced concerns about certain possible detrimental effects of separating this business from the Old Republic holding company system. In response to those concerns, we retracted the spin-off initiative. As a consequence, we resolved to simply run-off the inforce book of business under the North Carolina regulatory authority.

Enterprise Risk Management's Revised Capital Allocation Model

In the best of times, our mortgage guaranty business accounted for 40% to 45% of Old Republic's bottom line, and nearly 35% of our consolidated shareholders' capital. The Great Recession years made it all ephemeral.

Having separated the combined MI and CCI run-off business, our capital allocation and related enterprise risk management objectives have been redirected. The table below reflects the emerging consolidated capital allocation, which emphasizes the Company's other long-term commitments: general and title insurance.

Capital Allocation Objectives*								
	Current Long-Term Objectives			Actual Allocations as of December 31,				
				2012	2011	2010	2009	2008
General insurance	85.0%	-	90.0%	83.1%	79.3%	71.0%	67.6%	61.9%
Housing								
Title	12.5%	-	15.0%	13.2%	11.0%	10.2%	10.2%	9.6%
Financial indemnity	0.0%	-	0.0%	-1.4%	4.5%	13.4%	17.4%	24.6%
Life & accident /								
Other	2.5%	-	2.5%	5.1%	5.2%	5.4%	4.8%	3.9%
				<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

* Percentages based on the inclusion of all capital instruments.

Consistent Dividend Payment Stream to Shareholders

Paying regular cash dividends, pegged to Old Republic's long-term growth prospects, has always been important to us. The steady growth of cash dividends over many years has been a key objective in our accountability to shareholders, as well as a significant component of the total market return for our common stock.

The lower earnings we experienced in the past several years have not diminished our ability to continue modestly expanding the cash dividend paid to our common shareholders. The run-off losses notwithstanding, the relative stability of our General Insurance segment in particular has enabled a steady stream of funds to the Old Republic holding company parent. This has been done without lessening that segment's financial strength.

State insurance laws regulate the payment of dividends by insurance subsidiaries to their parent holding companies. This following table shows 1) the total amount of annual dividends that *could* have been paid by our subsidiaries without regulatory approvals, 2) the amount *actually* paid to the parent holding company, and 3) the latter's *actual* dividend payments to our shareholders.

Permitted and Actual Dividends (\$ in millions)					
	2012	2011	2010	2009	2008
Maximum dividends payable by subsidiaries	\$361.4	\$306.5	\$341.6	\$245.7	\$414.7
Actual dividends paid by subsidiaries to ORI Parent	195.0	177.1	181.1	181.5	190.8
Actual dividends paid by ORI Parent to the shareholders	<u>\$181.5</u>	<u>\$178.4</u>	<u>\$166.1</u>	<u>\$160.0</u>	<u>\$155.2</u>

The table below shows the various elements affecting annual changes in the common shareholders' account. Since year-end 2006, book value per share has declined by \$4.88 or 25.8%. A little more than 83% of this decline is represented by total cash dividend payments of \$4.08 in spite of the past six years of economic dislocations.

Shareholders' Account Reconciliation Per Share					
	2012	2011	2010	2009	2008
Common shareholders' equity, beginning of year	<u>\$14.76</u>	<u>\$16.16</u>	<u>\$16.49</u>	<u>\$15.91</u>	<u>\$19.71</u>
Changes for the year:					
Net operating income (loss)	<u>(.39)</u>	<u>(0.86)</u>	<u>(0.16)</u>	<u>(0.67)</u>	<u>(0.81)</u>
Realized investment gains (losses):					
From securities sales	.12	0.44	0.29	0.04	(0.01)
Mark-to-market adjustments	-	(0.13)	-	0.21	(1.59)
Subtotal	.12	0.31	0.29	0.25	(1.60)
Net unrealized investment gains (losses)	<u>.29</u>	<u>0.03</u>	<u>0.40</u>	<u>1.59</u>	<u>(0.33)</u>
Total realized and unrealized investment gains (losses)	<u>.41</u>	<u>0.34</u>	<u>0.69</u>	<u>1.84</u>	<u>(1.93)</u>
Cash dividends paid	<u>(.71)</u>	<u>(0.70)</u>	<u>(0.69)</u>	<u>(0.68)</u>	<u>(0.67)</u>
Effect of PMA merger	-	-	(0.19)	-	-
Other -- net	<u>(.04)</u>	<u>(0.18)</u>	<u>0.02</u>	<u>0.09</u>	<u>(0.39)</u>
Net change for the year	<u>(.73)</u>	<u>(1.40)</u>	<u>(0.33)</u>	<u>0.58</u>	<u>(3.80)</u>
Common shareholders' equity, end of year	<u>\$14.03</u>	<u>\$14.76</u>	<u>\$16.16</u>	<u>\$16.49</u>	<u>\$15.91</u>

Sound Capitalization Remains a Hallmark

Early in 2011, we raised \$550.0 million in the capital markets. These funds were in the form of 3.75% convertible debentures maturing in 2018. Their conversion into Old Republic's common shares may take place at any time, at the rate of 64.3407 shares for each \$1,000 debenture.

The purpose of raising this capital was to add sufficient liquidity to fund the redemption of an earlier \$316.2 million convertible debenture due in May 2012, and to refinance approximately \$110 million of debt

assumed through the 2010 PMA acquisition. Both of these objectives were met during 2012. Our year-end 2012 debt-to-equity of nearly 16% is very manageable, given the renewed profitability we currently expect for our reconfigured business mix.

Business Outlook Improving

We fully expect Old Republic's general and title insurance segments to reflect reasonably good earnings improvements, as the productive side of the U.S. economy continues with modest but sustainable growth. In this situation, the base elements of premium growth—higher sales activity, rising employment levels, more vigorous consumer spending, and greater credit availability and extensions—should enhance our general and title insurance top lines. Taken together, these two segments will undoubtedly lead to sustainable earnings growth for Old Republic.

Respectfully submitted on behalf
of the Board of Directors,

A handwritten signature in black ink, appearing to read 'Aldo C. Zucaro', with a horizontal line drawn underneath it.

Aldo C. Zucaro
Chairman and Chief Executive Officer
Chicago, Illinois
March 29, 2013

Old Republic International Corporation

Ten-Year Financial Summary

(All amounts, except common share data, are expressed in millions)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Financial Position										
Cash and Fixed										
Maturity Securities	\$ 9,932.4	\$ 9,962.5	\$ 9,663.6	\$ 9,230.9	\$ 8,358.9	\$ 7,900.3	\$ 7,397.9	\$ 6,675.3	\$ 6,405.9	\$ 5,745.8
Equity Securities	739.7	580.8	672.4	502.9	350.3	842.1	669.1	552.4	459.0	513.5
Other Invested Assets	128.4	141.7	154.7	145.2	145.8	181.6	163.7	166.3	155.2	143.3
Reinsurance Recoverable	3,237.1	3,243.9	3,262.5	2,558.0	2,448.0	2,259.3	2,231.3	2,167.2	1,846.5	1,723.8
Prepaid Federal Income Taxes	-	1.0	102.9	221.4	463.4	536.5	468.4	545.7	499.3	446.5
Sundry Assets	2,189.1	2,120.3	2,026.5	1,531.4	1,499.4	1,570.6	1,681.6	1,435.9	1,204.7	1,139.2
Total	\$ 16,226.8	\$ 16,050.4	\$ 15,882.7	\$ 14,190.0	\$ 13,266.0	\$ 13,290.6	\$ 12,612.2	\$ 11,543.2	\$ 10,570.8	\$ 9,712.3
Policy Liabilities	\$ 1,566.3	\$ 1,461.9	\$ 1,424.9	\$ 1,223.4	\$ 1,293.0	\$ 1,372.4	\$ 1,398.1	\$ 1,228.1	\$ 1,079.1	\$ 987.1
Benefit and Claim Reserves	9,303.3	8,786.6	8,814.6	7,915.0	7,241.3	6,231.1	5,534.7	4,939.8	4,403.5	4,022.7
Sundry Liabilities	1,760.9	2,029.2	1,521.8	1,160.1	991.3	1,145.4	1,310.2	1,351.0	1,222.5	1,148.7
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Shareholders' Equity	3,596.2	3,772.5	4,121.4	3,891.4	3,740.3	4,541.6	4,369.2	4,024.0	3,865.6	3,553.6
Total	\$ 16,226.8	\$ 16,050.4	\$ 15,882.7	\$ 14,190.0	\$ 13,266.0	\$ 13,290.6	\$ 12,612.2	\$ 11,543.2	\$ 10,570.8	\$ 9,712.3
Total Capitalization	\$ 4,169.1	\$ 4,685.4	\$ 4,596.4	\$ 4,238.2	\$ 3,973.4	\$ 4,605.7	\$ 4,513.5	\$ 4,166.7	\$ 4,008.6	\$ 3,691.3
Book Value Per Share (a)	\$ 14.03	\$ 14.76	\$ 16.16	\$ 16.49	\$ 15.91	\$ 19.71	\$ 18.91	\$ 17.53	\$ 16.94	\$ 15.65
Operating Results										
Net Premiums and Fees	\$ 4,471.0	\$ 4,050.1	\$ 3,573.5	\$ 3,388.9	\$ 3,318.1	\$ 3,601.2	\$ 3,400.5	\$ 3,386.9	\$ 3,116.1	\$ 2,936.0
Net Investment Income	336.5	364.6	379.0	383.5	377.3	379.9	341.6	310.1	290.8	279.2
Other Income	114.5	115.2	41.0	24.8	28.7	39.4	33.0	43.9	36.7	51.2
Net Realized Gains (Losses)	47.8	115.5	109.1	6.3	(486.4)	70.3	19.0	64.9	47.9	19.3
Total Revenues	4,970.1	4,645.5	4,102.7	3,803.6	3,237.7	4,091.0	3,794.2	3,805.9	3,491.6	3,285.8
Benefits and Claims	2,765.3	2,764.3	2,278.2	2,609.8	2,722.1	2,171.4	1,540.9	1,466.5	1,308.8	1,113.5
Sales and General Expenses	2,333.3	2,117.8	1,796.8	1,467.4	1,334.8	1,541.1	1,573.1	1,592.0	1,531.9	1,492.4
Total Expenses	5,098.7	4,882.2	4,075.1	4,077.2	4,056.9	3,712.6	3,114.0	3,058.5	2,840.7	2,606.0
Pretax Income (Loss)	(128.6)	(236.7)	27.6	(273.6)	(819.2)	378.4	680.1	747.3	650.9	679.7
Income Taxes (Credits)	(59.8)	(96.1)	(2.5)	(174.4)	(260.8)	105.9	215.2	195.9	215.9	219.9
Net Income (Loss)	\$ (68.6)	\$ (140.5)	\$ 30.1	\$ (99.1)	\$ (558.3)	\$ 272.4	\$ 464.8	\$ 551.4	\$ 435.0	\$ 459.8
Operating Cash Flow (b)	\$ 532.0	\$ (94.9)	\$ (282.2)	\$ 532.9	\$ 565.6	\$ 862.5	\$ 1,004.7	\$ 833.6	\$ 775.5	\$ 665.3
Net Income (Loss) Per Share:(a)										
Basic	\$ (.27)	\$ (.55)	\$.13	\$ (.42)	\$ (2.41)	\$ 1.18	\$ 2.01	\$ 2.40	\$ 1.91	\$ 2.02
Diluted	\$ (.27)	\$ (.55)	\$.13	\$ (.42)	\$ (2.41)	\$ 1.17	\$ 1.99	\$ 2.37	\$ 1.89	\$ 2.01
Revenues By Operating Segment										
General Insurance (c)	\$ 2,699.4	\$ 2,488.6	\$ 1,986.6	\$ 1,931.1	\$ 2,051.3	\$ 2,243.9	\$ 2,022.0	\$ 1,921.7	\$ 1,728.4	\$ 1,507.8
Title Insurance	1,707.1	1,391.8	1,238.8	914.1	681.3	878.5	1,007.3	1,108.6	1,051.8	1,128.0
Corporate & Other (d)	68.3	84.8	91.2	84.3	96.8	95.6	99.2	98.6	79.3	66.9
Subtotal	4,474.9	3,965.3	3,317.0	2,929.6	2,829.4	3,218.1	3,128.6	3,128.9	2,859.6	2,702.8
RFIG Run-off Business (c)	447.3	564.6	676.5	867.6	894.7	802.4	646.5	612.0	584.0	563.6
Subtotal	4,922.2	4,529.9	3,993.5	3,797.2	3,724.2	4,020.6	3,775.2	3,741.0	3,443.7	3,266.5
Realized Gains (Losses)	47.8	115.5	109.1	6.3	(486.4)	70.3	19.0	64.9	47.9	19.3
Total	\$ 4,970.1	\$ 4,645.5	\$ 4,102.7	\$ 3,803.6	\$ 3,237.7	\$ 4,091.0	\$ 3,794.2	\$ 3,805.9	\$ 3,491.6	\$ 3,285.8
Pretax Income (Loss) By Operating Segment										
General Insurance (c)	\$ 261.0	\$ 353.9	\$ 316.7	\$ 311.4	\$ 363.0	\$ 413.2	\$ 355.0	\$ 322.9	\$ 303.8	\$ 237.8
Title Insurance	73.8	36.2	9.4	2.1	(46.3)	(14.7)	31.0	88.7	62.5	129.6
Corporate & Other (d)	(2.7)	(14.6)	(2.8)	4.0	13.5	15.1	-	(.1)	(17.2)	(4.5)
Subtotal	332.1	375.5	323.2	317.7	330.2	413.6	386.0	411.5	349.2	363.0
RFIG Run-off Business (c)	(508.6)	(727.8)	(404.8)	(597.7)	(663.0)	(105.5)	275.0	270.9	253.7	297.4
Subtotal	(176.4)	(352.2)	(81.5)	(279.9)	(332.7)	308.0	661.1	682.4	602.9	660.4
Realized Gains (Losses)	47.8	115.5	109.1	6.3	(486.4)	70.3	19.0	64.9	47.9	19.3
Total	\$ (128.5)	\$ (236.7)	\$ 27.6	\$ (273.6)	\$ (819.2)	\$ 378.4	\$ 680.1	\$ 747.3	\$ 650.9	\$ 679.7

(a) Retroactive adjustments have been made for all stock dividends and splits declared through December 31, 2012 and for consistent presentation of annual data.

(b) 2006 operating cash flow was enhanced by approximately \$198 resulting from the acquisition of a casualty book of insurance business. 2005 operating cash flow benefited from a non-recurring tax recovery of \$45.9.

(c) Certain 2003 to 2011 segment information for general insurance and RFIG run-off business has been reclassified to conform to the 2012 presentation. Such reclassification of segment results has no effect on the basic consolidated financial statements of the Company.

(d) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, and a small life and accident insurance operation.

Old Republic International Corporation

Corporate and Shareholders' Information

Corporate Governance:

The financial statements and other information included in this 89th Annual Report to shareholders have been compiled under the overall supervision of Old Republic's Chief Executive Officer and Chief Financial Officer. This report is intended to inform shareholders about Old Republic's most recent operating results and financial position.

To ensure the reliability and integrity of financial statements and other data used in the normal course of business, management of the Company and its subsidiaries employ systems of operational and internal controls deemed to be cost effective and tailored to Old Republic's mode of operations.

The Board of Directors regularly meets four times per annum. Financial and other data provided to the Directors of the Company and its subsidiaries are intended to afford them a current understanding of operating results and major corporate decisions and policies. An Audit Committee, consisting of six independent Directors, meets periodically with representatives of management and of the independent registered public accounting firm retained each year to audit the financial statements. The independent registered public accounting firm has access to the Audit Committee, and the meetings are held with and without management representatives present. The Audit Committee is empowered to oversee the integrity of the Company's financial statements and the Company's compliance with legal and regulatory requirements, the independent qualifications and performance of the Company's internal auditors and independent registered public accounting firm, and the selection of the independent registered public accounting firm. The Board of Directors also has Nominating and Compensation Committees consisting solely of independent Directors, and a six member Executive Committee consisting of five independent Directors and the Chief Executive Officer.

During calendar year 2012, the Company's Chief Executive Officer filed an unqualified Annual CEO Certification, pursuant to the requirements of Section 303A.12(a) of the New York Stock Exchange Listed Company Manual. Additionally the Company's Chief Executive and Chief Financial Officers each filed with the Company's Annual and Quarterly Reports the Certifications of Disclosure required under Rule 13A-14(a)/15d-14(a) of the Securities and Exchange Commission.

Stock Information:

The Company's common stock is traded on the New York Stock Exchange under the symbol of ORI.

	Sales Price Range of Common Stock	Cash Dividends		Sales Price Range of Common Stock	Cash Dividends
1st Quarter '12	\$8.86 - \$11.21	\$.1775	1st Quarter '11	\$11.62 - \$13.92	\$.1750
2nd Quarter '12	8.02 - 10.88	.1775	2nd Quarter '11	11.57 - 13.28	.1750
3rd Quarter '12	7.76 - 9.81	.1775	3rd Quarter '11	8.68 - 12.20	.1750
4th Quarter '12	\$9.20 - \$11.05	\$.1775	4th Quarter '11	\$ 7.15 - \$10.48	\$.1750

Shareholder Purchase & Reinvestment Plan

The Corporation has a Shareholder Purchase and Reinvestment Plan ("Plan") for the benefit of its common stockholders. The Plan provides a convenient way to purchase shares or increase shareholders' holdings of Old Republic common stock. Pursuant to the Plan, participating shareholders may elect to have all or part of their quarterly cash dividends reinvested in additional shares of Old Republic common stock. Participants may also elect to make optional cash payments as frequently as each month. Such additional cash payments may be for no less than \$100 up to a maximum of \$15,000 each quarter and the amount invested can vary with each payment. The dividends reinvested as well as any optional cash payments will be used to purchase shares of Old Republic's common stock as of each dividend payment date or investment date. The purchase price will be either the average of the high and low trading price for the day on which shares are issued by the Corporation or the market price if purchased on the open market.

Employees of Old Republic and any of its majority-owned subsidiaries and affiliates may purchase shares or make optional cash payments through payroll deductions. To do so, they need only request and sign the appropriate payroll department forms, including thereon the amount they wish to have withheld from each paycheck. The Plan is administered through Wells Fargo Shareowner Services who will send participants a statement showing the shares purchased following each transaction.

To obtain more information about the Plan and on how to enroll in it, contact Wells Fargo Shareowner Services as shown on the following page.

Direct Dividend Deposit Plan:

Shareholders can have their quarterly cash dividends deposited directly into their checking or savings account. The main benefit of this Direct Deposit feature is that dividends are deposited in a shareholder's checking or savings account on the date of payment -- thereby obviating the wait caused by mail deliveries. The deposit is made automatically for you and your monthly bank statement should confirm the deposit.

To participate in this Direct Dividend Deposit Plan, contact Wells Fargo Shareowner Services as shown below.

Contact Information for Wells Fargo Shareowner Services

Mail: Wells Fargo Shareowner Services P.O. Box 64874 St. Paul, Minnesota 55164-0874	Courier or in person: Wells Fargo Shareowner Services 1110 Centre Point Curve, Suite 101 MAC N9173-010 Mendota Heights, Minnesota 55120-4100
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Website: www.wellsfargo.com/shareownerservices

Telephone: (800) 468-9716

Use their automated system available 24 hours a day, 7 days a week or
speak with a customer service representative from 7:00 a.m. to 7:00 p.m., CST, Monday through Friday

Telephone number for the hearing impaired (TDD): 1-800-877-4833

Financial Information Availability:

Old Republic's Annual Report to Shareholders, which includes its Annual Report on Form 10-K, is available at no charge without exhibits. Shareholders wishing to obtain a copy of this report may do so by writing to: Office of the Chief Executive Officer, Old Republic International Corporation, 307 North Michigan Avenue, Chicago, Illinois 60601.

The Company's report is also available for viewing and/or copying at the U.S. Securities and Exchange Commission's ("SEC") Public Reference Room located at 450 Fifth Street, NW., Washington, DC 20549. Information regarding the operation of the Public Reference Room can be obtained by calling 1-800-SEC-0330.

Additionally, the Company's report is available, free of charge, by visiting the SEC's internet website (<http://www.sec.gov>) and accessing its EDGAR database to view or print copies of the electronic version of the report; or by visiting the Company's internet website (<http://www.oldrepublic.com>), and selecting *Investors* then *SEC Filings* to view or print copies of the electronic version of the report.

Annual Meeting of the Shareholders:

The annual meeting of the shareholders is scheduled for May 24, 2013 at 3:00 p.m. in the 22nd floor conference center of the Old Republic Building, 307 North Michigan Avenue, Chicago, Illinois 60601.

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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(FEE REQUIRED)

For the fiscal year ended: December 31, 2012 OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(NO FEE REQUIRED)

For the transition period from _____ to _____
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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock/\$1 par value

Name of Each Exchange on Which Registered
New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes: X/ No:

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes: / No: X

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: X/ No:

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes: X/No:

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" 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: X

The aggregate fair value of the registrant's voting Common Stock held by non-affiliates of the registrant (assuming, for purposes of this calculation only, that the registrant's directors and executive officers, the registrant's various employee benefit plans and American Business & Personal Insurance Mutual, Inc. and its subsidiaries are all affiliates of the registrant), based on the closing sale price of the registrant's common stock on June 30, 2012, the last day of the registrant's most recently completed second fiscal quarter, was \$1,961,665,320.

The registrant had 259,490,089 shares of Common Stock outstanding as of January 31, 2013.

Documents incorporated by reference:

The following documents are incorporated by reference into that part of this Form 10-K designated to the right of the document title.

Title	Part
Proxy statement for the 2013 Annual Meeting of Shareholders	III, Items 10, 11, 12, 13 and 14
Exhibits as specified in exhibit index (page 116)	IV, Item 15

There are 117 pages in this report

PART I

Item 1 - Business

(a) General Description of Business. Old Republic International Corporation is a Chicago based holding company 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 Group (property and liability insurance), Title Insurance Group, and the Republic Financial Indemnity Group ("RFIG") (mortgage guaranty ("MI") and consumer credit indemnity ("CCI")) run-off business. References herein to such groups apply to the Company's subsidiaries engaged in these respective segments of business. The results of a small life and accident insurance business are included within the corporate and other caption of this report. "Old Republic" or "the Company" refers to Old Republic International Corporation and its subsidiaries as the context requires.

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 its subsidiaries' long-term obligations to insurance beneficiaries. To achieve these objectives, adherence to certain basic insurance risk management principles is stressed, and asset diversification and quality are emphasized. The underwriting principles encompass:

- Disciplined risk selection, evaluation, and pricing to reduce uncertainty and adverse selection;
- Augmenting the predictability of expected outcomes through insurance of the largest number of homogeneous risks as to each type of coverage;
- Reducing the insurance portfolio risk profile through:
 - diversification and spread of insured risks; and
 - assimilation of uncorrelated asset and liability exposures across economic sectors that tend to offset or counterbalance one another; and
- Effectively managing gross and net limits of liability through appropriate use of reinsurance.

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 necessarily managed for the long-run and without significant 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.

Effective October 1, 2010, Old Republic acquired PMA Capital Corporation ("PMA"), an insurance holding company with interests in the commercial property and liability insurance field. The consideration transferred of \$247.2 million included the issuance of 17,754,047 Old Republic common shares and the replacement value of PMA stock options. The financial statements and other data in this report include PMA's results of operations for the full years of 2012 and 2011, and the final quarter of 2010. Assets and liabilities are included as of December 31, 2012 and 2011.

In late March of 2012, Old Republic combined its General Insurance Group's Consumer Credit Indemnity ("CCI") division with its Mortgage Guaranty ("MI") business in a renamed Republic Financial Indemnity Group, Inc. Run-off Business segment. The two operations, which offer similar insurance coverages, have been in run-off operating mode since 2008 (CCI) and August 2011 (MI), and are inactive from new business production standpoints. The combination affects the manner in which segmented results are presented. Accordingly, the segmented results in this Annual Report show the combination of these coverages as a single run-off book of business within the Company's 2012 consolidated operations. Prior periods' segmented information for the general insurance and RFIG run-off business segments has therefore been reclassified to provide necessary consistency in period-to-period comparisons of operating results.

The contributions to consolidated net revenues and income before taxes, and the assets and shareholders' equity of each Old Republic segment are set forth in the following table. This information should be read in conjunction with the consolidated financial statements, the notes thereto, and the "Management Analysis of Financial Position and Results of Operations" appearing elsewhere in this report.

Financial Information Relating to Segments of Business (a)

Net Revenues (b)		(\$ in Millions)		
Years Ended December 31:		2012	2011	2010
General		\$ 2,699.4	\$ 2,488.6	\$ 1,986.9
Title		1,707.1	1,391.8	1,238.8
Corporate & Other - net (c)		68.3	84.8	91.2
Subtotal		4,474.9	3,965.3	3,317.0
RFIG Run-off		447.3	564.6	676.5
Subtotal		4,922.2	4,529.9	3,993.5
Consolidated realized investment gains (losses)		47.8	115.5	109.1
Consolidated		\$ 4,970.1	\$ 4,645.5	\$ 4,102.7

Income (Loss) Before Taxes		2012	2011	2010
Years Ended December 31:		2012	2011	2010
General		\$ 261.0	\$ 353.9	\$ 316.7
Title		73.8	36.2	9.4
Corporate & Other - net (c)		(2.7)	(14.6)	(2.8)
Subtotal		332.1	375.5	323.2
RFIG Run-off		(508.6)	(727.8)	(404.8)
Subtotal		(176.4)	(352.2)	(81.5)
Consolidated realized investment gains (losses)		47.8	115.5	109.1
Consolidated		\$ (128.5)	\$ (236.7)	\$ 27.6

Assets		2012	2011	2010
As of December 31:		2012	2011	2010
General		\$ 12,770.2	\$ 12,384.3	\$ 12,189.8
Title		1,076.5	956.2	915.0
Corporate & Other - net (c)		328.9	682.2	239.8
Subtotal		14,175.6	14,022.8	13,344.7
RFIG Run-off		2,051.1	2,027.6	2,537.9
Consolidated		\$ 16,226.8	\$ 16,050.4	\$ 15,882.7

Shareholders' Equity		2012	2011	2010
As of December 31:		2012	2011	2010
General (d)		\$ 2,992.3	\$ 2,952.9	\$ 2,846.8
Title (d)		400.9	323.0	300.6
Corporate & Other - net (c)		259.6	480.2	532.7
Subtotal		3,652.9	3,756.3	3,680.2
RFIG Run-off (d)		(56.6)	16.2	441.1
Consolidated		\$ 3,596.2	\$ 3,772.5	\$ 4,121.4

- (a) Reference is made to the table in Note 6 of the Notes to Consolidated Financial Statements, incorporated herein by reference, which shows the contribution of each subcategory to the consolidated net revenues and income or loss before income taxes of Old Republic's insurance industry segments. Certain 2011 and 2010 segment information for General Insurance and RFIG Run-off Business has been reclassified to conform to the 2012 presentation. Such reclassifications of segmented results have no effect on the basic consolidated financial statements of the Company.
- (b) Revenues consist of net premiums, fees, net investment and other income earned. Realized investment gains (losses) are shown in total for all groups combined since the investment portfolio is managed as a whole.
- (c) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, a small life and accident insurance operation and consolidation elimination adjustments.
- (d) Shareholders' equity excludes intercompany financing arrangements for the following segments: General - \$489.4, \$469.4, and \$334.6 as of December 31, 2012, 2011, and 2010, respectively; Title - \$143.9, as of December 31, 2012 and 2011, and \$150.4 as of December 31, 2010; RFIG Run-off - \$-, \$175.0, and \$150.0 as of December 31, 2012, 2011, and 2010, respectively.

General Insurance Group

Old Republic's General Insurance segment is best characterized as a commercial lines insurance business with a strong focus on liability insurance coverages. Most of these coverages are provided to businesses, government, and other institutions. The Company does not have a meaningful exposure to personal lines insurance such as homeowners and private automobile coverages, nor does it insure significant amounts of commercial or other real property. In continuance of its commercial lines orientation, Old Republic also focuses on specific sectors of the North American economy, most prominently the transportation (trucking and general aviation), commercial construction, healthcare, education, retail and wholesale, forest products, energy, general manufacturing, and financial services industries. In managing the insurance risks it undertakes, the Company employs various underwriting and loss mitigation techniques such as utilization of policy deductibles, captive insurance risk-sharing arrangements, and retrospective rating and policyholder dividend plans. These underwriting techniques are intended to better correlate premium charges with the ultimate claims experience pertaining to individual or groups of assureds.

Over the years, the General Insurance Group's operations have been developed steadily through a combination of internal growth, the establishment of additional subsidiaries focused on new types of coverages and/or industry sectors, and through several mergers of smaller companies. As a result, this segment has become widely diversified with a business base encompassing the following major coverages:

Automobile Extended Warranty Insurance (1992): Coverage is provided to the vehicle owner for certain mechanical or electrical repair or replacement costs after the manufacturer's warranty has expired.

Aviation (1983): Insurance policies protect the value of aircraft hulls and afford liability coverage for acts that result in injury, loss of life, and property damage to passengers and others on the ground or in the air. Old Republic's aviation business does not extend to commercial airlines.

Commercial Automobile Insurance (1930's): Covers vehicles (mostly trucks) used principally in commercial pursuits. Policies cover damage to insured vehicles and liabilities incurred by an assured for bodily injury and property damage sustained by third parties.

Commercial Multi-Peril ("CMP")(1920's): Policies afford liability coverage for claims arising from the acts of owners or employees, and protection for the physical assets of large businesses.

Financial Indemnity: Multiple types of specialty coverages, including most prominently the following four, are underwritten by Old Republic within this financial indemnity products classification.

Errors & Omissions("E&O")/Directors & Officers ("D&O")(1983): E&O liability policies are written for non-medical professional service providers such as lawyers, architects and consultants, and provides coverage for legal expenses, and indemnity settlements for claims alleging breaches of professional standards. D&O coverage provides for the payment of legal expenses, and indemnity settlements for claims made against the directors and officers of corporations from a variety of sources, most typically shareholders.

Fidelity (1981): Bonds cover the exposures of financial institutions and commercial and other enterprises for losses of monies or debt and equity securities due to acts of employee dishonesty.

Guaranteed Asset Protection ("GAP")(2003): This insurance covers an automobile loan borrower for the dollar value difference between an insurance company's liability for the total loss (remaining cash value) of an insured vehicle and the amount still owed on an automobile loan.

Surety (1981): Bonds are insurance company guarantees of performance by a corporate principal or individual such as for the completion of a building or road project, or payment on various types of contracts.

General Liability (1920's): Protects against liability of an assured which stems from carelessness, negligence, or failure to act, and results in property damage or personal injury to others.

Home Warranty Insurance (1981): This product provides repair and/or replacement coverage for home systems (e.g. plumbing, heating, and electrical) and designated appliances.

Inland Marine (1920's): Coverage pertains to the insurance of property in transit over land and of property which is mobile by nature.

Travel Accident (1970): Coverages provided under these policies, some of which are also underwritten by the Company's Canadian life insurance affiliate, cover monetary losses arising from trip delay and cancellation for individual insureds.

Workers' Compensation (1910's): This coverage is purchased by employers to provide insurance for employees' lost wages and medical benefits in the event of work-related injury, disability, or death.

(Parenthetical dates refer to the year(s) when Old Republic's Companies began underwriting the coverages)

Commercial automobile, general liability and workers' compensation insurance are typically produced in tandem for many assureds. For 2012, production of workers' compensation direct insurance premiums accounted for approximately 36.5% of consolidated General Insurance Group direct premiums written, while commercial automobile and general liability direct premium production amounted to approximately 28.5% and 11.2%, respectively, of such consolidated totals.

Approximately 90% of general insurance premiums are produced through independent agency or brokerage channels, while the remaining 10% is obtained through direct production facilities.

Title Insurance Group

Old Republic's flagship title insurance company was founded in Minnesota in 1907. The Title Insurance Group's business consists primarily of the issuance of policies to real estate purchasers and investors based upon searches of the public records, which contain information concerning interests in real property. The policies insure against losses arising out of defects, liens and encumbrances affecting the insured title and not excluded or excepted from the coverage of the policy. For the year ended December 31, 2012, approximately 32% of the Company's consolidated title premium and related fee income stemmed from direct operations (which include branch offices of its title insurers and wholly owned agency and service subsidiaries of the Company), while the remaining 68% emanated from independent title agents and underwritten title companies.

There are two basic types of title insurance policies: lenders' policies and owners' policies. Both are issued for a one-time premium. Most mortgages made in the United States are extended by mortgage bankers, savings and commercial banks, state and federal agencies, and life insurance companies. The financial institutions secure title insurance policies to protect their mortgagees' interest in the real property. This protection remains in effect for as long as the mortgagee has an interest in the property. A separate title insurance policy may be issued to the owner of the real estate. An owner's policy of title insurance protects an owner's interest in the title to the property.

The premiums charged for the issuance of title insurance policies vary with the policy amount and the type of policy issued. The premium is collected in full when the real estate transaction is closed, there being no recurring fee thereafter. In many areas, premiums charged on subsequent policies on the same property may be reduced depending generally upon the time elapsed between issuance of the previous policies and the nature of the transactions for which the policies are issued. Most of the charge to the customer relates to title services rendered in conjunction with the issuance of a policy rather than to the possibility of loss due to risks insured against. Accordingly, the cost of service performed by a title insurer relates for the most part to the prevention of loss rather than to the assumption of the risk of loss. Claim losses that do occur result primarily from title search and examination mistakes, fraud, forgery, incapacity, missing heirs and escrow processing errors.

In connection with its title insurance operations, Old Republic also provides escrow closing and construction disbursement services, as well as real estate information products, national default management services, and services pertaining to real estate transfers and loan transactions.

Republic Financial Indemnity Group (RFIG) Run-off Business

Private mortgage insurance protects mortgage lenders and investors from default related losses on residential mortgage loans made primarily to homebuyers who make down payments of less than 20% of the home's purchase price. The mortgage guaranty operation insures only first mortgage loans, primarily on residential properties incorporating one-to-four family dwelling units. Old Republic's mortgage guaranty business was started in 1973.

There are two principal types of private mortgage insurance coverage: "primary" and "pool". Primary mortgage insurance provides mortgage default protection on individual loans and covers a stated percentage of the unpaid loan principal, delinquent interest, and certain expenses associated with the default and subsequent foreclosure. In lieu of paying the stated coverage percentage, the Company may pay the entire claim amount, take title to the mortgaged property, and subsequently sell the property to mitigate its loss. Pool insurance, which is written on a group of loans in negotiated transactions, provides coverage that ranges up to 100% of the net loss on each individual loan included in the pool, subject to provisions regarding deductibles, caps on individual exposures, and aggregate stop loss provisions which limit aggregate losses to a specified percentage of the total original balances of all loans in the pool.

Traditional primary insurance was issued on an individual loan basis to mortgage bankers, brokers, commercial banks and savings institutions through a network of Company-managed underwriting sites located throughout the country. Traditional primary loans were individually reviewed (except for loans insured under delegated approval programs) and priced according to filed premium rates. In underwriting traditional primary business, the Company generally adhered to the underwriting guidelines published by Fannie Mae or Freddie Mac, purchasers of many of the loans the Company insures. Delegated underwriting programs allowed approved lenders to commit the Company to insure loans provided they adhere to predetermined underwriting guidelines.

Bulk and other insurance was issued on groups of loans to mortgage banking customers through a centralized risk assessment and underwriting department. These groups of loans were priced in the aggregate, on a bid or negotiated basis. Coverage for insurance issued in this manner was provided through primary insurance policies (loan level coverage) or pool insurance policies (aggregate coverage). The Company considers transactions designated as bulk insurance to be exposed to higher risk (as determined by characteristics such as origination channel, loan amount, credit quality, and extent of loan documentation) than those designated as other insurance.

Before insuring any loans, the Company issued to each approved customer a master policy outlining the terms and conditions under which coverage will be provided. Primary business was then executed via the issuance of a commitment/certificate for each loan submitted and approved for insurance. In the case of business providing pool coverage, a separate pool insurance policy was issued covering the particular loans applicable to each transaction.

As to all types of mortgage insurance products, the amount of premium charge depended on various underwriting criteria such as loan-to-value ratios, the level of coverage being provided, the borrower's credit history, the type of loan instrument (whether fixed rate/fixed payment or an adjustable rate/adjustable payment), documentation type, and whether or not the insured property is categorized as an investment or owner occupied property. Coverage is non-cancelable by the Company (except in the case of non-payment of premium or certain master policy violations) and premiums are paid under single, annual, or monthly payment plans. Single premiums are paid at the inception of coverage and provide coverage for the entire policy term. Annual and monthly premiums are renewable on their anniversary dates with the premium charge determined on the basis of the original or outstanding loan amount. The majority of the Company's direct premiums are written under monthly premium plans. Premiums may be paid by borrowers as part of their monthly mortgage payment and passed through to the Company by the servicer of the loan or they may be paid directly by the originator of, or investor in the mortgage loan.

As reported in earlier periods, the Company's flagship mortgage guaranty insurance carrier, Republic Mortgage Insurance Company ("RMIC"), had been operating pursuant to a waiver of minimum state regulatory capital requirements since late 2009. This waiver expired on August 31, 2011 and, as a consequence, the underwriting of new policies ceased and the existing book of business was placed in run-off operating mode.

During 2012 the North Carolina Department of Insurance ("NCDOI"), the flagship insurer's main regulator, issued several orders the ultimate effects of which were:

- To place RMIC and its affiliate, Republic Mortgage Insurance Company of North Carolina ("RMICNC") under NCDOI supervision;
- To approve a Corrective Plan submitted by RMIC pursuant to which all settled claims are to be paid in cash for 60% of the settled amount, with the remaining 40% retained in claim reserves as a Deferred Payment Obligation ("DPO") until a future payment of all or a portion of this 40% is approved by the NCDOI; and
- To execute the DPO-based run-off plan under Old Republic's ownership and NCDOI supervision of RMIC and RMICNC to effect a most economically sound realization of ultimate benefits to policyholders during a sufficiently long future period.

RMIC's evaluation of the potential long-term performance of the run-off book of business is based on various modeling techniques. Of necessity the resulting models take into account actual premium and paid claim experience of prior periods, together with a large number of assumptions and judgments about future outcomes that are highly sensitive to a wide range of estimates. Many of these estimates and underlying assumptions relate to matters over which the Company has no control, including: 1) The conflicted interests, as well as the varying mortgage servicing and foreclosure practices of a large number of insured lending institutions; 2) General economic and industry-specific trends and events; and 3) The evolving or future social and economic policies of the U.S. Government vis-à-vis such critical sectors as the banking, mortgage lending, and housing industries, as well as its policies for resolving the insolvencies and assigning a possible future role to Fannie Mae and Freddie Mac. These matters notwithstanding, RMIC's ten year standard model of forecasted results extending through 2022 continues to reflect ultimate profitability for the book of business.

The indicated positive outcome of the ten year standard model notwithstanding, it is more likely than not that MI operating results for 2013 and 2014 will be negative. As long as the run-off under NCDOI supervision remains in place, however, the statutory DPO accounting treatment should mitigate the adverse effect of operating losses on the statutory capital balance. In these circumstances, RMIC's and RMICNC's statutory solvency would be retained and the risk of a regulatory receivership action would be averted. In management's opinion, the DPO Plan under NCDOI supervision should be continued for a sufficiently long period of time to achieve the objectives contemplated by the above referenced NCDOI orders.

In light of all the above, the mortgage guaranty run-off will devolve within constraints of Old Republic's currently committed capital resources. As of December 31, 2012, the total statutory capital, inclusive of accumulated DPO reserve funds of \$299.5 million held in RFIG's mortgage insurance subsidiaries was approximately \$132.8 million. As of the same date, RFIG's consolidated GAAP capitalization amounted to (\$56.6) million (or a negative capital contribution of approximately 22 cents per Old Republic common share). Based on the above-noted loss expectations for 2013 and 2014 it is most likely that the RFIG consolidated GAAP capital account will reflect a continuing and increasingly negative balance. Moreover, Old Republic will be required to recognize RFIG's continuing net losses in its consolidated GAAP financial statements. This GAAP financial reporting treatment will not, however, diminish the Old Republic shareholders' real economic interests in the overall enterprise. Nor will this treatment affect the liquidity of the Old Republic parent holding company or that of its separately capitalized and organized insurance companies and their individual abilities to meet their respective obligations.

Consumer credit indemnity ("CCI") policies provide limited indemnity coverage to lenders and other financial intermediaries. The coverage is for the risk of non-payment of loan balances by individual buyers and borrowers. Claim costs are typically affected by unemployment, bankruptcy, and other issues leading to failures to pay. During 2008, the Company ceased the underwriting of new policies and the existing book of business was placed in run-off operating mode.

Corporate and Other Operations

Corporate and other operations include the accounts of a small life and accident insurance business as well as those of the parent holding company and several minor corporate services subsidiaries that perform investment management, payroll, administrative and minor marketing services. The life and accident business registered net premium revenues of \$58.9 million, \$74.9 million, and \$81.4 million in 2012, 2011 and 2010, respectively. This business is conducted in both the United States and Canada and consists mostly of limited product offerings sold through financial intermediaries such as automobile dealers, travel agents, and marketing channels that are also utilized in some of Old Republic's general insurance operations. Production of term life insurance, accounting for net premiums earned of \$13.3 million, \$15.1 million, and \$17.0 million in 2012, 2011 and 2010, respectively, was terminated and placed in run off as of year end 2004.

Consolidated Underwriting Statistics

The following table reflects underwriting statistics covering premiums and related loss, expense, and policyholders' dividend ratios for the major coverages underwritten in the Company's insurance segments.

Years Ended December 31:	(\$ in Millions)		
	2012	2011	2010
General Insurance Group:			
Overall Experience: (d)			
Net Premiums Earned	\$ 2,324.4	\$ 2,109.4	\$ 1,694.2
Benefits and Claim Ratio	73.0%	69.2%	67.8%
Expense Ratio	25.7	25.2	26.9
Composite Ratio	98.7%	94.4%	94.7%
Experience by Major Coverages:			
Commercial Automobile (Principally Trucking):			
Net Premiums Earned	\$ 767.0	\$ 709.0	\$ 676.3
Benefits and Claim Ratio	75.3%	71.9%	73.0%
Workers' Compensation:			
Net Premiums Earned	\$ 924.9	\$ 808.2	\$ 447.9
Benefits and Claim Ratio	78.6%	72.3%	70.7%
General Liability:			
Net Premiums Earned	\$ 145.2	\$ 125.0	\$ 113.7
Benefits and Claim Ratio	63.8%	64.6%	64.6%
Three Above Coverages Combined:			
Net Premiums Earned	\$ 1,837.2	\$ 1,642.4	\$ 1,237.9
Benefits and Claim Ratio	76.1%	71.6%	71.5%
Financial Indemnity: (a)(d)			
Net Premiums Earned	\$ 97.2	\$ 104.4	\$ 111.9
Benefits and Claim Ratio	29.6%	39.2%	36.7%
Inland Marine and Commercial Multi-Peril:			
Net Premiums Earned	\$ 177.2	\$ 163.9	\$ 158.3
Benefits and Claim Ratio	71.6%	70.4%	62.8%
Home and Automobile Warranty:			
Net Premiums Earned	\$ 161.1	\$ 150.7	\$ 146.8
Benefits and Claim Ratio	68.8%	66.3%	71.5%
Other Coverages: (b)			
Net Premiums Earned	\$ 54.6	\$ 49.5	\$ 35.7
Benefits and Claim Ratio	56.1%	52.1%	48.9%
Title Insurance Group: (c)			
Net Premiums Earned	\$ 1,250.2	\$ 1,007.9	\$ 863.0
Combined Net Premiums & Fees Earned	\$ 1,677.4	\$ 1,362.4	\$ 1,211.0
Claim Ratio	7.2%	7.8%	8.0%
Expense Ratio	89.6	91.2	93.0
Composite Ratio	96.8%	99.0%	101.0%
RFIG Run-off Business: (d)			
Net Premiums Earned	\$ 410.5	\$ 503.2	\$ 586.8
Claim Ratio	221.8%	230.5%	169.0%
Expense Ratio	10.4	22.1	13.3
Composite Ratio	232.2%	252.6%	182.3%
All Coverages Consolidated:			
Net Premiums & Fees Earned	\$ 4,471.0	\$ 4,050.1	\$ 3,573.5
Benefits and Claim Ratio	61.9%	68.3%	63.8%
Expense Ratio	48.5	47.5	47.6
Composite Ratio	110.4%	115.8%	111.4%

Any necessary reclassifications of prior years' data are reflected in the above table to conform to current presentation, including the 2012 reclassification of the CCI coverage from the General Insurance segment to RFIG Run-off.

(a) Consists principally of fidelity, surety, executive indemnity (directors & officers and errors & omissions), and guaranteed asset protection (GAP) coverages.

(b) Consists principally of aviation and travel accident coverages.

- (c) Title claim, expense, and composite ratios are calculated on the basis of combined net premiums and fees earned.
(d) Consumer credit indemnity coverages are reported within the RFIG Run-off segment and have been excluded from the General Insurance Group for all periods presented to conform with segment classifications adopted in 2012.

The effect of the reclassification of the CCI coverage from the General Insurance Group's overall and financial indemnity underwriting statistics to the RFIG Run-off Business were as follows:

Years Ended December 31:	(\$ in Millions)		
	2012	2011	2010
General insurance overall experience:			
Increase (decrease) in net premiums earned	\$ (42.4)	\$ (58.3)	\$ (87.9)
Percentage point increase (decrease) in claim ratio	(3.4)%	(2.9)%	(9.3)%
Percentage point increase (decrease) in expense ratio	.2	.4	1.0
Percentage point increase (decrease) in composite ratio	<u>(3.2)%</u>	<u>(2.5)%</u>	<u>(8.3)%</u>
Financial Indemnity coverages:			
Increase (decrease) in net premiums earned	\$ (42.4)	\$ (58.3)	\$ (87.9)
Percentage point increase (decrease) in claim ratio	<u>(71.8)%</u>	<u>(49.2)%</u>	<u>(96.6)%</u>
RFIG Run-off Business:			
Increase (decrease) in net premiums earned	\$ 42.4	\$ 58.3	\$ 87.9
Percentage point increase (decrease) in claim ratio	5.1 %	(7.1)%	15.4 %
Percentage point increase (decrease) in expense ratio	—	(1.8)	(1.1)
Percentage point increase (decrease) in composite ratio	<u>5.1 %</u>	<u>(8.9)%</u>	<u>14.3 %</u>

Net Premiums Earned

General insurance premiums reflect favorable trends for workers' compensation and liability insurance lines within the construction, trucking, and large account risk management business which were mainly responsible for premium growth throughout 2012. Moderate rate improvements garnered in the past twenty-four months or so, and the strengthening though slow pace of the U.S. economic activity were major underlying factors in this regard. Premiums increased in 2011 by \$415.2 largely reflecting the addition of a full year of PMA premiums. The Company believes that the combination of ongoing recessionary economic conditions and a generally soft pricing environment in the commercial insurance arena has generally constrained premium growth despite premium rates having strengthened gradually and to varying degrees in certain parts of the Company's general insurance business. 2010 premium volume reflects the inclusion of \$103.7 million contributed by the PMA merger in the fourth quarter.

Title insurance premiums and fees increased in each of the past three years mostly due to market share gains emanating from title industry dislocations and consolidation during the past four years, and greater levels of refinancing activity in more recent quarters.

RFIG Run-off earned premium reflected a further decline throughout 2012 due to the gradual depletion of a book of business in run-off operating mode together with the termination of new business production on August 31, 2011 (MI) and 2008 (CCI). Other adverse factors included the continuation of elevated levels of premium refunds related to claim rescissions and the termination of certain mortgage guaranty pool insurance contracts in 2010. Moreover, mortgage guaranty new business volume prior to August, 2011 was weakened by a downturn in overall mortgage originations, lower industry-wide penetration of the nation's mortgage market, and the continuing effects of more selective underwriting guidelines in place since late 2007. Largely non-recurring mortgage guaranty captive reinsurance commutations contributed \$13.6 million of additional premiums covering future losses during 2010. No similarly significant transactions occurred during 2012 or 2011.

Claim Ratios

Variations in claim ratios are typically caused by changes in the frequency and severity of claims incurred, changes in premium rates and the level of premium refunds, and periodic changes in claim and claim expense reserve estimates resulting from ongoing reevaluations of reported and incurred but not reported claims and claim expenses. As demonstrated in the above table, the Company can therefore experience period-to-period volatility in the underwriting results posted for individual coverages. In light of Old Republic's basic underwriting focus in managing its business, a long-term objective has been to dampen this volatility by diversifying the coverages it offers and the industries it serves.

The claim ratios include loss adjustment expenses where appropriate. Policyholders' dividends, which apply principally to workers' compensation insurance, are a reflection of changes in loss experience for individual or groups of policies, rather than overall results, and should be viewed in conjunction with loss ratio trends.

The overall **general insurance** claim ratio shows an increase for 2012 as higher loss costs for the aggregated commercial automobile (trucking), general liability, and workers' compensation coverages were mostly responsible for this uptrend, though workers' compensation produced the greatest adverse impact. 2011 and 2010 claim ratios reflect reasonably consistent trends. 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. Changes in

commercial automobile claim ratios are primarily due to fluctuations in claim frequencies. Loss ratios for workers' compensation and liability insurance may reflect greater variability due to chance events in any one year, changes in loss costs emanating from participation in involuntary markets (i.e. insurance assigned risk pools and associations in which participation is basically mandatory), and added provisions for loss costs not recoverable from assuming reinsurers which may experience financial difficulties from time to time. Additionally, workers' compensation claim costs in particular are affected by a variety of underwriting techniques such as the use of captive reinsurance retentions, retrospective premium plans, and self-insured or deductible insurance programs that are intended to mitigate claim costs over time. Claim ratios for a relatively small book of general liability coverages tend to be highly volatile year to year due to the impact of changes in claim emergence and severity of legacy asbestos and environmental claims exposures.

The Company generally underwrites concurrently workers' compensation, commercial automobile (liability and physical damage), and general liability insurance coverages for a large number of customers. Given this concurrent underwriting approach, an evaluation of trends in premiums, claim and dividend ratios for these individual coverages is more appropriately considered in the aggregate.

Title insurance claim ratios have remained in the single digits for a number of years due to a continuation of favorable trends in claims frequency and severity for business underwritten since 1992 in particular. These ratios moderated in the two most recent years and are trending towards more historical levels due to the gradual stabilization of the housing and related mortgage lending industries.

RFIG Run-off - mortgage guaranty claim ratios have remained at high levels in recent periods. These ratios have risen principally as a result of higher reserve provisions and paid losses. Greater reserve provisions have resulted from higher levels of reported delinquencies emanating from the downturn in the national economy, widespread stress in housing and mortgage finance markets, and persistently high levels of unemployment. Trends in expected and actual claim frequency and severity have been impacted to varying degrees by several factors including, but not limited to, significant declines in home prices which limit a troubled borrower's ability to sell the mortgaged property in an amount sufficient to satisfy the remaining debt obligation; more restrictive mortgage lending standards which limit a borrower's ability to refinance the loan; increases in housing supply relative to recent demand; historically high levels of coverage rescissions and claim denials as a result of material misrepresentation in key underwriting information or non-compliance with prescribed underwriting guidelines; and changes in claim settlement costs. The latter are influenced by the amount of unpaid principal outstanding on delinquent loans as well as the rising expenses of settling claims due to higher investigation costs, legal fees, and accumulated interest expenses.

2012 claim costs were lower as a continuing downtrend in newly reported cases, relatively stable cure rates, and lower paid claim levels more than offset reduced provisions for claim rescissions or denials, and assumptions of greater defaults headed to foreclosure. Recurring claim costs for 2011 increased in comparison with 2010. While newly reported defaults continued in a downtrend, other offsetting factors led to these higher costs. The combination of higher claim payments and reduced levels of actual and estimated claim rescissions or denials on new and previously reported defaults is most accountable for the upward pressure on 2011 incurred claim costs. Captive reinsurance and pool insurance contract terminations had the effect of lowering the 2010 mortgage guaranty claim ratio from 168.6% to 153.6%.

2012 CCI operating performance was impacted by much greater claim costs. Lower incurred claims were experienced in this line in 2011 whereas 2010 reflected higher loss payment trends and increased levels of claim verification and resolution activity.

The consolidated claim, expense, and composite ratios reflect all the above factors and the changing period-to-period contributions of each segment to consolidated results.

General Insurance Claim Reserves

The Company's property and liability insurance subsidiaries establish claim reserves which consist of estimates to settle: a) reported claims; b) claims which have been incurred as of each balance sheet date but have not as yet been reported ("IBNR") to the insurance subsidiaries; and c) the direct costs, (fees and costs which are allocable to individual claims) and indirect costs (such as salaries and rent applicable to the overall management of claim departments) to administer known and IBNR claims. Such claim reserves, except as to classification in the Consolidated Balance Sheets as to gross and reinsured portions and purchase accounting adjustments, are reported for financial and regulatory reporting purposes at amounts that are substantially the same.

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. These factors principally include past experience applicable to the anticipated costs of various types of claims, continually evolving and changing legal theories emanating from the judicial system, recurring accounting, statistical, and actuarial studies, the professional experience and expertise of the Company's claim departments' personnel or attorneys and independent claim adjusters, ongoing changes in claim frequency or severity patterns such as those caused by natural disasters, illnesses, accidents, work-related injuries, and changes in general and industry-specific economic conditions. Consequently, the 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 due to all of these factors, and to the evolution, interpretation, and expansion of tort law, as well as the effects of unexpected jury verdicts.

In establishing claim reserves, the possible increase in future loss settlement costs caused by inflation is considered implicitly, along with the many other factors cited above. Reserves are generally set to provide for the ultimate cost of all claims. With regard to workers' compensation reserves, however, the ultimate cost of long-term disability or pension type claims is discounted to present value based on interest rates ranging from 3.5% to 4.0%. The Company, where applicable, uses only such discounted reserves in evaluating the results of its operations, in pricing its products and settling retrospective and reinsured accounts, in evaluating policy terms and experience, and for other general business purposes. Solely to comply with reporting rules mandated by the Securities and Exchange Commission, however, Old Republic has made statistical studies of applicable workers' compensation reserves to obtain estimates of the amounts by which claim and claim adjustment expense reserves, net of reinsurance, have been discounted. These studies have resulted in estimates of such amounts at \$230.8 million, \$235.1 million and \$231.0 million, as of December 31, 2012, 2011 and 2010, respectively. It should be noted, however, that these differences between discounted and non-discounted (terminal) reserves are fundamentally of an informational nature, and are not indicative of an effect on operating results for any one or series of years for the above noted reasons.

Early in 2001, the Federal Department of Labor revised the Federal Black Lung Program regulations. The revisions basically require a reevaluation of previously settled, denied, or new occupational disease claims in the context of newly devised, more lenient standards when such claims are resubmitted. Following a number of challenges and appeals by the insurance and coal mining industries, the revised regulations were, for the most part, upheld in June, 2002 and are to be applied prospectively. Since the final quarter of 2001, black lung claims filed or refiled pursuant to these revised regulations have increased, though the volume of new claim reports has abated in recent years. In March 2010, federal regulations were revised once again as part of the Patient Protection and Affordability Act that reinstates two provisions that potentially benefit claimants. In response to this most recent legislation and similar to the 2001 change, black lung claims filed or refiled have again increased. The vast majority of claims filed to date against Old Republic pertain to business underwritten through loss sensitive programs that permit the charge of additional or refund of return premiums to wholly or partially offset changes in estimated claim costs, or to business underwritten as a service carrier on behalf of various industry-wide involuntary market (i.e. assigned risk) pools. A much smaller portion pertains to business produced on a traditional risk transfer basis. The Company has established applicable reserves for claims as they have been reported and for claims not as yet reported on the basis of its historical experience as well as assumptions relative to the effect of the revised regulations. Inasmuch as a variety of challenges are likely as the revised regulations are implemented through the actual claim settlement process, the potential impact on reserves, gross and net of reinsurance or retrospective premium adjustments, resulting from such regulations cannot be estimated with reasonable certainty.

Old Republic's reserve estimates also include provisions for indemnity and settlement costs for various asbestosis and environmental impairment ("A&E") claims that have been filed in the normal course of business against a number of its insurance subsidiaries. Many such claims relate to policies issued prior to 1985, including many issued during a short period between 1981 and 1982 pursuant to an agency agreement canceled in 1982. Over the years, the Company's property and liability insurance subsidiaries have typically issued general liability insurance policies with face amounts ranging between \$1.0 million and \$2.0 million and rarely exceeding \$10.0 million. Such policies have, in turn, been subject to reinsurance cessions which have typically reduced the subsidiaries' net retentions to \$.5 million or less as to each claim. Old Republic's exposure to A&E claims cannot, however, be calculated by conventional insurance reserving methods for a variety of reasons, including: a) the absence of statistically valid data inasmuch as such claims typically involve long reporting delays and very often uncertainty as to the number and identity of insureds against whom such claims have arisen or will arise; and b) the litigation history of such or similar claims for insurance industry members which has produced inconsistent court decisions with regard to such questions as to when an alleged loss occurred, which policies provide coverage, how a loss is to be allocated among potentially responsible insureds and/or their insurance carriers, how policy coverage exclusions are to be interpreted, what types of environmental impairment or toxic tort claims are covered, when the insurer's duty to defend is triggered, how policy limits are to be calculated, and whether clean-up costs constitute property damage. Over time, the Executive Branch and/or the Congress of the United States have proposed or considered changes in the legislation and rules affecting the determination of liability for environmental and asbestosis claims. As of December 31, 2012, however, there is no solid evidence to suggest that possible future changes might mitigate or reduce some or all of these claim exposures. Because of the above issues and uncertainties, estimation of reserves for losses and allocated loss adjustment expenses for A&E claims in particular is much more difficult or impossible to quantify with a high degree of precision. Accordingly, no representation can be made that the Company's reserves for such claims and related costs will not prove to be overstated or understated in the future. At December 31, 2012 and 2011, Old Republic's aggregate indemnity and loss adjustment expense reserves specifically identified with A&E exposures amounted to approximately \$147.1 million and \$182.0 million gross, respectively, and \$119.4 million and \$137.9 million net of reinsurance, respectively. Based on average annual claims payments during the five most recent calendar years, such reserves represented 4.7 years (gross) and 7.6 years (net of reinsurance) as of December 31, 2012 and 5.9 years (gross) and 9.4 years (net of reinsurance) as of December 31, 2011. The survival ratios are presented on a pro forma basis (unaudited) as if PMA had been consolidated with ORI for all periods. Fluctuations in this ratio between years can be caused by the inconsistent pay out patterns associated with these types of claims. For the five years ended December 31, 2012, incurred A&E claim and related loss settlement costs have averaged .1% of average annual General Insurance Group claims and related settlement costs.

Over the years, the subject of property and liability insurance claim reserves has been written about and analyzed extensively by a large number of professionals and regulators. Accordingly, the above discussion summary should, of necessity, be regarded as a basic outline of the subject and not as a definitive presentation. The Company believes that its overall reserving practices have been consistently applied over many years, and that its aggregate reserves have generally resulted in reasonable approximations of the ultimate net costs of claims incurred. However, no representation is made nor is any guaranty given that ultimate net claim and related costs will not develop in future years to be greater or lower than currently established reserve estimates.

The following table shows the evolving redundancies or deficiencies for reserves established as of December 31, of each of the years 2002 through 2012.

	(\$ in Millions)										
(a) As of December 31(6)(7):	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
(b) Liability (1) for unpaid claims and claim adjustment expenses(2):	\$ 3,936	\$ 3,769	\$ 3,779	\$ 3,229	\$ 3,222	\$ 3,175	\$ 2,924	\$ 2,414	\$ 2,182	\$ 1,964	\$ 1,802
(c) Paid (cumulative) as of (3):											
One year later	—%	25.1%	24.9%	26.1%	27.6%	28.7%	25.4%	15.8%	25.7%	24.8%	23.4 %
Two years later	—	—	36.5	38.7	41.1	43.2	41.3	32.4	34.3	39.3	38.4
Three years later	—	—	—	47.6	50.0	51.6	51.3	44.1	45.1	44.5	48.1
Four years later	—	—	—	—	55.9	57.5	56.9	51.7	52.3	51.0	50.8
Five years later	—	—	—	—	—	62.1	61.3	55.7	57.8	56.1	55.2
Six years later	—	—	—	—	—	—	65.2	59.5	60.4	60.3	59.1
Seven years later	—	—	—	—	—	—	—	62.9	63.4	62.2	62.6
Eight years later	—	—	—	—	—	—	—	—	66.2	65.1	64.0
Nine years later	—	—	—	—	—	—	—	—	—	67.6	66.7
Ten years later	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	69.1 %
(d) Liability reestimated (i.e., cumulative payments plus reestimated ending liability)											
As of (4):											
One year later	—%	99.5%	96.1%	97.6%	98.2%	97.4%	96.2%	95.2%	97.6%	97.2%	98.6 %
Two years later	—	—	96.3	94.6	95.1	94.9	94.3	92.3	94.8	97.0	98.2
Three years later	—	—	—	93.3	93.1	92.5	92.4	90.4	93.3	95.6	99.7
Four years later	—	—	—	—	91.8	90.9	90.2	88.4	92.2	95.7	100.4
Five years later	—	—	—	—	—	89.9	89.0	87.3	91.6	95.6	100.6
Six years later	—	—	—	—	—	—	87.7	86.6	91.1	95.5	101.0
Seven years later	—	—	—	—	—	—	—	85.6	90.5	95.5	101.1
Eight years later	—	—	—	—	—	—	—	—	89.9	95.6	101.5
Nine years later	—	—	—	—	—	—	—	—	—	95.3	101.8
Ten years later	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%	101.7 %
(e) Redundancy (deficiency)(5) for each year-end	—%	.5%	3.7%	6.7%	8.2%	10.1%	12.3%	14.4%	10.1%	4.7%	(1.7)%
Average redundancy (deficiency) for all year-ends	6.8%										

(1) Amounts are reported net of reinsurance.

(2) Excluding unallocated loss adjustment expense reserves.

(3) Percent of most recent reestimated liability (line d). Decreases in paid loss percentages may at times reflect the reassumption by the Company of certain previously ceded loss reserves from assuming reinsurers through commutations of then existing reserves.

(4) Percent of beginning liability (line b) for unpaid claims and claim adjustment expenses.

(5) Beginning liability less the most current liability reestimated (line d) as a percent of beginning liability (line b).

(6) Historical data in the above table excludes amounts pertaining to PMA whose merger with Old Republic became effective October 1, 2010. Such PMA reserves have therefore been reflected from December 31, 2010 forward.

(7) Consumer credit indemnity coverages have been fully retained in this historical table for all years presented. In connection with the previously noted MI/CCI combination, certain General Insurance Group companies retain losses pursuant to various quota share and stop loss reinsurance agreements.

In reviewing the preceding tabular data, it should be noted that prior periods' loss payment and development trends may not be repeated in the future due to the large variety of factors influencing the reserving and settlement processes outlined herein above. The reserve redundancies or deficiencies shown for all years are not necessarily indicative of the effect on reported results of any one or series of years since cumulative retrospective premium and commission adjustments employed in various parts of the Company's business may partially offset such effects. The moderately deficient development of reserves at year-end 2002 pertains mostly to claims incurred in prior accident years, generally for business written in the 1980's. (See "Consolidated Underwriting Statistics" above, and "Reserves, Reinsurance, and Retrospective Adjustments" elsewhere herein).

The following table shows an analysis of changes in aggregate reserves for the Company's property and liability insurance claims and allocated claim adjustment expenses for each of the years shown:

Years Ended December 31: (1)	(\$ in Millions)										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
(a) Beginning net reserves	\$3,769	\$3,779	\$3,819 *	\$3,222	\$3,175	\$2,924	\$2,414	\$2,182	\$1,964	\$1,802	\$1,678
<u>Incurring claims and claim expenses:</u>											
(b) Current year provision	1,652	1,582	1,351	1,343	1,452	1,490	1,295	1,191	1,070	893	814
(c) Change in prior years' provision	(19)	(149)	(76)	(56)	(83)	(110)	(116)	(52)	(55)	(25)	(7)
(d) Total incurred	1,632	1,432	1,275	1,287	1,369	1,379	1,179	1,138	1,014	868	807
<u>Claim payments on:</u>											
(e) Current years' events	524	537	529	460	502	476	342	402	332	277	260
(f) Prior years' events	941	905	786	818	820	652	326	504	463	428	423
(g) Total payments	1,465	1,442	1,315	1,279	1,323	1,128	668	907	796	706	683
(h) Ending net reserves (a + d - g)	3,936	3,769	3,779	3,229	3,222	3,175	2,924	2,414	2,182	1,964	1,802
(i) Unallocated loss adjustment expense reserves	183	137	149	104	104	103	97	92	87	83	78
(j) Reinsurance recoverable on claims reserves	2,787	2,827	2,825	2,046	2,020	1,976	1,929	1,894	1,632	1,515	1,363
(k) Gross claims reserves (h + i + j)	\$6,907	\$6,733	\$6,753	\$5,380	\$5,346	\$5,256	\$4,951	\$4,401	\$3,902	\$3,562	\$3,244

(*) Includes reserves acquired through the PMA merger.

(1) Consumer credit indemnity coverages have been fully retained in this historical table for all years presented. For segment reporting purposes, \$70.2 million, \$31.2 million, and \$40.1 million of ending net reserves reported in the above table are reported as part of the RFIG Run-off Business segment as of December 31, 2012, 2011 and 2010, respectively. In connection with the previously noted MI/CCI combination, certain General Insurance Group companies retain losses pursuant to various quota share and stop loss reinsurance agreements.

(b) Investments. In common with other insurance organizations, Old Republic invests most capital and operating funds in income producing securities. Investments must comply with applicable insurance laws and regulations which prescribe the nature, form, quality, and relative amounts of investments which may be made by insurance companies. Generally, these laws and regulations permit insurance companies to invest within varying limitations in state, municipal and federal government obligations, corporate debt, preferred and common stocks, certain types of real estate, and first mortgage loans. For many years, Old Republic's investment policy has therefore been to acquire and retain primarily investment grade, publicly traded, fixed maturity securities. The investment policy is also influenced by the terms of the insurance coverages written, by its expectations as to the timing of claim and benefit payments, and by income tax considerations. As a consequence of all these factors, the Company'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. Accordingly, the investment portfolio contains no significant direct 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 transactions or securities lending operations, nor does it invest in securities whose values are predicated on non-regulated financial instruments exhibiting amorphous or unfunded counter-party risk attributes. The Company does not have any exposure to European sovereign debt instruments.

Management considers investment grade securities to be those rated by Standard & Poor's Corporation ("Standard & Poor's") or Moody's Investors Service, Inc. ("Moody's") that fall within the top four rating categories, or securities which are not rated but have characteristics similar to securities so rated. The Company had no bond or note investments in default as to principal and/or interest at December 31, 2012 and 2011. The status and fair value changes of each investment is reviewed on at least a quarterly basis, and estimates of other-than-temporary impairments in the portfolio's value are evaluated and established at each balance sheet date. Substantially all of the Company's invested assets as of December 31, 2012 have been classified as "available for sale" pursuant to the existing investment policy.

The Company's investment policies are not designed to maximize or emphasize the realization of investment gains. The combination of gains and losses from sales or impairments of securities are reflected as realized gains and losses in the income statement. Dispositions of securities result principally from scheduled maturities of bonds and notes and sales of fixed income and equity securities available for sale. 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.

The following tables show invested assets at the end of the last two years, together with investment income for each of the last three years:

Consolidated Investments (\$ in Millions)		
December 31:	2012	2011
Available for Sale		
Fixed Maturity Securities:		
U.S. & Canadian Governments	\$ 1,216.8	\$ 1,182.1
Tax-Exempt	392.2	620.5
Corporate	6,957.1	6,590.5
	<u>8,566.2</u>	<u>8,393.2</u>
Equity Securities	739.7	580.8
Short-term Investments	1,264.9	1,476.2
Miscellaneous Investments	29.6	35.3
Total available for sale	<u>10,600.5</u>	<u>10,485.6</u>
Other Investments	8.2	9.8
Total Investments	<u>\$ 10,608.8</u>	<u>\$ 10,495.5</u>

Sources of Consolidated Investment Income (\$ in Millions)			
Years Ended December 31:	2012	2011	2010
Fixed Maturity Securities:			
Taxable Interest	\$ 303.4	\$ 310.2	\$ 302.9
Tax-Exempt Interest	17.5	43.0	65.6
	<u>321.0</u>	<u>353.2</u>	<u>368.5</u>
Equity Securities Dividends	<u>13.1</u>	<u>11.3</u>	<u>9.0</u>
Other Investment Income:			
Interest on Short-term Investments	1.9	1.5	1.5
Sundry	5.4	4.7	3.9
	<u>7.4</u>	<u>6.3</u>	<u>5.4</u>
Gross Investment Income	<u>341.6</u>	<u>370.9</u>	<u>383.1</u>
Less: Investment Expenses (a)	5.1	6.2	4.1
Net Investment Income	<u>\$ 336.5</u>	<u>\$ 364.6</u>	<u>\$ 379.0</u>

(a) Investment expenses consist of personnel costs and investment management and custody service fees, as well as interest incurred on funds held of \$2.0 million, \$1.9 million and \$.5 million for the years ended December 31, 2012, 2011 and 2010, respectively.

The independent credit quality ratings and maturity distribution for Old Republic's consolidated fixed maturity investments, excluding short-term investments, at the end of the last two years are shown in the following tables. These investments, \$8.5 billion and \$8.3 billion at December 31, 2012 and 2011, respectively, represented approximately 53% and 52%, respectively, of consolidated assets, and 68% of consolidated liabilities as of both dates.

Credit Quality Ratings of Fixed Maturity Securities (b)		
December 31:	2012	2011
	(% of total portfolio)	
Aaa	15.2%	15.2%
Aa	11.5	14.1
A	34.2	36.5
Baa	38.4	33.3
Total investment grade	<u>99.3</u>	<u>99.1</u>
All other (c)	.7	.9
Total	<u>100.0%</u>	<u>100.0%</u>

(b) Credit quality ratings used are those assigned primarily by Moody's for U.S. Governments, Agencies and Corporate issuers and by Standard & Poor's ("S&P") for U.S. and Canadian Municipal issuers, which are converted to equivalent Moody's ratings classifications.

(c) "All other" includes non-investment grade or non-rated issuers.

Age Distribution of Fixed Maturity Securities		
December 31:	2012	2011
	(% of total portfolio)	
Maturity Ranges:		
Due in one year or less	15.7%	12.0%
Due after one year through five years	41.6	42.4
Due after five years through ten years	40.1	42.1
Due after ten years through fifteen years	1.0	1.6
Due after fifteen years	1.6	1.9
	<u>100.0%</u>	<u>100.0%</u>
Average Maturity in Years	<u>4.7</u>	<u>5.0</u>

(c) Marketing. Commercial automobile (trucking), workers' compensation and general liability insurance underwritten for business enterprises and public entities is marketed primarily through independent insurance agents and brokers with the assistance of Old Republic's trained sales, underwriting, actuarial, and loss control personnel. The remaining property and liability commercial insurance written by Old Republic is obtained through insurance agents or brokers who are independent contractors and generally represent other insurance companies, and by direct sales. No single source accounted for over 10% of Old Republic's premium volume in 2012.

A substantial portion of the Company's title insurance business is referred to it by title insurance agents, builders, lending institutions, real estate developers, realtors, and lawyers. Title insurance and related real estate settlement products are sold through 254 Company offices and through agencies and underwritten title companies in Puerto Rico, the District of Columbia and all 50 states. The issuing agents are authorized to issue commitments and title insurance policies based on their own search and examination, or on the basis of abstracts and opinions of approved attorneys. Policies are also issued through independent title companies (not themselves title insurers) pursuant to underwriting agreements. These agreements generally provide that the agency or underwritten company may cause title policies of the Company to be issued, and the latter is responsible under such policies for any payments to the insured. Typically, the agency or underwritten title company deducts the major portion of the title insurance charge to the customer as its commission for services. During 2012, approximately 68% of title insurance premiums and fees were accounted for by policies issued by agents and underwritten title companies.

Title insurance premium and fee revenue is closely related to the level of activity in the real estate market. The volume of real estate activity is affected by the availability and cost of financing, population growth, family movements and other factors. Also, the title insurance business is seasonal. During the winter months, new building activity is reduced and, accordingly, the Company produces less title insurance business relative to new construction during such months than during the rest of the year. The most important factors, insofar as Old Republic's title business is concerned, however, are the rates of activity in the resale and refinance markets for residential properties.

As previously noted, the Company's flagship mortgage guaranty insurance carrier had been operating pursuant to a waiver of minimum state regulatory capital requirements since late 2009. This waiver expired on August 31, 2011. As a consequence, underwriting of new policies ceased and the existing book of business was placed in run-off operating mode. Prior to August 31, 2011, traditional primary mortgage insurance was marketed principally through a direct sales force which called on mortgage bankers, brokers, commercial banks, savings institutions and other mortgage originators. No sales commissions or other forms of remuneration were paid to the lending institutions or others for the procurement or development of business.

The personal contacts, relationships, reputations, and intellectual capital of Old Republic's key executives are a vital element in obtaining and retaining much of its business. Many of the Company's customers produce large amounts of premiums and therefore warrant substantial levels of top executive attention and involvement. In this respect, Old Republic's mode of operation is similar to that of professional reinsurers and commercial insurance brokers, and relies on the marketing, underwriting, and management skills of relatively few key people for large parts of its business.

Historically, several types of insurance coverages underwritten by Old Republic, such as consumer credit indemnity, title, and mortgage guaranty insurance, are affected in varying degrees by changes in national economic conditions. During periods when housing activity or mortgage lending are constrained by any combination of rising interest rates, tighter mortgage underwriting guidelines, falling home prices, excess housing supply and/or economic recession, operating and/or claim costs pertaining to such coverages tend to rise disproportionately to revenues and can result in underwriting losses and reduced levels of profitability.

At least one Old Republic general insurance subsidiary is licensed to do business in each of the 50 states, the District of Columbia, Puerto Rico, Virgin Islands, Guam, and each of the Canadian provinces; title insurance operations are licensed to do business in 50 states, the District of Columbia, Puerto Rico and Guam; mortgage insurance subsidiaries are licensed in 50 states and the District of Columbia. Consolidated direct premium volume distributed among the various geographical regions shown was as follows for the past three years:

Geographical Distribution of Consolidated Direct Premiums Written

	2012	2011	2010
United States:			
Northeast	12.7%	11.9%	9.3%
Mid-Atlantic	10.7	11.2	7.9
Southeast	18.8	19.2	20.5
Southwest	11.1	11.4	12.4
East North Central	12.0	11.7	12.6
West North Central	10.6	11.1	12.6
Mountain	7.0	7.2	8.1
Western	14.8	13.6	13.5
Foreign (Principally Canada)	2.3	2.7	3.1
Total	100.0%	100.0%	100.0%

(d) Reserves, Reinsurance, and Retrospective Adjustments. Old Republic's insurance subsidiaries establish reserves for unearned premiums, reported claims, claims incurred but not reported, and claim adjustment expenses, as required in the circumstances. Such reserves are based on regulatory accounting requirements and generally accepted accounting principles. In accordance with insurance industry practices, claim reserves are based on estimates of the amounts that will be paid over a period of time and changes in such estimates are reflected in the financial statements of the periods during which they occur. See "General Insurance Claim Reserves" herein.

To maintain premium production within its capacity and limit maximum losses and risks for which it might become liable under its policies, Old Republic, as is the practice in the insurance industry, 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. Although the ceding of insurance does not generally discharge an insurer from its direct liability to a policyholder, it is industry practice to establish the reinsured part of risks as the liability of the reinsurer. Old Republic also employs retrospective premium adjustments and risk sharing arrangements for parts of its business in order to minimize losses for which it might become liable under its insurance policies, and to afford its customers or producers a degree of participation in the risks and rewards associated with such business. Under retrospective arrangements, Old Republic collects additional premiums if losses are greater than originally anticipated and refunds a portion of original premiums if loss costs are lower. Pursuant to risk sharing arrangements, the Company adjusts production costs or premiums retroactively to likewise reflect deviations from originally expected loss costs. The amount of premium, production costs and other retrospective adjustments which may be made is either limited or unlimited depending on the Company's evaluation of risks and related contractual arrangements. To the extent that any reinsurance companies, retrospectively rated risks, or producers might be unable to meet their obligations under existing reinsurance, retrospective insurance and production agreements, Old Republic would be liable for the defaulted amounts. In these regards, however, the Company generally protects itself by withholding funds, by securing indemnity agreements, by obtaining surety bonds, or by otherwise collateralizing such obligations through irrevocable letters of credit, cash, or securities.

The following table displays the Company's General Insurance liabilities reinsured by its ten largest reinsurers as of December 31, 2012.

Major General Insurance Balances Due from Reinsurers

Reinsurer	A.M. Best Rating	(\$ in Millions)		Total Exposure to Reinsurer	% of Total Consolidated Reinsured Liabilities
		Reinsurance on Paid Claims	Recoverable on Claim Reserves		
Munich Re America, Inc.	A+	\$ 8.7	\$ 727.9	\$ 736.7	25.8%
Swiss Reinsurance America Corporation	A+	4.2	227.8	232.0	8.1
Trabaja Reinsurance Corporation	Unrated	2.2	129.2	131.4	4.6
Hanover Ruckversicherungs	A+	.9	109.9	110.8	3.9
National WC Reinsurance Pool	Unrated	1.6	99.5	101.1	3.5
General Reinsurance Corporation	A++	2.3	89.2	91.6	3.2
Westport Insurance Corporation	A+	1.5	62.0	63.5	2.2
Muenchener Ruckversicherungs	A+	5.9	57.5	63.4	2.2
PXRE Reinsurance Company	Unrated	27.9	30.6	58.6	2.1
Transatlantic Reinsurance Company	A	2.1	51.7	53.8	1.9
Total		\$ 57.7	\$ 1,585.6	\$ 1,643.4	57.5%

The RFIG Run-off mortgage guaranty operation's total claim exposure to its largest reinsurer, AAMBG Reinsurance, Inc., was \$14.0 million, which represented .5% of total consolidated reinsured liabilities as of December 31, 2012. Reinsured liabilities of the Title Insurance Group and small life and accident insurance operations are not material.

Reinsurance recoverable asset balances represent amounts due from or credited by assuming reinsurers for paid and unpaid claims and policy reserves. Such reinsurance balances that are recoverable from non-admitted foreign and certain other reinsurers such as captive insurance companies owned by assureds or business producers, as well as similar balances or credits arising from policies that are retrospectively rated or subject to assureds' high deductible retentions are substantially collateralized by letters of credit, securities, and other financial instruments. Old Republic evaluates on a regular basis the financial condition of its assuming reinsurers and assureds who purchase its retrospectively rated or high deductible policies. Estimates of unrecoverable amounts are included in the Company's net claim and claim expense reserves since reinsurance, retrospectively rated and self-insured deductible policies and contracts do not relieve Old Republic from its direct obligations to assureds or their beneficiaries.

Old Republic's reinsurance practices with respect to portions of its business also result from its desire to bring its sponsoring organizations and customers into some degree of joint venture or risk sharing relationship. The Company may, in exchange for a ceding commission, reinsure up to 100% of the underwriting risk, and the premium applicable to such risk, to insurers owned by or affiliated with lending institutions, financial and other intermediaries, and commercial institutions generally whose customers are insured by Old Republic, or individual customers who have formed captive insurance companies. The ceding commissions received compensate Old Republic for performing the direct insurer's functions of underwriting, actuarial, claim settlement, loss control, legal, reinsurance, and administrative services to comply with local and federal regulations, and for providing appropriate risk management services.

Remaining portions of Old Republic's business are reinsured in most instances with independent insurance or reinsurance companies pursuant to excess of loss agreements. Except as noted in the following paragraph, reinsurance protection on property and liability coverages generally limits the net loss on most individual claims to a maximum of: \$5.2 million for workers' compensation; \$3.5 million for commercial auto liability; \$3.5 million for general liability; \$8.0 million for executive protection (directors & officers and errors & omissions); \$2.0 million for aviation; and \$3.5 million for property coverages. Title insurance risk assumptions are currently limited to a maximum of \$500.0 million as to any one policy. The vast majority of title policies issued, however, carry exposures of less than \$1.0 million. Roughly 14% of the mortgage guaranty traditional primary insurance in force is subject to lender sponsored captive reinsurance arrangements structured primarily on an excess of loss basis. All bulk and other mortgage guaranty insurance risk in force is retained. Exclusive of reinsurance, the average direct primary mortgage guaranty exposure is approximately (in whole dollars) \$38,500 per insured loan.

Since January 1, 2005, the Company has had maximum reinsurance coverage of up to \$200.0 million for its workers' compensation exposures. Pursuant to regulatory requirements, however, all workers' compensation primary insurers such as the Company remain liable for unlimited amounts in excess of reinsured limits. Other than the substantial concentration of workers' compensation losses caused by the September 11, 2001 terrorist attack on America, to the best of the Company's knowledge there had not been a similar accumulation of claims in a single location from a single occurrence prior to that event. Nevertheless, the possibility continues to exist that non-reinsured losses could, depending on a wide range of severity and frequency assumptions, aggregate several hundred million dollars to an insurer such as the Company. Such aggregation of losses could occur in the event of a catastrophe such as an earthquake that could lead to the death or injury of a large number of persons concentrated in a single facility such as a high rise building.

As a result of the September 11, 2001 terrorist attack on America, the reinsurance industry eliminated coverage from substantially all contracts for claims arising from acts of terrorism. Primary insurers like the Company thus became fully exposed to such claims. Late in 2002, the Terrorism Risk Insurance Act of 2002 (the "TRIA") was signed into law, immediately establishing a temporary federal reinsurance program administered by the Secretary of the Treasury. The program applied to insured commercial property and casualty losses resulting from an act of terrorism, as defined in the TRIA. Congress extended and modified the program in late 2005 through the Terrorism Risk Insurance Revision and Extension Act of 2005 (the "TRIREA"). TRIREA expired on December 31, 2007. Congress enacted a revised program in December 2007 through the Terrorism Risk Insurance Program Reauthorization Act of 2007 (the "TRIPRA"), a seven year extension through December 31, 2014. The TRIA automatically voided all policy exclusions which were in effect for terrorism related losses and obligated insurers to offer terrorism coverage with most commercial property and casualty insurance lines. The TRIREA revised the definition of "property and casualty insurance" to exclude commercial automobile, burglary and theft, surety, professional liability and farm owner's multi-peril insurance. TRIPRA did not make any further changes to the definition of property and casualty insurance, however, it does include domestic acts of terrorism within the scope of the program. Although insurers are permitted to charge an additional premium for terrorism coverage, insureds may reject the coverage. Under TRIPRA, the program's protection is not triggered for losses arising from an act of terrorism until the industry first suffers losses of \$100 billion in the aggregate during any one year. Once the program trigger is met, the program will pay 85% of an insurer's terrorism losses that exceed that individual insurer's deductible. The insurer's deductible is 20% of direct earned premium on property and casualty insurance. Insurers may reinsure that portion of the risk they retain under the program. Effective January 1, 2008, the Company reinsured limits of \$198.0 million excess of \$2.0 million for claims arising from certain acts of terrorism for casualty clash coverage and catastrophe workers' compensation liability insurance coverage.

(e) Competition. The insurance business is highly competitive and Old Republic competes with many stock and mutual insurance companies. Many of these competitors offer more insurance coverages and have substantially greater financial resources than the Company. The rates charged for many of the insurance coverages in which the Company specializes, such as workers' compensation insurance, other property and liability insurance and title insurance, are primarily regulated by the states and are also subject to extensive competition among major insurance organizations. The basic methods of competition available to Old Republic, aside from rates, are service to customers, expertise in tailoring insurance programs to the specific needs of its clients, efficiency and flexibility of operations, personal involvement by its key executives, and, as to title insurance, accuracy and timely delivery of evidences of title issued.

For certain types of coverages, including loan credit indemnity and mortgage guaranty insurance, the Company has historically competed in varying degrees with the Federal Housing Administration ("FHA") and the Veterans Administration ("VA"). In recent years, the FHA's market share of insured mortgages has increased significantly, mostly due to the more restrictive underwriting guidelines and premium rate increases imposed by private mortgage insurers. Mortgage insurance companies also compete by providing contract underwriting services to lenders, enabling the latter to improve the efficiency of their operations by outsourcing all or part of their mortgage loan underwriting processes. As already noted, the Company ceased underwriting new mortgage guaranty insurance effective August 31, 2011.

The Company believes its experience and expertise have enabled it to develop a variety of specialized insurance programs and related services for its customers, and to secure state insurance departments' approval of these programs.

(f) Government Regulation. In common with all insurance companies, Old Republic's insurance subsidiaries are subject to the regulation and supervision of the jurisdictions in which they do business. The method of such regulation varies, but, generally, regulation has been delegated to state insurance commissioners who are granted broad administrative powers relating to: the licensing of insurers and their agents; the nature of and limitations on investments; approval of policy forms; reserve requirements; and trade practices. In addition to these types of regulation, many classes of insurance, including most of the Company's insurance coverages, are subject to rate regulations which require that rates be reasonable, adequate, and not unfairly discriminatory.

The majority of states have also enacted insurance holding company laws which require registration and periodic reporting by insurance companies controlled by other corporations licensed to transact business within their respective jurisdictions. Old Republic's insurance subsidiaries are subject to such legislation and are registered as controlled insurers in those jurisdictions in which such registration is required. Such legislation varies from state to state but typically requires periodic disclosure concerning the corporation which controls the registered insurers, or ultimate holding company, and all subsidiaries of the ultimate holding company, and prior approval of certain intercorporate transfers of assets (including payments of dividends in excess of specified amounts by the insurance subsidiary) within the holding company system. Each state has established minimum capital and surplus requirements to conduct an insurance business. All of the Company's subsidiaries, except its mortgage guaranty insurance subsidiaries as described above, meet or exceed these requirements, which vary from state to state.

(g) Employees. As of December 31, 2012, Old Republic and its subsidiaries employed approximately 7,800 persons on a full time basis. A majority of eligible full time employees participate in various pension (all of which are in run-off status) or similar plans which provide benefits payable upon retirement. Eligible employees are also covered by hospitalization and major medical insurance, group life insurance, and various savings, profit sharing, and deferred compensation plans. The Company considers its employee relations to be good.

(h) Website access. The Company files various reports with the U.S. Securities and Exchange Commission ("SEC"), including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. The Company's filings are available for viewing and/or copying at the SEC's Public Reference Room located at 450 Fifth Street, NW, Washington, DC 20549. Information regarding the operation of the Public Reference Room can be obtained by calling 1-800-SEC-0330. The Company's reports are also available by visiting the SEC's internet website (<http://www.sec.gov>) and accessing its EDGAR database to view or print copies of the electronic versions of the Company's reports. Additionally, the Company's reports can be obtained, free of charge, by visiting its internet website (<http://www.oldrepublic.com>), selecting *Investors* then *SEC Filings* to view or print copies of the electronic versions of the Company's reports. The contents of the Company's internet website are not intended to be, nor should they be considered incorporated by reference in any of the reports the Company files with the SEC.

Item 1A - Risk Factors

Risk factors are uncertainties and events over which the Company has limited or no control, and which can have a materially adverse effect on its business, results of operations or financial condition. The Company and its business segments are subject to a variety of risk factors and, within individual segments, each type of insurance coverage may be exposed to varying risk factors. The following sections set forth management's evaluation of the most prevalent material risk factors for the Company as a whole and for each business segment. There may be risks which management does not presently consider to be material that may later prove to be material risk factors as well.

Parent Company

Dividend Dependence and Liquidity

The Company is an insurance holding company with no operations of its own. Substantially all of its assets consist of the business conducted by its insurance subsidiaries. It relies upon dividends from such subsidiaries in order to pay the interest and principal on its debt obligations, dividends to its shareholders, and corporate expenses. The extent to which the insurance subsidiaries are able to declare and pay dividends is subject to regulations under the laws of their states or foreign jurisdictions of domicile. The regulations limit dividends based on the amount of statutory adjusted unassigned surplus or statutory earnings, and require the insurance subsidiaries to maintain minimum amounts of capital, surplus and reserves. Dividends in excess of the ordinary limitations can only be declared and paid with prior regulatory approval, of which there can be no assurance. The inability of the insurance subsidiaries to pay dividends in an amount sufficient to meet the Company's debt service and cash dividends on stock, as well as other cash requirements could result in liquidity issues.

Capitalization

Apart from dividends and interest on intercompany financing arrangements from its subsidiaries, the Company has access to various capital and liquidity resources including holding company investments and the debt and equity capital markets. At December 31, 2012, the Company's consolidated debt to equity ratio was 15.9%. Management believes that this level of financial leverage is sufficiently conservative that the Company would have additional borrowing capacity to meet some possible future capital or liquidity needs. The availability of all such capital sources cannot, however, be assured and its cost could be significant at the time capital is raised.

Convertible Senior Notes

The Company's 3.75% Convertible Senior Notes ("the Notes") contain provisions defining certain events of default, among them a court ordered proceeding due to the insolvency of a Significant Subsidiary. The Notes define Significant Subsidiary in accordance with paragraph (w) of Rule 1-02 of the SEC's Regulation S-X. The Company's flagship mortgage guaranty insurance carrier, Republic Mortgage Insurance Company, ("RMIC") qualifies as a Significant Subsidiary for purposes of the Notes. If RMIC were to become statutorily impaired, its insolvency could trigger a receivership proceeding which, in turn could ultimately result in an event of default. If this were to occur, the outstanding principal of the Notes could become immediately due and payable. As previously noted, however, management believes the Final Order issued by the North Carolina Department of Insurance to RMIC has precluded such an event from occurring for the foreseeable future. Moreover, RMIC is expected to be increasingly less significant as its run-off book of business extinguishes itself. While Old Republic believes that it would have access to the capital markets or otherwise mitigate an event of default under the Notes, there is no assurance that it would be able to do so under future stressful capital market conditions.

Risk Factors Common to the Company and its Insurance Subsidiaries

Investment Risks

The Company's invested assets and those of its subsidiaries are centrally managed through a wholly owned asset management subsidiary. Most of the investments consist of fixed maturity securities.

Changes in interest rates directly affect the income from, and the fair value of fixed maturity investments. Such changes could reduce the value of the Company's investment portfolio and adversely affect the Company's and its subsidiaries' results of operations and financial condition. A smaller percentage of total investments are in indexed funds and actively managed equities. A change in general economic conditions, the stock market, or in many other external factors could adversely affect the value of those investments and, in turn, the Company's, or its subsidiaries' results and financial condition. Further, the Company manages its fixed maturity investments by taking into account the maturities of such securities and the anticipated liquidity needs of the Company and its subsidiaries. Should the Company suddenly experience greater than anticipated liquidity needs for any reason, it could face a temporary cash shortfall that could have a materially adverse effect on its financial condition or operating results.

Excessive Losses and Loss Expenses

Although the Company's business segments encompass different types of insurance, the greatest risk factor common to all insurance coverages is excessive losses due to unanticipated claims frequency, severity or a combination of both. Many of the factors affecting the frequency and severity of claims depend upon the type of insurance coverage, but others are shared in common. Severity and frequency can be affected by changes in national economic conditions,

unexpectedly adverse outcomes in claims litigation, often as a result of unanticipated jury verdicts, changes in court made law, adverse court interpretations of insurance policy provisions resulting in increased liability or new judicial theories of liability, together with unexpectedly high costs of defending claims.

Inadequate Reserves

Reserves are the amounts that an insurance company sets aside for its anticipated policy liabilities. Claim reserves are an estimate of liability for unpaid claims and claims defense and adjustment expenses, and cover both reported as well as IBNR claims. It is not possible to calculate precisely what these liabilities will amount to in advance and, therefore, the reserves represent a best estimate at any point in time. Such estimates are based upon known historical loss data, certain assumptions and expectations of future trends in claim frequency and severity, interest rates and other economic considerations. The latter are affected by a variety of factors over which insurers have little or no control and which can be quite volatile.

Reserve estimates are periodically reviewed in light of known developments and, where necessary, they are adjusted and refined as circumstances may warrant. Nevertheless, the reserve setting process is inherently uncertain. If for any of these reasons reserve estimates prove to be inadequate, the Company's subsidiaries can be forced to increase their reported liabilities; such an occurrence could result in a materially adverse impact on their results of operations and financial condition.

Inadequate Pricing

Premium rates are generally determined on the basis of historical data for claim frequency and severity as well as related production and other expense patterns. In the event ultimate claims and expenses exceed historically projected levels, premium rates are likely to prove insufficient. Premium rate inadequacy may not become evident quickly, may require time to correct, and, much like excessive losses can affect adversely the Company's business, operating results and financial condition.

Liquidity Risk

As indicated above, the Company manages its fixed-maturity investments with a view toward matching the maturities of those investments with the anticipated liquidity needs of its subsidiaries for the payment of claims and expenses. If a subsidiary suddenly experienced greater-than-anticipated liquidity needs for any reason, it could require an injection of funds that might not necessarily be available to meet its obligations at a point in time. Alternatively, invested securities may need to be sold at a loss and thus impact adversely both financial condition and operating results.

Regulatory Environment

The Company's insurance businesses are subject to extensive governmental regulation under state laws in the U.S. and the laws of each of the few other jurisdictions outside the U.S. in which they operate. These regulations relate to such matters as licensing requirements, types of insurance products that may be sold, premium rates, marketing practices, capital and surplus requirements, investment limitations, underwriting limitations, dividend payment limitations, transactions with affiliates, accounting practices, taxation and other matters. While most of the regulation is at the state level in the U.S., the federal government has increasingly expressed an interest in regulating the insurance business and has injected itself through the Graham-Leach-Bliley Act, the Patriot Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2009. Moreover, changes in the Internal Revenue Code and other regulations bear directly on the costs of conducting an insurance business through increased compliance expenses.

Apart from the rising costs of compliance, as existing regulations evolve through administrative and court interpretations, and as new regulations are adopted, there is no basis for predicting the impact that changes could have on the Company's businesses in the future. The impact could have a material adverse effect on the manner in which the company's subsidiaries do business, and/or their ability to compete, to continue offering their existing products, or to pursue acquisitions and growth opportunities.

Competition

Each of the Company's lines of continuing insurance business is highly competitive and is likely to remain so for the foreseeable future. Moreover, existing competitors and the capital markets have from time to time brought an influx of capital and newly-organized entrants into the industry, and changes in laws have enabled financial institutions, like banks and savings and loans, to sell insurance products. Increases in competition threaten to reduce demand for the Company's insurance products, reduce its market share and growth prospects, and potentially reduce its profitability.

Exposure to Independent Rating Downgrades

The competitive positions of insurance companies in general have come to depend increasingly on independent ratings of their financial strength and claims-paying ability. The rating agencies base their ratings on criteria they establish regarding an insurer's financial strength, operating performance, strategic position and ability to meet its obligations to policyholders. A significant downgrade in the ratings of any of the Company's major policy-issuing subsidiaries could have a materially adverse effect on their ability to compete for new business and retain existing business and, as a result, their operating results and financial condition.

Financial Institutions Risk

The Company's subsidiaries have significant business relationships with financial institutions, particularly national banks. The subsidiaries are the beneficiaries of a considerable amount of security in the form of letters of credit which they hold as collateral securing the obligations of insureds and certain reinsurers. Some of the banks themselves have subsidiaries that reinsure the Company's business. Other banks are depositories holding large sums of money in escrow accounts established by the Company's title subsidiaries. There is thus a risk of concentrated financial exposures in one or more such banking institutions. If any of these institutions fail or are unable to honor their credit obligations, or if escrowed funds become lost or tied up due to the failure of a bank, the result could have a materially adverse effect on the Company's business, results of operations and financial condition.

Risk Management

The Company has established processes and procedures designed to identify, measure, analyze, monitor and report the types of risk the Company and its subsidiaries are subject to, including operational risk, market risk, credit risk, liquidity risk, investment risk, interest rate risk, legal risk and reputational risk, among others. There are inherent limitations in such processes and procedures, and as a result, there is always the possibility that the Company has not adequately identified or anticipated risks. Such inadequacies could lead to future unexpected losses or expenses.

Legal Risks

The Company and certain of its subsidiaries are from time to time named defendants or otherwise involved in various legal proceedings, including class actions and other litigation or arbitration proceedings with third parties, as well as proceedings by regulatory agencies. Any of these actions could result in judgments, settlements, fines or penalties which could materially adversely affect the Company's or its subsidiaries' business, financial condition or results of operations.

Acquisition Integration Risk

The Company has from time to time grown its business by acquisition and is likely to consider acquisitions in the future. There can never be any assurance that such acquisitions will have positive accretive results. Integration of an acquired business can be costly and complex. The integration of acquisitions already completed, as well as any that may be completed in the future could result in significant unanticipated costs or losses of one sort or another.

Attracting and Retaining Qualified Employees

The Company's and its subsidiaries' employees at all levels are among their most important assets. Should the Company and its subsidiaries for any reason be unable to attract and retain qualified employees, their performance could be materially adversely affected.

In addition to the foregoing, the following are risk factors that are particular to each of the Company's three major business segments.

General Insurance Group

Catastrophic Losses

While the Company limits the property exposures it assumes, the casualty or liability insurance it underwrites creates an exposure to claims arising out of catastrophes. The two principal catastrophe exposures are earthquakes and acts of terrorism in areas where there are large concentrations of employees of an insured employer or other individuals who could potentially be injured and assert claims against an insured under workers' compensation policies. Collateral damage to property or persons from acts of terrorism and other calamities could also expose general liability policies.

Following the September 11, 2001 terrorist attack, the reinsurance industry eliminated coverage from substantially all reinsurance contracts for claims arising from acts of terrorism. As discussed elsewhere in this report, the U.S. Congress subsequently passed TRIA, TRIREA, and TRIPRA legislation that required primary insurers to offer coverage for certified acts of terrorism under most commercial property and casualty insurance policies. Although these programs established a temporary federal reinsurance program through December 31, 2014, primary insurers like the Company's general insurance subsidiaries retain significant exposure for terrorist act-related losses.

Long-Tailed Losses

Coverage for general liability is considered long-tailed coverage. Written in most cases on an "occurrence" basis, it often takes longer for covered claims to be reported and become known, adjusted and settled than it does for property claims, for example, which are generally considered short-tailed. The extremely long-tailed aspect of such claims as pollution, asbestos, silicosis, manganism (welding rod fume exposure), black lung, lead paint and other toxic tort claims, coupled with uncertain and sometimes variable judicial rulings on coverage and policy allocation issues and the possibility of legislative actions, makes reserving for these exposures highly uncertain. While the Company believes that it has reasonably estimated its liabilities for such exposures to date, and that its exposures are relatively modest, there is a risk of materially adverse developments in both known and as-yet-unknown claims.

Workers' Compensation Coverage

Workers' compensation coverage is the largest line of insurance written within the Company. The frequency and severity of claims, and the adequacy of reserves for workers' compensation claims and expenses can all be significantly influenced by such risk factors as future wage inflation in states that index benefits, the speed with which injured employees are able to return to work in some capacity, the cost and rate of inflation in medical treatments, the types of medical procedures and treatments, the cost of prescription medications, the frequency with which closed claims reopen for additional or related medical issues, the mortality of injured workers with lifetime benefits and medical treatments, the use of health insurance to cover some of the expenses, the assumption of some of the expenses by states' second injury funds, the use of cost containment practices like preferred provider networks, and the opportunities to recover against third parties through subrogation. Adverse developments in any of these factors, if significant, could have a materially adverse effect on the Company's operating results and financial condition.

Reinsurance

Reinsurance is a contractual arrangement whereby one insurer (the reinsurer) assumes some or all of the risk exposure written by another insurer (the reinsured). The Company depends on reinsurance to manage its risks both in terms of the amount of coverage it is able to write, the amount it is able to retain for its own account, and the price at which it is able to write it. The availability of reinsurance and its price, however, are determined in the reinsurance market by conditions beyond the Company's control.

Reinsurance does not relieve the reinsured company of its primary liability to its insureds in the event of a loss. It merely reimburses the reinsured company. The ability and willingness of reinsurers to honor their counterparty obligations to the Company represent credit risks. Old Republic has no practical basis for evaluating the risks assumed by a reinsurer from sources other than its own. Those risks could result in a significant deterioration of the reinsurer's ability to honor its obligations to the Company, thereby exacerbating credit risk exposure.

Old Republic addresses these risks by limiting its reinsurance placements to those reinsurers it considers the best credit risks. In recent years, however, there has been an ever decreasing number of reinsurers so considered. There can be no assurance that the Company will be able to find the desired or even adequate amounts of reinsurance at favorable rates from acceptable reinsurers in the future. If unable to do so, the Company would be forced to reduce the volume of business it writes or retain increased amounts of liability exposure. Because of the declining number of acceptable reinsurers, there is a risk that too much reinsurance risk may become concentrated in too few reinsurers. These concentrations of risk could adversely affect the Company's business, results of operations, and financial condition.

Insureds as Credit Risks

A significant amount of Old Republic's liability and workers' compensation business, particularly for large commercial insureds, is written on the basis of risk sharing underwriting methods utilizing large deductibles, captive insurance risk retentions, or other arrangements whereby the insureds effectively retain and fund varying and at times significant amounts of their losses. Their financial strength and ability to pay are carefully evaluated as part of the underwriting process and monitored periodically thereafter, and their retained exposures are estimated and collateralized based on pertinent credit analysis and evaluation. Because the Company is primarily liable for losses incurred under its policies, the possible failure or inability of insureds to honor their retained liability represents a credit risk. Any subsequently developing shortage in the amount of collateral held would also be a risk, as would the failure or inability of a bank to honor a letter of credit issued as collateral. These risk factors could have a materially adverse impact on the Company's results of operations and financial condition.

Guaranty Funds and Residual Markets

In nearly all states, licensed property and casualty insurers are required to participate in guaranty funds through assessments covering a portion of insurance claims against impaired or insolvent property and casualty insurers. Any increase in the number or size of impaired companies would likely result in an increase in the Company's share of such assessments.

Many states have established second injury funds that compensate injured employees for aggravation of prior injuries or conditions. These second injury funds are funded by assessments or premium surcharges.

Residual market or pooling arrangements exist in many states to provide various types of insurance coverage to those that are otherwise unable to find private insurers willing to insure them. All licensed property and casualty insurers writing such coverage voluntarily are required to participate in these residual market or pooling mechanisms.

A material increase in any of these assessments or charges could adversely affect the Company's results of operations and financial condition.

Prior Approval of Rates

Most of the lines of insurance underwritten by the Company are subject to prior regulatory approval of premium rates in a majority of the states. The process of securing regulatory approval can be time consuming and can impair the Company's ability to effect necessary rate increases in an expeditious manner. Furthermore, there is a risk that the

regulators will not approve a requested increase, particularly in regard to workers' compensation insurance with respect to which rate increases often confront strong opposition from local business, organized labor, and political interests.

Title Insurance Group

Housing and Mortgage Lending Markets

Since 2006, the tightening and collapse of credit markets, the collapse of the housing market, the general decline in the value of real property, the rise in unemployment, and the uncertainty and negative trends in general economic conditions have created a difficult operating environment for the Company's title insurance subsidiaries. Depending upon their ultimate severity and duration, these conditions could have a materially adverse effect on these subsidiaries' financial condition and results of operation over the near and longer terms. The impact of these conditions has been somewhat mitigated both by lower mortgage interest rates, which have lead to an increase in mortgage refinancings and by a rise in the number of agents producing business for the Companies' title insurance subsidiaries.

Competition

Business comes to title insurers primarily by referral from real estate agents, lenders, developers and other settlement providers. The sources of business lead to a great deal of competition among title insurers. Although the top four title insurance companies during 2012 accounted for about 87% of industry-wide premium volume, there are numerous smaller companies representing the remainder at the regional and local levels. The smaller companies are an ever-present competitive risk in the regional and local markets where their business connections can give them a competitive edge. Moreover, there is always competition among the major companies for key employees, especially those engaged in business production.

Regulation and Litigation

Regulation is also a risk factor for title insurers. The title insurance industry has recently been, and continues to be, under regulatory scrutiny in a number of states with respect to pricing practices, and alleged RESPA violations and unlawful rebating practices. The regulatory investigations could lead to industry-wide reductions in premium rates and escrow fees, the inability to get rate increases when necessary, as well as to changes that could adversely affect the Company's ability to compete for or retain business or raise the costs of additional regulatory compliance.

From time to time the Company's title insurance subsidiaries are named as defendants or are otherwise involved in various legal proceedings, including class actions and other litigation, disputes with third parties, and proceedings or civil investigations brought by regulatory agencies. Any resulting adverse judgments, settlements, fines, penalties or other rulings could have, directly or indirectly, a material adverse effect on the Company's financial condition, results of operations or business reputation.

Other Risks

Inadequate title searches are among the risk factors faced by the entire industry. If a title search is conducted thoroughly and accurately, there should theoretically never be a claim. When the search is less than thorough or complete, title defects can go undetected and claims result.

To a lesser extent, fraud is also a risk factor for all title companies -- sometimes in the form of an agent's or an employee's defalcation of escrowed funds, sometimes in the form of fraudulently issued title insurance policies.

RFIG Run-off Business

In late March 2012, the Company combined its General Insurance Group's Consumer Credit Indemnity (CCI) division with its Mortgage Guaranty (MI) business in a renamed Republic Financial Indemnity Group, Inc. (RFIG) Run-off segment. The two operations, which offer similar insurance coverages, have been in run-off operating mode since 2008 (CCI) and August 2011 (MI), and are inactive from new business production standpoints.

The combination affects the manner in which segmented information is now presented. The operating results of the combined coverages are therefore shown as a single run-off book of business within ORI's consolidated operations. Prior periods' segmented information for the general insurance and RFIG Run-off business segments has therefore been reclassified to provide necessary consistency in period-to-period comparisons.

Mortgage Guaranty Business in Run-off; Possible Material Losses, Statutory Capital Impairment, and Receivership

The material increases in mortgage guaranty insurance claims and loss payments that began in 2007 gradually depleted RMIC's statutory capital base and forced it to discontinue writing new business. Sixteen states have insurance laws or regulations which require a mortgage insurer to maintain a minimum amount of statutory capital relative to the level of risk in force, the most common measure being a risk to capital ratio of 25 to 1. The failure to maintain the prescribed minimum capital level in a particular state generally requires a mortgage insurer to immediately stop writing new business until it reestablishes the required level of capital or receives a waiver of the requirement from a state's insurance regulatory authority. RMIC breached the minimum capital requirement during the third quarter of 2010. RMIC had previously requested and, subsequently received waivers or forbearance of the minimum policyholder position requirements from

the regulatory authorities in substantially all affected states. Following several brief extensions, the waiver from its domiciliary state of North Carolina expired on August 31, 2011, and RMIC and its sister company, Republic Mortgage Insurance Company of North Carolina (RMIC-NC), discontinued writing new business in all states and limited themselves to servicing the run-off of their existing business.

During 2012 the North Carolina Department of Insurance ("NCDOI") issued several orders the ultimate effects of which were:

- To place RMIC and its affiliate, Republic Mortgage Insurance Company of North Carolina ("RMICNC") under NCDOI supervision;
- To approve a Corrective Plan submitted by RMIC pursuant to which all settled claims are to be paid in cash for 60% of the settled amount, with the remaining 40% retained in claim reserves as a Deferred Payment Obligation ("DPO") until a future payment of all or a portion of this 40% is approved by the NCDOI; and
- To execute the DPO-based run-off plan under Old Republic's ownership and NCDOI supervision of RMIC and RMICNC to effect a most economically sound realization of ultimate benefits to policyholders during a sufficiently long future period.

RMIC's evaluation of the potential long-term performance of the run-off book of business is based on various modeling techniques. Of necessity the resulting models take into account actual premium and paid claim experience of prior periods, together with a large number of assumptions and judgments about future outcomes that are highly sensitive to a wide range of estimates. Many of these estimates and underlying assumptions relate to matters over which the Company has no control, including: 1) The conflicted interests, as well as the varying mortgage servicing and foreclosure practices of a large number of insured lending institutions; 2) General economic and industry-specific trends and events; and 3) The evolving or future social and economic policies of the U.S. Government vis-à-vis such critical sectors as the banking, mortgage lending, and housing industries, as well as its policies for resolving the insolvencies and assigning a possible future role to Fannie Mae and Freddie Mac. These matters notwithstanding, RMIC's ten year standard model of forecasted results extending through 2022 continues to reflect ultimate profitability for the book of business.

The indicated positive outcome of the ten year standard model notwithstanding, it is more likely than not that MI operating results for 2013 and 2014 will be negative. As long as the run-off under NCDOI supervision remains in place, however, the statutory DPO accounting treatment should mitigate the adverse effect of operating losses on the statutory capital balance. In these circumstances, RMIC's and RMICNC's statutory solvency would be retained and the risk of a regulatory receivership action would be averted. In management's opinion, the DPO Plan under NCDOI supervision should be continued for a sufficiently long period of time to achieve the objectives contemplated by the above referenced NCDOI orders.

There can be no assurance that RMIC and RMIC-NC will emerge from the run-off as solvent companies or that, even if they do, they will be re-approved to write mortgage guaranty insurance on loans purchased by Fannie Mae or Freddie Mac. There can be no assurance that the conditions or the duration of the run-off of their business will remain unchanged or that they will remain under supervision rather than receivership.

Premium Income and Long-Term Claim Exposures

Mortgage insurers such as the Company issue long duration, guaranteed renewable policies covering multi-year periods during which exposure to loss exists. Loss exposures typically manifest themselves as recurring losses usually concentrated between the second and fifth year following issuance of any one year's new policies. Additionally, the policies cover catastrophic aggregations of claims such as those that have been occurring during the current recession engendered by substantial market dislocations in the housing and mortgage lending industries.

The Company's mortgage guaranty premiums stem principally from monthly installment policies. Substantially all such premiums are generally written and earned in the month coverage is effective. Recognition of claim costs, however, occurs only after an insured mortgage loan has missed two or more consecutive monthly payments. Accordingly, GAAP revenue recognition is not appropriately matched to the risk exposure and the consequent recognition of both normal and, most significantly, future catastrophic loss occurrences. As a result, mortgage guaranty GAAP earnings for any individual year or series of years may be materially adversely affected, particularly by cyclical catastrophic loss events such as the mortgage insurance industry has experienced since mid-year 2007. Reported GAAP earnings and financial condition form, in part, the basis for significant judgments and strategic evaluations made by management, analysts, investors, and other users of the financial statements issued by mortgage guaranty companies. The risk exists that such judgments and evaluations are at least partially based on GAAP financial information that does not match revenues and expenses and is not reflective of the long-term normal and catastrophic risk exposures assumed by mortgage guaranty insurers at any point in time. This risk is inherent in the models on which the run-off of RMIC's and RMIC-NC's business is based.

Inadequate Loss Reserves

The Company establishes reserves for losses and loss adjustment expenses for its mortgage and consumer credit indemnity insurance coverages based upon loans reported to be in default, as well as estimates of those in default but not yet reported. Of necessity, the reserves are best estimates by management and take into consideration its judgments and assumptions regarding the housing and mortgage markets, unemployment rates and economic trends in general. During the ongoing sustained economic downturn, loss reserve estimates become subject to even greater uncertainty and volatility. The rate and severity of actual losses could prove to be greater than expected and require the Company to effect substantial increases in its loss reserves. Depending upon the magnitude, such increases could have a materially

adverse impact on the Company's mortgage insurance and consumer credit indemnity insurance run-off business and the Company's consolidated results of operations and financial condition. There can be no assurance that the actual losses for the mortgage insurance and consumer credit indemnity coverages, will not be materially greater than previously established loss reserves.

Fewer Coverage Rescissions

The Company may rescind its mortgage guaranty and consumer credit indemnity coverages whenever it finds evidence that a loan did not qualify for insurance coverage in the first instance, or that a material misrepresentation had been made in the loan application by the borrower, the lender, and/or its agent. During the past several years, the rate of rescissions rose dramatically. As a result, rescissions reduced materially the percentage of approved claims, and loss reserving estimates have reflected assumptions about the levels of rescission activity.

A few policyholders who have experienced high rates of coverage rescission have instituted litigation or arbitration proceedings challenging the Company's position on rescissions. Whether the current rescission rates continue or decrease, it is possible that further litigation or arbitral challenges to the Company's rescissions of coverage could arise. If any of the challenges are successful, they could have a materially adverse effect on the Company's mortgage guaranty and/or consumer credit indemnity run-off insurance business and consolidated operating results and financial position. Even if such challenges should prove unsuccessful, the costs of addressing them through litigation could be substantial.

Item 1B - Unresolved Staff Comments

None

Item 2 - Properties

The principal executive offices of the Company are located in the Old Republic Building in Chicago, Illinois. This Company-owned building contains 151,000 square feet of floor space of which approximately 52% is occupied by Old Republic, and the remainder is leased to others. In addition to its Chicago building, the Company owns two other major office buildings. A subsidiary of the Title Insurance Group partially occupies its owned headquarters building in Minneapolis, Minnesota. This building contains 110,000 square feet of floor space of which approximately 73% is occupied by the Old Republic National Title Insurance Company, and the remainder is leased to others. A subsidiary of the General Insurance Group, PMA, owns its building in Blue Bell, Pennsylvania. This building contains 110,000 square feet of floor space and is entirely owner-occupied. Eight smaller buildings are owned by Old Republic and its subsidiaries in various parts of the nation and are primarily used for its business. The carrying value of all owned buildings and related land at December 31, 2012 was \$59.7 million.

Certain other operations of the Company and its subsidiaries are directed from leased premises. See Note 4(b) of the Notes to Consolidated Financial Statements for a summary of all material lease obligations.

Item 3 - Legal Proceedings

Legal proceedings against the Company and its subsidiaries routinely 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, non-routine legal proceedings which may prove to be material to the Company or a subsidiary 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 federal courts in two states - Pennsylvania (Markocki et al. v. ORNTIC, U.S. District Court, Eastern District, Pennsylvania, filed June 8, 2006), and Texas (Ahmad et al. v. ORNTIC, U.S. District Court, Northern District, Texas, Dallas Division, filed February 8, 2008). 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 Pennsylvania suit also alleges violations of the federal Real Estate Settlement Procedures Act ("RESPA"). The Court in the Texas suit dismissed similar RESPA allegations. Classes have been certified in the Pennsylvania suit, but the 5th Circuit Court of Appeals has reversed the earlier class certification in the Texas case.

A putative class action filed in state court in Kansas City, Missouri on December 7, 2006 (Painter et al. v. Old Republic Title Company of Kansas City and Old Republic National Title Insurance Company) alleges that the companies overcharged title recording fees in a number of states. No class has yet been certified. Though the suit is not expected to result in any material liability to the Company, the expenses of reviewing individual closing files as a part of the discovery which the Company has been ordered to undertake have been substantial and may continue.

On May 22, 2009, a purported national class action suit was filed in the U.S. District Court in Birmingham, Alabama (Barker v. Old Republic Home Protection) alleging that Old Republic Home Protection paid fees to the real estate brokers to market its home warranty contracts and that the payment of such fees was in violation of Sections 8(a) and 8(b) of RESPA. The suit seeks unspecified damages, including treble damages under RESPA. No class has been certified, and the action is not expected to result in any material liability to the Company.

On December 19, 2008, Old Republic Insurance Company and Old Republic Insured Credit Services, Inc., ("Old Republic") filed suit against Countrywide Bank FSB, Countrywide Home Loans, Inc. ("Countrywide") and Bank of New York Mellon, BNY Mellon Trust of Delaware in the Circuit Court, Cook County, Illinois (Old Republic Insurance Company, et al. v. Countrywide Bank FSB, et al.) seeking rescission of various credit indemnity policies issued to insure home equity loans and home equity lines of credit which Countrywide had securitized or held for its own account, a declaratory judgment and money damages based upon material misrepresentations either by Countrywide as to the credit characteristics of the loans or by the borrowers in their loan applications. Countrywide filed a counterclaim alleging a breach of contract, bad faith and seeking a declaratory judgment challenging the factual and procedural bases that Old Republic had relied upon to deny or rescind coverage for individual defaulted loans under those policies, as well as unspecified compensatory and punitive damages.

On November 3, 2010, Bank of America, N.A. ("B of A") filed suit against Old Republic Insurance Company ("ORIC") in the U.S. District Court for the Western District of North Carolina (Bank of America, N.A. v. Old Republic Insurance Company) alleging breach of contract, breach of the duty of good faith and fair dealing and bad faith with respect to ORIC's handling of certain claims under a policy of credit indemnity insurance issued to B of A. The policy is not related to those issued to Countrywide, which are the subject of the above-noted separate litigation. The B of A suit seeks a declaratory judgment with respect to the interpretation of certain policy terms, B of A's compliance with certain terms and conditions of the policy, and the propriety of certain positions and procedures taken by ORIC in response to claims filed by B of A. The suit also seeks money damages in excess of \$320 million, pre and post judgment interest and unspecified punitive damages. On January 23, 2012, ORIC filed a counterclaim seeking damages based on B of A's alleged interference with ORIC's subrogation rights.

On December 31, 2009, two of the Company's mortgage insurance subsidiaries, Republic Mortgage Insurance Company and Republic Mortgage Insurance Company of North Carolina (together "RMIC") filed a Complaint for Declaratory Judgment in the Supreme Court of the State of New York, County of New York, against Countrywide Financial Corporation, Countrywide Home Loans, Inc., The Bank of New York Mellon Trust Company, N.A., BAC Home Loans Servicing, LP, and Bank of America N.A. as successor in interest to Countrywide Bank, N.A. (together "Countrywide") (Republic Mortgage Insurance Company, et al v. Countrywide Financial Corporation, et al.). The suit relates to five mortgage insurance master policies (the "Policies") issued by RMIC to Countrywide or to the Bank of New York Mellon Trust Company as co-trustee for trusts containing securitized mortgage loans that were originated or purchased by Countrywide. RMIC has rescinded its mortgage insurance coverage on over 1,500 of the loans originally covered under the Policies based upon material misrepresentations of the borrowers in their loan applications or the negligence of Countrywide in its loan underwriting practices or procedures. Each of the coverage rescissions occurred after a borrower had defaulted and RMIC reviewed the claim and loan file submitted by Countrywide. The suit seeks the Court's review and interpretation of the Policies' incontestability provisions and its validation of RMIC's investigation procedures with respect to the claims and underlying loan files.

On January 29, 2010, in response to RMIC's suit, Countrywide served RMIC with a demand for arbitration under the arbitration clauses of the same Policies. The demand raises largely the same issues as those raised in RMIC's suit against Countrywide, but from Countrywide's perspective, as well as Countrywide's and RMIC's compliance with the terms, provisions and conditions of the Policies. The demand includes a prayer for punitive, compensatory and consequential damages. RMIC filed a motion to stay the arbitration, and Countrywide filed a motion to dismiss RMIC's

lawsuit and to compel the arbitration. On July 26, 2010, the Court granted Countrywide's motion, ordering the matters be submitted to arbitration and dismissing the lawsuit. The arbitration is proceeding.

After its First Amended Complaint was dismissed on May 4, 2011, on July 19, 2011, J.P. Morgan Chase Bank, N.A. ("Chase") filed a Second Amended Complaint against RMIC in the U.S. District Court for the District of New Jersey arising out of RMIC's rescissions of coverage on approximately 377 mortgage loans. (J.P. Morgan Chase Bank, N.A. v. Republic Mortgage Insurance Company). The new lawsuit abandons the earlier claim, which the Court dismissed, that RMIC could not unilaterally rescind coverage. Instead, Chase alleges that RMIC's rescissions were improper either because the coverage had become incontestable; or the rescissions relied upon evidence that was either improperly obtained or insufficient, unreliable or immaterial; or the rescissions were not permitted by applicable law. Based on these allegations, Chase asserts claims for breach of contract, breach of good faith and fiduciary duties, negligence and violations of Colorado and Louisiana insurance laws and seeks declaratory relief and unspecified compensatory, treble and punitive damages. On September 26, 2011, RMIC filed a motion for entry of an order dismissing various claims in the Second Amended Complaint with prejudice and requiring Chase to provide a more definitive statement of any remaining claims. That motion is awaiting the Court's action.

Nine purported class action suits alleging RESPA violations have been filed in the Federal District Courts, two in the Central District of California, five in the Eastern District of Pennsylvania, and two in the Western District of Pennsylvania, respectively, between December 9, 2011 and January 4, 2013. The suits target J.P. Morgan Chase Bank, N.A., the PNC Financial Services Group, Inc. as successor to National City Bank, N.A., Citibank, N.A., HSBC Bank USA, N.A., Bank of America, N.A., Fifth Third Bank, N.A., Flagstar Bank, FSB, First Tennessee Bank, N.A., and Wachovia Bank, N.A., each of their wholly-owned captive insurance subsidiaries and most or all of the mortgage guaranty insurance companies, including RMIC. (Samp, Komarchuk, Whitaker v. J.P. Morgan Chase Bank, N.A., et al.; White, Hightower v. The PNC Financial Services Group, Inc., et al.; Menichino v. CitiBank, N.A., et al.; Riddle v. Bank of America, et al.; Manners v. Fifth Third Bank, et al.; Hill, et al. v. Flagstar Bank, FSB, et al.; Barlee v. First Tennessee Bank, N.A., et al.; Orange v. Wachovia Bank, N.A., et al.; and Ba, Chip, et al. v. HSBC Bank USA, N.A., et al.). The lawsuits, filed by the same law firms, are substantially identical in alleging that the mortgage guaranty insurers had reinsurance arrangements with the defendant banks' captive insurance subsidiaries under which payments were made in violation of the anti-kickback and fee splitting prohibitions of Sections 8(a) and 8(b) of RESPA. Each of the suits seeks unspecified damages, costs, fees and the return of the allegedly improper payments. A class has not been certified in any of the suits.

A purported state class action suit was filed against Old Republic Title Company in the Superior Court of California for Orange County on January 7, 2011, on behalf of the Company's escrow officers and escrow assistants in the State of California. (Hinrichs v. Old Republic Title Company). The Company filed a demur to the complaint, and in response, plaintiff filed an Amended Complaint on January 5, 2012 adding another named plaintiff. The suit alleged that the Company failed to pay overtime, failed to calculate overtime properly, denied meal breaks and rest breaks and failed to itemize pay statements, in violation of the California Labor Code and seeks compensatory damages, statutory penalties, interest, costs and attorneys' fees for the period from January 7, 2007 to the present. On January 11, 2013, a tentative settlement was reached calling for the Company's payment to the plaintiffs, the class and their lawyers. The Company has recorded its estimated liability as of December 31, 2012.

On September 26, 2012 a purported national class action suit was filed against Old Republic Home Protection Company in the Superior Court of California for Riverside County. (Friedman v. Old Republic Home Protection Company, Inc.). The suit alleges that the Company operates in breach of its home warranty contracts, in breach of implied covenants of good faith and fair dealing, in violation of various provisions of the California Civil Code and Business and Professions Code and is guilty of false advertising. The stated class period is from November 24, 2004 through the present. The suit seeks declaratory relief, injunctive relief, restitution, damages, costs and attorneys' fees in unspecified amounts. The firm representing the plaintiff had previously filed similar suits against the Company, which were unsuccessful. The Company succeeded in having the case removed to the U.S. District Court for the Central District of California on October 24, 2012, and believes it has strong defenses to the allegations and to the certification of any class in this matter.

PNC Bank, N.A., in its own right and as successor-in-interest to National City Corporation, filed suit against RMIC on October 10, 2012 in the United States District Court for the Western District of Pennsylvania disputing RMIC's denials and rescissions of its mortgage guaranty insurance coverage on an unspecified number of mortgage loans. It filed an amended complaint on January 30, 2013 identifying 248 disputed coverage denials or rescissions (PNC Bank, N.A. v. Republic Mortgage Insurance Company). The suit seeks certain declaratory relief, actual money damages and unspecified compensatory, consequential and punitive damages.

Under GAAP, an estimated loss is accrued only if the loss is probable and reasonably estimable. The Company and its subsidiaries have defended and intend to continue defending vigorously against each of the aforementioned actions. The Company does not believe it probable that any of these actions will have a material adverse effect on its consolidated financial position, results of operations or cash flows, though there can be no assurance in those regards. Except as otherwise noted, the Company is unable to make a reasonable estimate or range of estimates of any potential liability under these lawsuits, the counterclaim and the arbitration, all of which seek unquantified damages, attorneys' fees and expenses. It is also unclear what effect, if any, the run-off of RMIC and depletion of its capital will have in the actions against it.

Item 4 - Mine Safety Disclosures

Not applicable.

PART II

Item 5 - Market for the Registrant's Common Equity, Related Security Holder Matters and Issuer Purchases of Equity Securities

The Company's common stock is traded on the New York Stock Exchange under the symbol "ORI". The high and low sales prices as reported on the New York Stock Exchange and cash dividends declared for each quarterly period during the past two years were as follows:

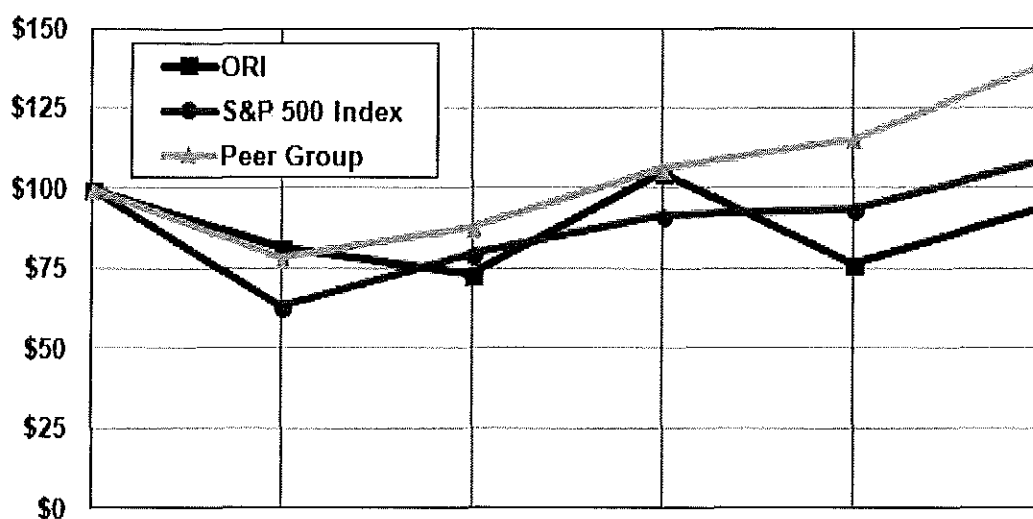
		Sales Price		Cash
		High	Low	Dividends
1st quarter	2011	\$ 13.92	\$ 11.62	\$.1750
2nd quarter	2011	13.28	11.57	.1750
3rd quarter	2011	12.20	8.68	.1750
4th quarter	2011	<u>\$ 10.48</u>	<u>\$ 7.15</u>	<u>\$.1750</u>
1st quarter	2012	\$ 11.21	\$ 8.86	\$.1775
2nd quarter	2012	10.88	8.02	.1775
3rd quarter	2012	9.81	7.76	.1775
4th quarter	2012	<u>\$ 11.05</u>	<u>\$ 9.20</u>	<u>\$.1775</u>

As of January 31, 2013, there were 2,351 registered holders of the Company's Common Stock. See Note 3(c) of the Notes to Consolidated Financial Statements for a description of certain regulatory restrictions on the payment of dividends by Old Republic's insurance subsidiaries.

Comparative Five Year Performance Graphs for Common Stock

The following table, prepared on the basis of market and related data furnished by Standard & Poor's Total Return Service, reflects total market return data for the most recent five calendar years ended December 31, 2012. For purposes of the presentation, the information is shown in terms of \$100 invested at the close of trading on the last trading day preceding the first day of the fifth preceding year. The \$100 investment is deemed to have been made either in Old Republic Common Stock, in the S&P 500 Index of common stocks, or in an aggregate of the common shares of the Peer Group of publicly held insurance businesses selected by Old Republic. The cumulative total return assumes reinvestment of cash dividends on a pretax basis. The information utilized to prepare the following tables has been obtained from sources believed to be reliable, but no representation is made that it is accurate or complete in all respects.

Comparison of Five Year Total Market Return
OLD REPUBLIC INTERNATIONAL CORPORATION vs. S&P 500 vs. Peer Group
(For the five years ended December 31, 2012)



	<u>Dec 07</u>	<u>Dec 08</u>	<u>Dec 09</u>	<u>Dec 10</u>	<u>Dec 11</u>	<u>Dec 12</u>
ORI	\$100.00	\$ 81.64	\$ 73.26	\$104.83	\$ 76.21	\$ 94.37
S&P 500	100.00	63.00	79.67	91.68	93.61	108.59
Peer Group	100.00	78.54	87.99	106.05	115.50	138.64

The Peer Group consists of the following publicly held corporations selected by the Company for its 2007 to 2012 comparison: Ace Limited, American Financial Group, Inc., The Chubb Corporation, Cincinnati Financial Corporation, First American Financial Corporation, Market Corporation, MGIC Investment Corporation, Stewart Information Services Corporation, Travelers Companies, Inc., and XL Group Plc.

The composition of the Peer Group companies has been approved by the Compensation Committee.

Item 6 - Selected Financial Data (\$ in millions, except share data)

December 31:	2012	2011	2010	2009	2008
FINANCIAL POSITION:					
Cash and Invested Assets (a)	\$ 10,800.6	\$ 10,685.2	\$ 10,490.7	\$ 9,879.0	\$ 8,855.1
Other Assets	5,426.2	5,365.2	5,391.9	4,310.9	4,410.9
Total Assets	<u>\$ 16,226.8</u>	<u>\$ 16,050.4</u>	<u>\$ 15,882.7</u>	<u>\$ 14,190.0</u>	<u>\$ 13,266.0</u>
Liabilities, Other than Debt	\$ 12,057.6	\$ 11,365.0	\$ 11,286.2	\$ 9,951.8	\$ 9,292.6
Debt	572.9	912.8	475.0	346.7	233.0
Total Liabilities	<u>12,630.6</u>	<u>12,277.8</u>	<u>11,761.3</u>	<u>10,298.6</u>	<u>9,525.7</u>
Preferred Stock	—	—	—	—	—
Common Shareholders' Equity	3,596.2	3,772.5	4,121.4	3,891.4	3,740.3
Total Liabilities and Shareholders' Equity	<u>\$ 16,226.8</u>	<u>\$ 16,050.4</u>	<u>\$ 15,882.7</u>	<u>\$ 14,190.0</u>	<u>\$ 13,266.0</u>
Total Capitalization (b)	<u>\$ 4,169.1</u>	<u>\$ 4,685.4</u>	<u>\$ 4,596.4</u>	<u>\$ 4,238.2</u>	<u>\$ 3,973.4</u>
<hr/>					
Years Ended December 31:	2012	2011	2010	2009	2008
RESULTS OF OPERATIONS:					
Net Premiums and Fees Earned	\$ 4,471.0	\$ 4,050.1	\$ 3,573.5	\$ 3,388.9	\$ 3,318.1
Net Investment and Other Income	451.1	479.8	420.0	408.3	406.0
Realized Investment Gains (Losses)	47.8	115.5	109.1	6.3	(486.4)
Net Revenues	<u>4,970.1</u>	<u>4,645.5</u>	<u>4,102.7</u>	<u>3,803.6</u>	<u>3,237.7</u>
Benefits, Claims, and Settlement Expenses	2,765.3	2,764.3	2,278.2	2,609.8	2,722.1
Underwriting and Other Expenses	<u>2,333.3</u>	<u>2,117.8</u>	<u>1,796.8</u>	<u>1,467.4</u>	<u>1,334.8</u>
Pretax Income (Loss)	(128.5)	(236.7)	27.6	(273.6)	(819.2)
Income Taxes (Credits)	(59.8)	(96.1)	(2.5)	(174.4)	(260.8)
Net Income (Loss)	<u>\$ (68.6)</u>	<u>\$ (140.5)</u>	<u>\$ 30.1</u>	<u>\$ (99.1)</u>	<u>\$ (558.3)</u>
<hr/>					
COMMON SHARE DATA:					
Net Income (Loss):					
Basic	\$ (.27)	\$ (.55)	\$.13	\$ (.42)	\$ (2.41)
Diluted	<u>\$ (.27)</u>	<u>\$ (.55)</u>	<u>\$.13</u>	<u>\$ (.42)</u>	<u>\$ (2.41)</u>
Dividends: Cash	<u>\$.71</u>	<u>\$.70</u>	<u>\$.69</u>	<u>\$.68</u>	<u>\$.67</u>
Book Value	<u>\$ 14.03</u>	<u>\$ 14.76</u>	<u>\$ 16.16</u>	<u>\$ 16.49</u>	<u>\$ 15.91</u>
Common Shares (thousands):					
Outstanding	<u>256,392</u>	<u>255,681</u>	<u>255,045</u>	<u>235,995</u>	<u>235,031</u>
Average: Basic	<u>255,812</u>	<u>255,045</u>	<u>241,075</u>	<u>235,657</u>	<u>231,484</u>
Diluted	<u>255,812</u>	<u>255,045</u>	<u>241,327</u>	<u>235,657</u>	<u>231,484</u>

(a) Consists of cash, investments and accrued investment income.

(b) Total capitalization consists of debt, preferred stock, and common shareholders' equity.

Item 7 - Management Analysis of Financial Position and Results of Operations
(\$ 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), Title, and the RFIG (mortgage guaranty and consumer credit indemnity) Run-off Business. A small life and accident insurance business, accounting for 1.3% of consolidated operating revenues for the year ended December 31, 2012 and 1.5% of consolidated assets as of that date, is included within the corporate and other caption of this report.

The consolidated accounts are presented in conformity with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") of accounting principles generally accepted in the United States of America ("GAAP"). As a publicly held company, Old Republic utilizes GAAP largely to comply with the financial reporting requirements of the Securities and Exchange Commission ("SEC"). From time to time the FASB and the SEC issue various releases most of which require additional financial statement disclosures and provide related application guidance. Of particular relevance to the Company's financial statements is new guidance issued by the FASB relative to the calculation of deferred acquisition costs incurred by insurance entities which is discussed further in Note 1(f) of the Notes to Consolidated Financial Statements.

As a state regulated financial institution vested with the public interest, however, business of the Company's insurance subsidiaries is managed pursuant to the laws, regulations, and accounting practices of the various states in the U.S. and those of a small number of other jurisdictions outside the U.S. in which they operate. In comparison with GAAP, the statutory accounting practices reflect greater conservatism and comparability among insurers, and are intended to address the primary financial security interests of policyholders and their beneficiaries. Additionally, these practices also affect a significant number of important factors such as product pricing, risk bearing capacity and capital adequacy, the determination of Federal income taxes payable currently among ORI's tax-consolidated entities, and the upstreaming of dividends by insurance subsidiaries to the parent holding company. The major differences between these statutory financial accounting practices and GAAP are summarized in Note 1(a) to the consolidated financial statements included elsewhere in this report.

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 necessarily managed for the long run and without significant 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.

This management analysis should be read in conjunction with the consolidated financial statements and the footnotes appended to them.

EXECUTIVE SUMMARY

In late March 2012, the Company combined its General Insurance Group's Consumer Credit Indemnity (CCI) division with its Mortgage Guaranty (MI) business in a renamed Republic Financial Indemnity Group, Inc. ("RFIG") Run-off segment. The two operations, which offer similar insurance coverages, have been in run-off operating mode since 2008 (CCI) and August 2011 (MI), and are inactive from new business production standpoints.

The combination affects the manner in which segmented information is now presented. The operating results of the combined coverages are therefore shown as a single run-off book of business within ORI's consolidated operations. Prior periods' segmented information for the general insurance and RFIG run-off business segments has therefore been reclassified to provide necessary consistency in period-to-period operating comparisons. The segment reclassifications have no effect on the presentation of the underlying consolidated financial statements.

Financial Highlights

	2012	2011	2010	% Change	
				2012 vs. 2011	2011 vs. 2010
Years Ended December 31:					
Operating Revenues:					
Excluding run-off business	\$ 4,474.9	\$ 3,965.3	\$ 3,317.0	12.9 %	19.5 %
RFIG run-off business	447.3	564.6	676.5	(20.8)	(16.5)
Total	\$ 4,922.2	\$ 4,529.9	\$ 3,993.5	8.7 %	13.4 %
Net Operating Income (Loss):					
Excluding run-off business	\$ 231.0	\$ 257.5	\$ 218.9	(10.3)%	17.7 %
RFIG run-off business	(330.8)	(476.1)	(259.5)	30.5	(83.4)
Total	\$ (99.7)	\$ (218.5)	\$ (40.6)	54.3 %	N/M
Net Income (Loss):					
Excluding run-off business	\$ 253.1	\$ 280.5	\$ 261.6	(9.8)%	7.2 %
RFIG run-off business	(321.8)	(421.1)	(231.4)	23.6	(81.9)
Total	\$ (68.6)	\$ (140.5)	\$ 30.1	51.1 %	N/M
Diluted Earnings Per Share:					
Net Operating Income (Loss)					
Excluding run-off business	\$ 0.90	\$ 1.01	\$ 0.92	(10.9)%	9.8 %
RFIG run-off business	(1.29)	(1.87)	(1.08)	31.0	(73.1)
Total	\$ (0.39)	\$ (0.86)	\$ (0.16)	54.7 %	N/M
Net Income (Loss)					
Excluding run-off business	\$ 0.99	\$ 1.10	\$ 1.09	(10.0)%	0.9 %
RFIG run-off business	(1.26)	(1.65)	(0.96)	23.6	(71.9)
Total	\$ (0.27)	\$ (0.55)	\$ 0.13	50.9 %	N/M
Cash Dividends Per Share	\$ 0.71	\$ 0.70	\$ 0.69	1.4 %	1.4 %
Ending Book Value Per Share	\$ 14.03	\$ 14.76	\$ 16.16	(4.9)%	(8.7)%

2012 operating results benefited from substantial improvements in title insurance and much reduced losses in the combined mortgage guaranty ("MI") and consumer credit indemnity ("CCI") run-off books of business. General insurance profits, however, dropped measurably as an increase in claim costs, mostly for the workers' compensation coverage, hindered profitability in Old Republic's largest segment. By contrast, 2011 operating results were enhanced by significant growth in general and title insurance whereas combined MI and CCI deteriorated measurably. In 2010, general insurance profitability was penalized by greater claim costs while title insurance earnings improved slightly. A reduction in combined MI and CCI claim costs led to a much lower 2010 consolidated operating loss.

Consolidated Results - The major components of Old Republic's consolidated results and other data for the periods reported upon are shown below. Any necessary reclassifications of prior years' data are reflected in the table, including the previously noted 2012 reclassification of the CCI coverage from the General Insurance segment to the RFIG run-off business.

Years Ended December 31:	2012	2011	2010	% Change	
				2012 vs. 2011	2011 vs. 2010
Operating revenues:					
General insurance	\$ 2,699.4	\$ 2,488.6	\$ 1,986.9	8.5 %	25.3 %
Title insurance	1,707.1	1,391.8	1,238.8	22.7	12.3
Corporate and other	68.3	84.8	91.2	(19.4)	(7.0)
Subtotal	4,474.9	3,965.3	3,317.0	12.9	19.5
RFIG run-off business	447.3	564.6	676.5	(20.8)	(16.5)
Total	<u>\$ 4,922.2</u>	<u>\$ 4,529.9</u>	<u>\$ 3,993.5</u>	<u>8.7 %</u>	<u>13.4 %</u>
Pretax operating income (loss):					
General insurance	\$ 261.0	\$ 353.9	\$ 316.7	(26.3)%	11.7 %
Title insurance	73.8	36.2	9.4	103.9	284.5
Corporate and other	(2.7)	(14.6)	(2.8)	81.1	(407.4)
Subtotal	332.1	375.5	323.2	(11.5)	16.2
RFIG run-off business	(508.6)	(727.8)	(404.8)	30.1	(79.8)
Total	<u>(176.4)</u>	<u>(352.2)</u>	<u>(81.5)</u>	<u>49.9</u>	<u>(332.2)</u>
Realized investment gains (losses):					
From sales	48.1	165.8	110.3		
From impairments	(0.2)	(50.2)	(1.2)		
Net realized investment gains (losses)	47.8	115.5	109.1	(58.6)	5.9
Consolidated pretax income (loss)	(128.5)	(236.7)	27.6	45.7	N/M
Income taxes (credits)	(59.8)	(96.1)	(2.5)	37.7	N/M
Net income (loss)	<u>\$ (68.6)</u>	<u>\$ (140.5)</u>	<u>\$ 30.1</u>	<u>51.1 %</u>	<u>N/M</u>
Consolidated underwriting ratio:					
Including RFIG run-off business					
Benefits and claim ratio	61.9%	68.3%	63.8%	(9.4)%	7.1 %
Expense ratio	48.5%	47.5%	47.6%	2.1 %	(0.2)%
Composite ratio	<u>110.4%</u>	<u>115.8%</u>	<u>111.4%</u>	<u>(4.7)%</u>	<u>3.9 %</u>
Excluding RFIG run-off business					
Benefits and claim ratio	45.7%	45.2%	43.1%	1.1 %	4.9 %
Expense ratio	52.4	51.2	54.4	2.3	(5.9)
Composite ratio	<u>98.1%</u>	<u>96.4%</u>	<u>97.5%</u>	<u>1.8 %</u>	<u>(1.1)%</u>
Diluted earnings per share:					
Net operating income (loss)	\$ (0.39)	\$ (0.86)	\$ (0.16)	54.7 %	N/M
Net realized investment gains (losses)	0.12	0.31	0.29		
Net income (loss)	<u>\$ (0.27)</u>	<u>\$ (0.55)</u>	<u>\$ 0.13</u>	<u>50.9 %</u>	<u>N/M</u>
Cash dividends paid per share	<u>\$ 0.71</u>	<u>\$ 0.70</u>	<u>\$ 0.69</u>	<u>1.4 %</u>	<u>1.4 %</u>
Components of diluted earnings per share:					
Net operating income (loss):					
General insurance	\$ 0.72	\$ 0.95	\$ 0.89		
Title insurance	0.18	0.10	0.03		
Corporate and other	—	(0.04)	—		
Subtotal	0.90	1.01	0.92		
RFIG run-off business	(1.29)	(1.87)	(1.08)		
Total	(0.39)	(0.86)	(0.16)		
Net realized investment gains (losses)	0.12	0.31	0.29		
Net income (loss)	<u>\$ (0.27)</u>	<u>\$ (0.55)</u>	<u>\$ 0.13</u>		

The preceding tables show operating and net income or loss to highlight the effects of realized investment gain or loss recognition on period-to-period comparisons. The recognition of realized investment gains or losses can be highly discretionary and arbitrary due to such factors as the timing of individual securities sales, recording of estimated losses from write-downs of impaired securities, tax-planning considerations, and changes in investment management judgments relative to the direction of securities markets or the future prospects of individual investees or industry sectors. 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 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 core business results. Operating income, however, does not replace net income determined in accordance with GAAP as a measure of total profitability. The composition of realized gains or losses follows:

<u>Years Ended December 31:</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Realized gains (losses) from sales of previously impaired securities:			
Actual tax basis (loss) on sales	\$ (2.0)	\$ (154.7)	\$ (44.0)
Accounting adjustment for impairment charges taken in prior periods	7.5	157.5	72.2
Net amount included herein	5.4	2.8	28.2
Net realized gains (losses) from sales of all other securities	42.5	163.0	82.1
Net gain (loss) from actual sales	48.1	165.8	110.3
Net realized losses from impairments	(.2)	(50.2)	(1.2)
Net realized investment gains (losses) reported herein	<u>\$ 47.8</u>	<u>\$ 115.5</u>	<u>\$ 109.1</u>

General Insurance Results - Operating earnings, with and without the CCI run-off business were lower in 2012 as a whole. As such, 2012 results reflected a reversal of the positive operating outcome in 2011 vis-a-vis 2010. Key indicators of year-over-year performance are shown in the following table:

<u>Years Ended December 31:</u>	<u>General Insurance Group</u>				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>% Change</u>	
				<u>2012</u>	<u>2011</u>
<u>A. Prior to reclassification and including CCI run-off business:</u>				<u>vs. 2011</u>	<u>vs. 2010</u>
Net premiums earned	\$ 2,366.9	\$ 2,167.7	\$ 1,782.1	9.2 %	21.6 %
Net investment income	265.0	270.5	260.1	(2.0)	4.0
Benefits and claims costs	1,808.9	1,562.9	1,374.7	15.7	13.7
Pretax operating income (loss)	<u>\$ 186.0</u>	<u>\$ 304.3</u>	<u>\$ 172.7</u>	<u>(38.9)%</u>	<u>76.2 %</u>
Claim ratio	76.4%	72.1%	77.1%	6.0 %	(6.5)%
Expense ratio	25.5	24.8	25.9	2.8	(4.2)
Composite ratio	<u>101.9%</u>	<u>96.9%</u>	<u>103.0%</u>	<u>5.2 %</u>	<u>(5.9)%</u>
<u>B. All CCI run-off business reclassification(*):</u>					
Net premiums earned	\$ 42.4	\$ 58.3	\$ 87.9	(27.1)%	(33.7)%
Net investment income	.1	—	—	N/M	N/M
Claim costs	112.8	102.9	225.4	9.7	(54.4)
Pretax operating income (loss)	<u>\$ (74.9)</u>	<u>\$ (49.6)</u>	<u>\$ (143.9)</u>	<u>(51.0)%</u>	<u>(65.5)%</u>
Claim ratio	265.7%	176.5%	256.4%	50.5 %	(31.2)%
Expense ratio	11.0	8.7	7.4	26.4	17.6
Composite ratio	<u>276.7%</u>	<u>185.2%</u>	<u>263.8%</u>	<u>49.4 %</u>	<u>(29.8)%</u>
<u>C. After reclassification / Total Excluding all CCI run-off business:</u>					
Net premiums earned	\$ 2,324.4	\$ 2,109.4	\$ 1,694.2	10.2 %	24.5 %
Net investment income	264.9	270.5	260.1	(2.1)	4.0
Benefits and claims costs	1,696.0	1,460.0	1,149.3	16.2	27.0
Pretax operating income (loss)	<u>\$ 261.0</u>	<u>\$ 353.9</u>	<u>\$ 316.7</u>	<u>(26.3)%</u>	<u>11.7 %</u>
Benefits and claim ratio	73.0%	69.2%	67.8%	5.5 %	2.1 %
Expense ratio	25.7	25.2	26.9	2.0	(6.3)
Composite ratio	<u>98.7%</u>	<u>94.4%</u>	<u>94.7%</u>	<u>4.6 %</u>	<u>(.3)%</u>

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

Favorable premium trends for workers' compensation and liability insurance lines within Old Republic's construction, trucking, and large account risk management business were mainly responsible for premium growth throughout 2012. Moderate rate improvements garnered in the past twenty-four months or so, and the strengthening though slow pace of U.S. economic activity were major underlying factors in this regard.

As in other segments of Old Republic's business, general insurance net investment income reflected slight downtrends. While operating cash flow has remained positive and additive to the invested asset base, market yields on quality securities to which investments and reinvestments of funds are committed remained in a weakened state.

As indicated in section (C) of the above table, the general insurance composite underwriting ratio for 2012 was up by single digits when compared with 2011. Higher loss costs for the aggregated commercial automobile (trucking), general liability, and workers' compensation coverages were most responsible for this uptrend, though workers' compensation produced the greatest adverse impact. The general expense ratio was affected negatively by approximately 1.6 percentage points for all of 2012, for charges related to previously deferred policy acquisition costs no longer amortizable and fully charged to 2012 operations. These charges arose from new Financial Accounting Standards Board guidance that took effect on January 1, 2012.

Title Insurance Results - Old Republic's title insurance business registered consistently positive operating momentum during 2012. Key performance indicators are shown below:

	Title Insurance Group				
	2012	2011	2010	% Change	
				2012 vs. 2011	2011 vs. 2010
<u>Years Ended December 31:</u>					
Net premiums and fees earned	\$ 1,677.4	\$ 1,362.4	\$ 1,211.0	23.1 %	12.5 %
Net investment income	27.3	27.3	26.5	(.1)	3.0
Claim costs	120.8	105.7	96.8	14.3	9.1
Pretax operating income (loss)	<u>\$ 73.8</u>	<u>\$ 36.2</u>	<u>\$ 9.4</u>	<u>103.9 %</u>	<u>284.5 %</u>
Claim ratio	7.2%	7.8%	8.0%	(7.7)%	(2.5)%
Expense ratio	89.6	91.2	93.0	(1.8)	(1.9)
Composite ratio	<u>96.8%</u>	<u>99.0%</u>	<u>101.0%</u>	<u>(2.2)%</u>	<u>(2.0)%</u>

Growth in title insurance premiums and fees benefited from a combination of factors. Key among these were market share gains emanating from title industry dislocations and consolidation during the past four years or so, and greater levels of mortgage refinancing activity in more recent quarters. Claim ratios for 2012 were moderately lower in relation to 2011 as frequency and severity trends abated somewhat. 2011 claim ratios were slightly lower in relation to 2010's as claim frequency and severity abated. Year-over-year expense ratio comparisons benefited from continued rationalization of an expense structure more accommodative of current and future growth prospects.

RFIG Run-off Business Results - The table below reflects RFIG's comparative results before and after the previously noted combination of mortgage guaranty and consumer credit indemnity run-off coverages.

	RFIG Run-off Business				
				% Change	
Years Ended December 31:	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
A. Prior to reclassification / Excluding CCI run-off business:					
Net premiums earned	\$ 368.0	\$ 444.9	\$ 498.8	(17.3)%	(10.8)%
Net investment income	36.2	59.2	84.9	(38.9)	(30.3)
Claim costs	797.5	1,057.1	766.2	(24.6)	38.0
Pretax operating income (loss)	<u>\$ (433.6)</u>	<u>\$ (678.1)</u>	<u>\$ (260.8)</u>	<u>36.1 %</u>	<u>(160.0)%</u>
Claim ratio	216.7%	237.6%	153.6%	(8.8)%	54.7 %
Expense ratio	10.4	23.9	14.4	(56.5)	66.0
Composite ratio	<u>227.1%</u>	<u>261.5%</u>	<u>168.0%</u>	<u>(13.2)%</u>	<u>55.7 %</u>
B. All CCI run-off business reclassification(*):					
Net premiums earned	\$ 42.4	\$ 58.3	\$ 87.9	(27.1)%	(33.7)%
Net investment income	.1	—	—	N/M	N/M
Claim costs	112.8	102.9	225.4	9.7	(54.4)
Pretax operating income (loss)	<u>\$ (74.9)</u>	<u>\$ (49.6)</u>	<u>\$ (143.9)</u>	<u>(51.0)%</u>	<u>(65.5)%</u>
Claim ratio	265.7%	176.5%	256.4%	50.5 %	(31.2)%
Expense ratio	11.0	8.7	7.4	26.4	17.6
Composite ratio	<u>276.7%</u>	<u>185.2%</u>	<u>263.8%</u>	<u>49.4 %</u>	<u>(29.8)%</u>
C. After reclassification / Total RFIG run-off MI and CCI business:					
Net premiums earned	\$ 410.5	\$ 503.2	\$ 586.8	(18.4)%	(14.2)%
Net investment income	36.3	59.3	85.0	(38.7)	(30.3)
Claim costs	910.4	1,160.1	991.7	(21.5)	17.0
Pretax operating income (loss)	<u>\$ (508.6)</u>	<u>\$ (727.8)</u>	<u>\$ (404.8)</u>	<u>30.1 %</u>	<u>(79.8)%</u>
Claim ratio	221.8%	230.5%	169.0%	(3.8)%	36.4 %
Expense ratio	10.4	22.1	13.3	(52.9)	66.2
Composite ratio	<u>232.2%</u>	<u>252.6%</u>	<u>182.3%</u>	<u>(8.1)%</u>	<u>38.6 %</u>

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

Mortgage guaranty earned premiums continued to decline throughout 2012. The gradual depletion of a book of business in run-off operating mode, together with premium refunds related to claim rescission activity and the termination of new business production since August, 2011 were major factors leading to the decline.

Net investment income fell as a consequence of a lower invested asset base eroded by declining premium volumes and ongoing claim disbursements, and a pervasively low yield environment for the investment portfolio.

2012 MI claim costs were lower as a continuing downtrend in newly reported cases, relatively stable cure rates, and lower paid claim levels more than offset reduced provisions for claim rescissions or denials, and assumptions of greater defaults headed to foreclosure. Lower operating expenses for 2012 reflect ongoing cost reductions geared to a run-off operating mode.

Table (B) above shows 100% of CCI results fully reclassified for segment reporting purposes. 2012 operating performance for this coverage was impacted by much greater claim costs. These were driven by higher estimates of continuing claim litigation expenses and reduced expectations of salvage recoveries on cumulative claims incurred to date.

As reported in earlier periods, the Company's flagship mortgage guaranty insurance carrier, Republic Mortgage Insurance Company ("RMIC"), had been operating pursuant to a waiver of minimum state regulatory capital requirements since late 2009. This waiver expired on August 31, 2011 and, as a consequence, the underwriting of new policies ceased

and the existing book of business was placed in run-off operating mode.

During 2012 the North Carolina Department of Insurance ("NCDOI") issued several orders the ultimate effects of which were:

- To place RMIC and its affiliate, Republic Mortgage Insurance Company of North Carolina ("RMICNC") under NCDOI supervision;
- To approve a Corrective Plan submitted by RMIC pursuant to which all settled claims are to be paid in cash for 60% of the settled amount, with the remaining 40% retained in claim reserves as a Deferred Payment Obligation ("DPO") until a future payment of all or a portion of this 40% is approved by the NCDOI; and
- To execute the DPO-based run-off plan under Old Republic's ownership and NCDOI supervision of RMIC and RMICNC to effect a most economically sound realization of ultimate benefits to policyholders during a sufficiently long future period.

RMIC's evaluation of the potential long-term performance of the run-off book of business is based on various modeling techniques. Of necessity the resulting models take into account actual premium and paid claim experience of prior periods, together with a large number of assumptions and judgments about future outcomes that are highly sensitive to a wide range of estimates. Many of these estimates and underlying assumptions relate to matters over which the Company has no control, including: 1) The conflicted interests, as well as the varying mortgage servicing and foreclosure practices of a large number of insured lending institutions; 2) General economic and industry-specific trends and events; and 3) The evolving or future social and economic policies of the U.S. Government vis-à-vis such critical sectors as the banking, mortgage lending, and housing industries, as well as its policies for resolving the insolvencies and assigning a possible future role to Fannie Mae and Freddie Mac. These matters notwithstanding, RMIC's ten year standard model of forecasted results extending through 2022 continues to reflect ultimate profitability for the book of business. Accordingly, the establishment of a premium deficiency reserve as of December 31, 2012 is unwarranted.

The indicated positive outcome of the ten year standard model notwithstanding, it is more likely than not that MI operating results for 2013 and 2014 will be negative. As long as the run-off under NCDOI supervision remains in place, however, the statutory DPO accounting treatment should mitigate the adverse effect of operating losses on the statutory capital balance. In these circumstances, RMIC's and RMICNC's statutory solvency would be retained and the risk of a regulatory receivership action would be averted. In management's opinion, the DPO Plan under NCDOI supervision should be continued for a sufficiently long period of time to achieve the objectives contemplated by the above referenced NCDOI orders.

In light of all the above, the mortgage guaranty run-off will devolve within constraints of Old Republic's currently committed capital resources. As of December 31, 2012, the total statutory capital, inclusive of accumulated DPO reserve funds of \$299.5 held in RFIG's mortgage insurance subsidiaries was approximately \$132.8. As of the same date, RFIG's consolidated GAAP capitalization amounted to (\$56.6) (or a negative capital contribution of approximately 22 cents per Old Republic common share). Based on the above-noted loss expectations for 2013 and 2014 it is most likely that the RFIG consolidated GAAP capital account will reflect a continuing and increasingly negative balance. Moreover, Old Republic will be required to recognize RFIG's continuing net losses in its consolidated GAAP financial statements. This GAAP financial reporting treatment will not, however, diminish the Old Republic shareholders' real economic interests in the overall enterprise. Nor will this treatment affect the liquidity of the Old Republic parent holding company or that of its separately capitalized and organized insurance companies and their individual abilities to meet their respective obligations.

Corporate and Other Operations - The combination of a small life and accident insurance business and the net costs associated with the parent holding company and its internal services subsidiaries usually produce highly variable results. Earnings variations posted by these relatively minor elements of Old Republic's operations stem from volatility inherent to the small scale of the life and accident insurance business, fluctuations in the costs of external debt, and net interest expenses on intra-system financing agreements. Corporate expenses since last year's second quarter benefited from lower interest charges following the repayment of high cost convertible debt of \$316 in May of 2012. The combination of these various operating elements is shown in the following table:

Years Ended December 31:	Corporate and Other Operations				
	2012	2011	2010	% Change	
				2012 vs. 2011	2011 vs. 2010
Life & accident premiums earned	\$ 58.6	\$ 74.9	\$ 81.4	(21.8)%	(8.0)%
Net investment income	7.9	7.4	7.3	6.6	2.4
Other income	1.8	2.4	2.5	(27.0)	(3.0)
Benefits and claim costs	38.3	38.5	40.3	(.6)	(4.6)
Insurance expenses	26.8	39.4	43.8	(32.0)	(10.0)
Corporate and other expenses-net	6.0	21.5	9.9	(72.1)	117.1
Pretax operating income (loss)	<u>\$ (2.7)</u>	<u>\$ (14.6)</u>	<u>\$ (2.8)</u>	<u>75.1 %</u>	<u>(407.4)%</u>

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

	% Change				
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
As of December 31:					
Cash and invested assets: Fair value basis	<u>\$10,800.6</u>	<u>\$10,685.2</u>	<u>\$10,490.7</u>	<u>1.1 %</u>	<u>1.9 %</u>
Original cost basis	<u>\$10,071.4</u>	<u>\$10,081.8</u>	<u>\$10,015.1</u>	<u>(.1)%</u>	<u>.7 %</u>
Shareholders' equity: Total	\$ 3,596.2	\$ 3,772.5	\$ 4,121.4	(4.7)%	(8.5)%
Per common share	<u>\$ 14.03</u>	<u>\$ 14.76</u>	<u>\$ 16.16</u>	<u>(4.9)%</u>	<u>(8.7)%</u>
Composition of shareholders' equity per share:					
Equity before items below	\$ 12.15	\$ 13.13	\$ 14.36	(7.5)%	(8.6)%
Unrealized investment gains (losses) and other accumulated comprehensive income (loss)	<u>1.88</u>	<u>1.63</u>	<u>1.80</u>		
Total	<u>\$ 14.03</u>	<u>\$ 14.76</u>	<u>\$ 16.16</u>	<u>(4.9)%</u>	<u>(8.7)%</u>
Segmented composition of shareholders' equity per share:					
Excluding run-off segment	\$ 14.25				
RFIG run-off segment	<u>(0.22)</u>				
Total	<u>\$ 14.03</u>				

Consolidated cash flow from operating activities was positive at \$532.0, inclusive of accumulated DPO reserve funds of \$299.5, for the year ended December 31, 2012 compared to deficits of \$94.9 and \$282.2 sustained in 2011 and 2010, respectively.

The consolidated investment portfolio reflects a current allocation of approximately 93 percent to fixed-maturity securities and short-term investments, and 7 percent to equity securities as of year end 2012. As has been the case for many years, Old Republic's invested assets are managed in consideration of enterprise-wide risk management objectives. Most importantly, these are intended to assure solid funding of its insurance subsidiaries' long-term obligations to policyholders and other beneficiaries, and the necessary long-term stability of capital accounts.

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

As the next table shows, substantially all changes in the shareholders' equity account reflect the Company's net income or loss, dividend payments to shareholders, and changes in the value of invested assets carried at fair value.

Years Ended December 31:	Shareholders' Equity Per Share		
	2012	2011	2010
Beginning balance	<u>\$ 14.76</u>	<u>\$ 16.16</u>	<u>\$ 16.49</u>
Changes in shareholders' equity:			
Net operating income (loss)	(.39)	(.86)	(.16)
Net realized investment gains (losses):			
From sales	.12	.44	.29
From impairments	—	(.13)	—
Subtotal	.12	.31	.29
Net unrealized investment gains (losses)	.29	.03	.40
Total realized and unrealized investment gains (losses)	.41	.34	.69
Cash dividends	(.71)	(.70)	(.69)
Stock issuance, foreign exchange, and other transactions	(.04)	(.18)	(.17)
Net change	(.73)	(1.40)	(.33)
Ending balance	<u>\$ 14.03</u>	<u>\$ 14.76</u>	<u>\$ 16.16</u>

DETAILED MANAGEMENT ANALYSIS

This section of the Management Analysis of Financial Position and Results of Operations is additive to and should be read in conjunction with the Executive Summary which precedes it.

CRITICAL ACCOUNTING ESTIMATES

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 or loss, and financial condition.

Old Republic believes that its most critical accounting estimates relate to: a) the determination of other-than-temporary impairments ("OTTI") in the value of fixed maturity and equity investments; b) the valuation of deferred income tax assets; c) the establishment of deferred acquisition costs which vary directly with the production of insurance premiums; d) the recoverability of reinsured paid and/or outstanding losses; and e) the establishment of reserves for losses and loss adjustment expenses. The major assumptions and methods used in setting these estimates are discussed in the pertinent sections of this Management Analysis and are summarized as follows:

(a) Other-than-temporary impairments in the value of investments:

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 any unrealized investment loss amounting to 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.

For the three years ended December 31, 2012, pretax charges due to other-than-temporary impairments in the value of securities affected pretax income or loss within a range of (27.0)% and (.2)% and averaged (10.5)%.

(b) The valuation of deferred income tax assets

The Company uses the asset and liability method of calculating deferred income taxes. This method results in the establishment of deferred tax assets and liabilities, calculated at currently enacted tax rates that are applicable to the cumulative temporary differences between financial statement and tax bases of assets and liabilities. Deferred income tax assets are reduced by a valuation allowance when management determines that it is more likely than not that some, or all, of the deferred tax assets will not be realized. At December 31, 2012, 2011 and 2010, the net deferred tax asset (liability) was \$148.1, \$116.7, and \$45.3, respectively. The Company recorded a valuation allowance against deferred tax assets of \$(9.6), \$(12.2), and \$(13.5) at each corresponding year end, respectively. In valuing the deferred tax assets, the Company considered certain factors including primarily the scheduled reversals of certain deferred tax liabilities, the impact of available carry back and carry forward periods, estimates of future taxable income, and our ability to exercise prudent and feasible tax planning strategies. A change in any of these estimates could result in the need to record an additional valuation allowance through a charge to earnings. See Note 1(j) of the Notes to Consolidated Financial Statements for further discussion of the Company's consolidated income tax balances.

(c) Establishment of deferred acquisition costs ("DAC")

The eligibility for deferral and the recoverability of DAC is based on the successful acquisition of new or renewal contracts and estimated profitability of the insurance contracts to which it relates. As of the three most recent year ends, consolidated DAC balances ranged between 1.0% and 1.5% and averaged 1.2% of consolidated assets. The annual change in DAC balances for the three-year period affected underwriting, acquisition and other expenses within a range of 1.1% and 1.6%, and averaged 1.4% of such expenses. These percentages are inclusive of the 2012 prospective application of new GAAP authoritative guidance related to the deferral of costs resulting in pretax charges of \$37.9 and the 2011 write-off of previously deferred mortgage guaranty acquisition costs of \$29.1 no longer deemed recoverable in future run-off periods.

(d) The recoverability of reinsured paid and/or outstanding losses

Assets consisting of gross paid losses recoverable from assuming reinsurers, and balance sheet date reserves similarly recoverable in future periods as gross losses are settled and paid, are established at the same time as the gross losses are paid or recorded as reserves. Accordingly, these assets are subject to the same estimation processes and valuations as the related gross amounts that are discussed below. As of the three most recent year ends, paid and outstanding reinsurance recoverable balances ranged between 31.7% and 34.5% and averaged 33.5% of the related gross reserves. See Part I, Item 1(d) for further discussion regarding recoverability of the Company's reinsurance balances.

(e) The reserves for losses and loss adjustment expenses

As discussed in pertinent sections of this management analysis, the reserves for losses and related loss adjustment expenses are based on a wide variety of factors and calculations. Among these the Company believes the most critical are:

- The establishment of expected loss ratios for at least the two to three most recent accident years, particularly for so-called long-tail coverages as to which information about covered losses emerges and becomes more accurately quantifiable over long periods of time. Long-tail lines of business generally include workers' compensation, auto liability, general liability, errors and omissions and directors and officers' liability, as well as title insurance. Gross loss reserves related to such long-tail coverages ranged between 74.6% and 76.5%, and averaged 75.6% of gross consolidated claim reserves as of the three most recent year ends. Net of reinsurance recoverables, such reserves ranged between 66.5% and 69.0% and averaged 68.0% as of the same dates.
- Loss trend factors that are used to establish the above noted expected loss ratios. These factors take into account such variables as judgments and estimates relative to premium rate trends and adequacy, current and expected interest rates, current and expected social and economic inflation trends, and insurance industry statistical claim trends.
- Loss development factors, expected claim rates and average claim costs, all of which are based on Company and/or industry statistics used to project reported and unreported losses for each accounting period.

For the two most recent calendar years, prior accident years' consolidated claim costs developed unfavorably while the third preceding year developed favorably. This development had the consequent effect of (increasing) or reducing consolidated annual loss costs for the three most recent years within a range of (4.7)% and 3.5%, or by an average of approximately (1.6)% per annum. As a percentage of each of these years' consolidated earned premiums and fees the (unfavorable) favorable developments have ranged between (3.0)% and 2.3%, and have averaged (1.0)%. Most of the variances in prior years' positive or negative claim developments have been due to a highly volatile mortgage guaranty and CCI claim environment.

In all the above regards the Company anticipates that future periods' financial statements will continue to reflect changes in estimates. As in the past such changes will result from altered circumstances, the continuum of newly emerging information and its effect on past assumptions and judgments, the effects of securities markets valuations, and changes in inflation rates and future economic conditions beyond the Company's control. As a result, Old Republic cannot predict, quantify, or guaranty the likely impact that probable changes in estimates will have on its future financial condition or results of operations.

FINANCIAL POSITION

The Company's financial position at December 31, 2012 reflected increases in assets and liabilities of 1.1% and 2.9%, respectively, and a decrease in common shareholders' equity of 4.7% when compared to the immediately preceding year-end. Cash and invested assets represented 66.6% of consolidated assets as of December 31, 2012 and 2011. As of December 31, 2012, the cash and invested asset base rose by 1.1% to \$10,800.6.

Investments - During 2012 and 2011, the Company committed the majority of investable funds to short to intermediate-term fixed maturity securities. At both December 31, 2012 and 2011, 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 no significant direct 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 transactions or securities lending operations, nor does it invest in securities whose values are predicated on non-regulated financial instruments exhibiting amorphous or unfunded counter-party risk attributes. The Company does not have any exposure to European sovereign debt instruments. At December 31, 2012, 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 December 31, 2012. 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, debt maturities, 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 fair 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 fair 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 fair 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 (loss) 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)		
December 31:	2012	2011
Aaa	15.2%	15.2%
Aa	11.5	14.1
A	34.2	36.5
Baa	38.4	33.3
Total investment grade	99.3	99.1
All other (b)	.7	.9
Total	100.0%	100.0%

- (a) Credit quality ratings used are those assigned primarily by Moody's for U.S. Governments, Agencies and Corporate issuers and by Standard & Poor's ("S&P") for U.S. and Canadian Municipal issuers, which are converted to equivalent Moody's ratings classifications.
- (b) "All other" includes non-investment grade or non-rated issuers.

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

December 31, 2012	Amortized Cost	Gross Unrealized Losses
Fixed Maturity Securities by Industry Concentration:		
Services	\$ 1.9	\$.2
Total	<u>\$ 1.9</u> (c)	<u>\$.2</u>

(c) Represents 0% of the total fixed maturity securities portfolio.

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

December 31, 2012	Amortized Cost	Gross Unrealized Losses
Fixed Maturity Securities by Industry Concentration:		
Retail	\$ 21.9	\$ 1.5
Natural Gas	19.4	.7
Utilities	71.5	.7
Technology	36.5	.3
Other (includes 16 industry groups)	277.9	2.8
Total	<u>\$ 427.4</u> (d)	<u>\$ 6.2</u>

(d) Represents 5.3% of the total fixed maturity securities portfolio.

Gross Unrealized Losses Stratified by Industry Concentration for Equity Securities

December 31, 2012	Adjusted Cost	Gross Unrealized Losses
Equity Securities by Industry Concentration:		
Consumer Non Durables	\$ 18.9	\$.8
Technology	6.7	.7
Insurance	12.0	.4
Basic Industry	13.6	.3
Other (includes 4 industry groups)	30.5	.6
Total	<u>\$ 81.9</u> (e)	<u>\$ 2.9</u> (f)

(e) Represents 18.1% of the total equity securities portfolio.

(f) Represents .7% of the cost of the total equity securities portfolio, while gross unrealized gains represent 64.3% of the portfolio.

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

	Amortized Cost of Fixed Maturity Securities		Gross Unrealized Losses	
	All	Non- Investment Grade Only	All	Non- Investment Grade Only
December 31, 2012				
Maturity Ranges:				
Due in one year or less	\$ 7.1	\$ —	\$ —	\$ —
Due after one year through five years	117.5	—	.9	—
Due after five years through ten years	297.4	—	5.0	—
Due after ten years	7.1	1.9	.5	.2
Total	<u>\$ 429.3</u>	<u>\$ 1.9</u>	<u>\$ 6.5</u>	<u>\$.2</u>

Gross Unrealized Losses Stratified by Duration and Amount of Unrealized Losses

	Amount of Gross Unrealized Losses			
	Less than 20% of Cost	20% to 50% of Cost	More than 50% of Cost	Total Gross Unrealized Loss
December 31, 2012				
Number of Months in Loss Position:				
Fixed Maturity Securities:				
One to six months	\$ 4.3	\$ —	\$ —	\$ 4.3
Seven to twelve months	.4	—	—	.4
More than twelve months	1.4	.2	—	1.7
Total	<u>\$ 6.3</u>	<u>\$.2</u>	<u>\$ —</u>	<u>\$ 6.5</u>
Equity Securities:				
One to six months	\$ 2.9	\$ —	\$ —	\$ 2.9
Seven to twelve months	—	—	—	—
More than twelve months	—	—	—	—
Total	<u>\$ 2.9</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2.9</u>
Number of Issues in Loss Position:				
Fixed Maturity Securities:				
One to six months	91	—	—	91
Seven to twelve months	7	—	—	7
More than twelve months	3	1	—	4
Total	<u>101</u>	<u>1</u>	<u>—</u>	<u>102 (g)</u>
Equity Securities:				
One to six months	13	—	—	13
Seven to twelve months	—	—	—	—
More than twelve months	—	—	1	1
Total	<u>13</u>	<u>—</u>	<u>1</u>	<u>14 (g)</u>

(g) At December 31, 2012 the number of issues in an unrealized loss position represent 5.7% as to fixed maturities, and 21.9% as to equity securities of the total number of such issues held by the Company.

The aging of issues with unrealized losses employs balance sheet date fair value 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 (December 31, 2012 in the above table) and, accordingly, is not indicative of a security's value having been consistently below its cost at the percentages shown nor throughout the periods shown.

Age Distribution of Fixed Maturity Securities

December 31:	2012	2011
Maturity Ranges:		
Due in one year or less	15.7%	12.0%
Due after one year through five years	41.6	42.4
Due after five years through ten years	40.1	42.1
Due after ten years through fifteen years	1.0	1.6
Due after fifteen years	1.6	1.9
Total	<u>100.0%</u>	<u>100.0%</u>
Average Maturity in Years	<u>4.7</u>	<u>5.0</u>
Duration (h)	<u>4.1</u>	<u>4.2</u>

(h) Duration is used as a measure of bond price sensitivity to interest rate changes. A duration of 4.1 as of December 31, 2012 implies that a 100 basis point parallel increase in interest rates from current levels would result in a possible decline in the fair value of the long-term fixed maturity investment portfolio of approximately 4.1%.

Composition of Unrealized Gains (Losses)

December 31:	2012	2011
Fixed Maturity Securities:		
Amortized cost	\$ 7,993.1	\$ 7,884.6
Estimated fair value	<u>8,566.2</u>	<u>8,393.2</u>
Gross unrealized gains	579.5	515.9
Gross unrealized losses	(6.5)	(7.2)
Net unrealized gains (losses)	<u>\$ 573.0</u>	<u>\$ 508.6</u>
Equity Securities:		
Original cost	\$ 583.5	\$ 480.5
Adjusted cost(*)	452.1	341.9
Estimated fair value	<u>739.7</u>	<u>580.8</u>
Gross unrealized gains	290.5	243.5
Gross unrealized losses	(2.9)	(4.6)
Net unrealized gains (losses)	<u>\$ 287.5</u>	<u>\$ 238.9</u>

(*) net of OTTI adjustments

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 direct costs relating to the successful acquisition of new or renewal insurance contracts and evaluating their recoverability on the basis of recent trends in claims costs. Aside from the 2011 write-off of certain mortgage guaranty balances and the adoption of new accounting guidance on deferred acquisition costs as discussed in the Executive Summary and Note 1(f) of the Notes to Consolidated Financial Statements, the Company's deferred policy acquisition cost balances have not fluctuated substantially from period-to-period. Deferred policy acquisition costs do not represent significant percentages of assets or shareholders' equity.

Liquidity - The parent holding company meets its liquidity and capital needs principally through dividends and interest on intercompany financing arrangements 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. The Company can receive up to \$350.6 in dividends from its subsidiaries in 2013 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, and the near-term capital needs of its operating company subsidiaries.

The Company's 3.75% Convertible Senior Notes ("the Notes") contain provisions defining certain events of default, among them a court ordered proceeding due to the insolvency of a Significant Subsidiary. The Notes define Significant Subsidiary in accordance with the paragraph (w) of Rule 1-02 of the SEC's Regulation S-X. The Company's flagship mortgage guaranty insurance carrier, Republic Mortgage Insurance Company, ("RMIC") qualifies as a Significant Subsidiary for purposes of the Notes. If RMIC were to become statutorily impaired, its insolvency could trigger a

receivership proceeding which, in turn could ultimately result in an event of default. If this were to occur, the outstanding principal of the Notes could become immediately due and payable.

On January 19, 2012, the North Carolina Department of Insurance ("NCDI") issued a Summary Order ("Summary Order") placing RMIC under supervision. Supervision is an administrative proceeding under North Carolina law. It gives the NCDI more oversight and control with the objective of allowing the insurer to develop a corrective plan subject to the Department's approval. It is unlike receivership which involves rehabilitation or liquidation of a company pursuant to a formal, court-ordered proceeding. Receivership results in a company's assets and management passing to a receiver who is overseen by a court. Moreover, supervision, unlike receivership, does not constitute an event of default by RMIC or its parent holding company with regard to the Notes.

On November 28, 2012, the NCDI issued a Final Order approving the Corrective Plan ("the Plan") submitted by RMIC on September 14, 2012 as required by the Summary Order. The Plan was filed to effect a run-off of the insurance in force business with the following major objectives: provide for the payment of all valid claims settled on January 19, 2012 and thereafter in cash with respect to 60% of the total claim amounts, and with a DPO for the remaining 40% which will be retained in claim reserves until a future payout date; and authorize RMIC to continue with its management of the run-off plan during an estimated ten year period ending on December 31, 2021. During this period, RMIC would remain within ORI's ownership and control, as well as under NCDI regulatory supervision as has been the case since January of this year. Management believes the Final Order by the NCDI to RMIC has precluded an event of default from occurring in the foreseeable future. Moreover, RMIC is expected to be increasingly less significant as its run-off book of business extinguishes itself. The approval of the Plan notwithstanding, the NCDI retains its regulatory supervisory powers to review and amend the terms of the Plan in the future as circumstances may warrant.

At December 31, 2012, the Company had sufficient liquid resources available to redeem a substantial portion of the 3.75% Notes. Management is exploring a number of options to address its liquidity needs in the circumstance that an event of default was to occur at a future date. These potential plans include an amendment to the 3.75% Notes, removing RMIC from the definition of a Significant Subsidiary, an additional capital raise through issuance of new straight or convertible debt, or the utilization of intra system dividend capacity. While management is confident that an event of default can be stemmed, there is no assurance that its impact could be addressed through execution of these plans.

Capitalization - Old Republic's total capitalization of \$4,169.1 at December 31, 2012 consisted of debt of \$572.9 and common shareholders' equity of \$3,596.2. Changes in the common shareholders' equity account reflect primarily operating results for the period then ended and dividend payments.

Old Republic has paid cash dividends to its shareholders without interruption since 1942, and has increased the annual rate in each of the past 31 calendar years. The dividend rate is reviewed and approved by the Board of Directors on a quarterly basis 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 and its individual operating subsidiaries.

Under state insurance regulations, the Company's three mortgage guaranty insurance subsidiaries are required to operate at a maximum risk to capital ratio of 25:1 or otherwise hold minimum amounts of capital based on specified formulas. As noted in prior periods' reports, the Company's flagship mortgage guaranty insurance carrier had been operating pursuant to a waiver of minimum state regulatory capital requirements since late 2009. This waiver expired on August 31, 2011. As a result, the Company's mortgage insurance subsidiaries discontinued writing new business in all states and limited themselves to servicing the run-off of their existing business. As noted elsewhere herein, RMIC and Republic Mortgage Insurance Company of North Carolina ("RMIC-NC") have been operating pursuant to a Summary Order since January 19, 2012 and December 3, 2012, respectively.

Contractual Obligations - The following table shows certain information relating to the Company's contractual obligations as of December 31, 2012:

	Payments Due in the Following Years				
	Total	2013	2014 and 2015	2016 and 2017	2018 and After
Contractual Obligations:					
Debt	\$ 572.9	\$ 3.6	\$ 7.5	\$ 7.5	\$ 554.2
Interest on Debt	115.9	21.4	42.3	41.7	10.3
Operating Leases	176.2	52.2	71.3	34.6	18.0
Pension Benefits Contributions (a)	129.5	15.3	47.2	49.4	17.6
Claim & Claim Expense Reserves (b)	9,303.3	2,605.6	2,429.5	816.0	3,452.0
Total	<u>\$ 10,297.9</u>	<u>\$ 2,698.2</u>	<u>\$ 2,598.0</u>	<u>\$ 949.4</u>	<u>\$ 4,052.2</u>

(a) Represents estimated minimum funding of contributions for the Old Republic International Salaried Employees Retirement Plan (the Old Republic Plan) and the PMA Capital Corporation Pension Plan (the PMA Plan). Funding of the plans is dependent on a number of factors including actual performance versus actuarial assumptions made

at the time of the actuarial valuations, as well as, maintaining certain funding levels relative to regulatory requirements.

- (b) Amounts are reported gross of reinsurance. As discussed herein with respect to the nature of loss reserves and the estimating process utilized in their establishment, the Company's loss reserves do not have a contractual maturity date. Estimated gross loss payments are based primarily on historical claim payment patterns, are subject to change due to a wide variety of factors, do not reflect anticipated recoveries under the terms of reinsurance contracts, and cannot be predicted with certainty. Actual future loss payments may differ materially from the current estimates shown in the table above. The DPO reserved funds of \$299.5, payable at a future date as and when authorized by the NCDOL, have been classified in the 2018 and after column in the above table.

RESULTS OF OPERATIONS

Revenues: Premiums & Fees

Pursuant to GAAP applicable to the insurance industry, revenues are recognized as follows:

Substantially all general insurance premiums pertain to annual policies and are reflected in income on a pro-rata basis in association with the related benefits, claims and expenses. 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.

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 approximately 32% of 2012 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 68% 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 Company's mortgage guaranty premiums primarily stem from monthly installments paid on long-duration, guaranteed renewable insurance policies. Substantially all such premiums are written and earned in the month coverage is effective. With respect to relatively few annual or single premium policies, earned premiums are largely recognized on a pro-rata basis over the terms of the policies. As described more fully in the RFIG Run-off Business' Risk Factors for premium income and long-term claim exposures, revenue recognition for insured loans is not appropriately matched to the risk exposure and the consequent recognition of both normal and catastrophic loss occurrences.

The major sources of Old Republic's consolidated earned premiums and fees for the periods shown were as follows:

	Earned Premiums and Fees					% Change from prior period
	General	Title	RFIG Run-off	Other	Total	
Years Ended December 31:						
2010	\$ 1,694.2	\$ 1,211.0	\$ 586.8	\$ 81.4	\$ 3,573.5	5.4%
2011	2,109.4	1,362.4	503.2	74.9	4,050.1	13.3
2012	<u>\$ 2,324.4</u>	<u>\$ 1,677.4</u>	<u>\$ 410.5</u>	<u>\$ 58.6</u>	<u>\$ 4,471.0</u>	<u>10.4%</u>

Favorable premium trends in the General Insurance Group's workers' compensation and liability insurance lines within the construction, trucking, and large account risk management business were mainly responsible for premium growth throughout 2012. Moderate rate improvements garnered in the past twenty-four months or so, and the strengthening though slow pace of U.S. economic activity were major underlying factors in this regard. 2011 premiums earned increased largely reflecting the addition of PMA premiums for a full year during 2011. The Company believes that the combination of ongoing recessionary economic conditions and a generally soft pricing environment in the commercial insurance arena has generally constrained premium growth despite premium rates having strengthened gradually and to varying degrees in certain parts of the Company's general insurance business. 2010 premium volume increased slightly due to the inclusion of \$103.7 contributed by the PMA merger in the fourth quarter. Excluding the PMA premiums, the remaining general insurance premiums trended downward.

Title Group premium and fee revenues grew by 23.1%, 12.5%, and 36.3% in 2012, 2011, and 2010, respectively, mostly due to market share gains emanating from title industry dislocations and consolidations during the past four years and greater levels of refinancing activity in more recent quarters.

RFIG Run-off earned premiums reflected a further decline throughout 2012 due to the gradual depletion of a book of business in run-off operating mode, together with the termination of new insurance production on August 31, 2011 (MI) and 2008 (CCI). Other adverse factors included the continuation of elevated levels of premium refunds related to claim rescissions and the termination of certain mortgage guaranty pool insurance contracts in 2010. Declining premium revenue trends for the past three years, however, have been mitigated somewhat by greater persistency levels for

business produced in prior years, and by a continuing decline in premiums ceded to mortgage guaranty lender-owned (captive) reinsurance companies. Since the advent of the current economic crisis, new mortgage guaranty production has not added significantly to the Company's net risk in force base. Ongoing weakness from the downturn in overall mortgage originations, lower industry-wide penetration of the nation's mortgage market, and the effects of more selective underwriting guidelines employed since late 2007 have been contributing factors. Together with premium refunds related to claim rescissions and the below-noted termination of mortgage guaranty pool insurance contracts which effectively ended subsequent periods' premium inflows, these factors led to a continued decline in earned premiums in the latest annual period. During 2010, Old Republic's mortgage guaranty subsidiaries had negotiated the terminations of various captive reinsurance and pool insurance contracts. From a financial accounting standpoint, premiums obtained upon terminations of captive reinsurance agreements are recognized as income when they are received rather than being deferred to future periods when the related claim costs are expected to arise. On the other hand terminations of pool insurance contracts cause a reduction of incurred claims due to the positive effect of reserves transferred, but negative cash flows ensue. As a result of these captive transactions, net premiums earned in 2010 were enhanced by \$13.6. No similarly significant transactions occurred during 2012 and 2011.

Consumer credit indemnity premiums included in the RFIG Run-off segment have declined steadily since this coverage was placed in run-off operating mode in 2008.

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					
	Workers' Compensation	Commercial Automobile (mostly trucking)	Financial Indemnity (a)	Inland Marine and Property	General Liability	Other
Years Ended December 31:						
2010	26.5%	40.0%	6.6%	9.4%	6.7%	10.8%
2011	38.3	33.6	4.9	7.8	5.9	9.5
2012	<u>39.7%</u>	<u>33.0%</u>	<u>4.2%</u>	<u>7.6%</u>	<u>6.2%</u>	<u>9.3%</u>

(a) As previously noted, consumer credit indemnity premiums have been reclassified to the RFIG Run-off segment and have therefore been excluded for all periods presented.

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 Operations	Independent Title Agents & Other
Years Ended December 31:		
2010	35.6%	64.4%
2011	32.6	67.4
2012	<u>32.3%</u>	<u>67.7%</u>

The following tables provide information on production and related risk exposure trends for Old Republic's mortgage guaranty insurance operation:

	Earned Premiums		Persistency	
	Direct	Net	Traditional Primary	Bulk
Premium and Persistency Trends by Type:				
Years Ended December 31:				
2010	\$ 529.5	\$ 498.8	82.1%	88.0%
2011	468.1	444.9	83.2	85.3
2012	<u>\$ 387.3</u>	<u>\$ 368.0</u>	<u>80.7%</u>	<u>85.3%</u>

As previously discussed, the Company's flagship mortgage guaranty insurance carrier ceased the underwriting of new policies effective August 31, 2011 and the existing book of business was placed in run-off operating mode.

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 6.6% of total net risk in force as of year end 2012, 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

<u>Net Risk in Force By Type:</u>	<u>Traditional Primary</u>	<u>Bulk</u>	<u>Other</u>	<u>Total</u>
As of December 31:				
2010	\$ 16,557.4	\$ 1,187.0	\$ 256.1	\$ 18,000.6
2011	14,476.9	1,017.7	176.3	15,671.0
2012	<u>\$ 11,911.1</u>	<u>\$ 850.7</u>	<u>\$ 89.8</u>	<u>\$ 12,851.6</u>

Analysis of Risk in Force

<u>Risk in Force Distribution By FICO Scores:</u>	<u>FICO less than 620</u>	<u>FICO 620 to 680</u>	<u>FICO Greater than 680</u>	<u>Unscored/ Unavailable</u>
<u>Traditional Primary:</u>				
As of December 31:				
2010	6.4%	27.5%	64.7%	1.4%
2011	6.2	26.8	65.7	1.3
2012	<u>6.4%</u>	<u>27.5%</u>	<u>65.0%</u>	<u>1.1%</u>

Bulk(a):

As of December 31:				
2010	23.2%	32.1%	44.6%	.1%
2011	24.0	32.2	43.7	.1
2012	<u>24.0%</u>	<u>32.5%</u>	<u>43.3%</u>	<u>.2%</u>

<u>Risk in Force Distribution By Loan to Value ("LTV") Ratio:</u>	<u>LTV 85.0 and below</u>	<u>LTV 85.01 to 90.0</u>	<u>LTV 90.01 to 95.0</u>	<u>LTV Greater than 95.0</u>
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Traditional Primary(b):

As of December 31:				
2010	5.3%	37.0%	31.9%	25.8%
2011	5.1	36.2	32.9	25.8
2012	<u>4.6%</u>	<u>35.2%</u>	<u>32.9%</u>	<u>27.3%</u>

Bulk(a):

As of December 31:				
2010	57.7%	22.8%	9.6%	9.9%
2011	57.1	22.9	9.8	10.2
2012	<u>56.7%</u>	<u>23.3%</u>	<u>10.0%</u>	<u>10.0%</u>

(a) Bulk pool risk in-force, which represented 31.5% of total bulk risk in-force at December 31, 2012, has been allocated pro-rata based on insurance in-force.

(b) The LTV distribution reflects base LTV ratios which are determined prior to the impact of single premiums financed and paid at the time of loan origination. Prior to the second quarter of 2011, LTV distributions were presented on the basis of total LTV which included the financed single premium portion of the loan amount. Prior period data has been reclassified to conform to the current presentation.

Risk in Force Distribution By Top Ten States:

		Traditional Primary									
		TX	FL	GA	IL	CA	NC	PA	NJ	OH	VA
As of December 31:											
2010		8.7%	7.5%	5.2%	5.0%	5.1%	4.7%	4.2%	3.1%	3.3%	2.9%
2011		8.8	7.5	5.2	5.0	5.0	4.8	4.3	3.3	3.3	3.0
2012		<u>8.6%</u>	<u>7.7%</u>	<u>5.3%</u>	<u>5.1%</u>	<u>5.0%</u>	<u>4.8%</u>	<u>4.3%</u>	<u>3.5%</u>	<u>3.3%</u>	<u>3.1%</u>
		Bulk (a)									
		TX	FL	GA	IL	CA	CO	PA	NJ	OH	NY
As of December 31:											
2010		5.3%	9.9%	4.3%	4.0%	15.8%	3.0%	3.1%	3.3%	3.9%	6.0%
2011		5.4	9.9	4.3	4.0	14.9	3.0	3.1	3.5	3.9	6.5
2012		<u>5.3%</u>	<u>9.9%</u>	<u>4.3%</u>	<u>4.0%</u>	<u>13.9%</u>	<u>3.0%</u>	<u>3.3%</u>	<u>3.7%</u>	<u>4.0%</u>	<u>7.1%</u>

Risk in Force Distribution By Level of Documentation:

Traditional Primary:

As of December 31:

	Full Documentation	Reduced Documentation
2010	92.4%	7.6%
2011	92.8	7.2
2012	<u>92.8%</u>	<u>7.2%</u>

Bulk (a):

As of December 31:

	Full Documentation	Reduced Documentation
2010	57.7%	42.3%
2011	58.4	41.6
2012	<u>58.2%</u>	<u>41.8%</u>

Risk in Force Distribution By Loan Type:

Traditional Primary:

As of December 31:

	Fixed Rate & ARMs with Resets >=5 Years	ARMs with Resets <5 years
2010	96.8%	3.2%
2011	97.0	3.0
2012	<u>97.1%</u>	<u>2.9%</u>

Bulk (a):

As of December 31:

	Fixed Rate & ARMs with Resets >=5 Years	ARMs with Resets <5 years
2010	69.6%	30.4%
2011	71.0	29.0
2012	<u>72.6%</u>	<u>27.4%</u>

(a) Bulk pool risk in-force, which represented 31.5% of total bulk risk in-force at December 31, 2012, has been allocated pro-rata based on insurance in-force.

The Company's consumer credit indemnity ("CCI") earned premiums and related risk in force included in the table below have reflected a generally declining trend since 2008. The decline is largely due to a temporary discontinuation of active sales efforts. The following table shows CCI net premiums earned during the indicated periods and the maximum calculated risk in force at the end of the respective periods. Net earned premiums include additional premium adjustments arising from the variable claim experience of individual policies subject to retrospective rating plans. Risk in force reflects estimates of the maximum risk exposures at the inception of individual policies adjusted for cumulative claim costs and the lower outstanding loan balances attributed to such policies through the end of the periods shown below.

	Net CCI Earned Premiums	Risk in Force
Years Ended December 31:		
2010	\$ 87.9	\$ 1,518.6
2011	58.3	1,263.1
2012	<u>\$ 42.4</u>	<u>\$ 1,141.6</u>

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 Value Adjust- ment	Invested Assets at Fair Value
	General	Title	RGIG Run-off	Corporate and Other	Total		
As of December 31:							
2011	\$ 6,610.7	\$ 683.7	\$ 1,654.0	\$ 796.6	\$ 9,745.2	\$ 750.3	\$ 10,495.5
2012	<u>\$ 6,742.7</u>	<u>\$ 785.7</u>	<u>\$ 1,766.3</u>	<u>\$ 450.1</u>	<u>\$ 9,744.9</u>	<u>\$ 863.8</u>	<u>\$ 10,608.8</u>

	Net Investment Income					Yield at	
	General	Title	RFIG Run-off	Corporate and Other	Total	Original Cost	Fair Value
Years Ended December 31:							
2010	\$ 260.1	\$ 26.5	\$ 85.0	\$ 7.3	\$ 379.0	3.94%	3.80%
2011	270.5	27.3	59.3	7.4	364.6	3.71	3.51
2012	<u>\$ 264.9</u>	<u>\$ 27.3</u>	<u>\$ 36.3</u>	<u>\$ 7.9</u>	<u>\$ 336.5</u>	<u>3.40%</u>	<u>3.19%</u>

Consolidated net investment income declined by 7.7%, 3.8%, and 1.2% in 2012, 2011 and 2010, respectively. This revenue source is affected by changes in the invested asset base which are mainly driven by consolidated operating cash flows, by a concentration of investable assets in interest-bearing securities, and by changes in market rates of return. Yield trends reflect the relatively short maturity of Old Republic's fixed maturity securities portfolio as well as continuation of a relatively lower yield environment during the past several years. Net investment income is inclusive of contributions from PMA in 2012, 2011 and the fourth quarter of 2010.

Revenues: Net Realized Gains (Losses)

The Company's investment policies are not 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 generally arise from scheduled maturities and early calls; in 2012, 2011, and 2010, 72.7%, 34.4% and 45.5%, 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. The 2010 realized gains on fixed maturity securities reflect the sale of certain tax-exempt municipal bonds. The gains on equity securities generally reflect the recovery of value realized upon the subsequent sale of common stocks originally impaired in 2008. All sales proceeds were redirected to taxable bonds with higher investment yields and a diversified portfolio of equity securities, with concentrations within the utility and energy industries.

	Realized Gains (Losses) on Disposition of Securities			Impairment Losses on Securities			
	Fixed maturity securities	Equity securities and miscel- laneous investments	Total	Fixed maturity securities	Equity securities and miscel- laneous investments	Total	Net realized gains (losses)
Years Ended December 31:							
2010	\$ 79.1	\$ 31.2	\$ 110.3	\$ —	\$ (1.2)	\$ (1.2)	\$ 109.1
2011	142.6	23.1	165.8	—	(50.2)	(50.2)	115.5
2012	<u>\$ 32.7</u>	<u>\$ 15.3</u>	<u>\$ 48.1</u>	<u>\$ —</u>	<u>\$ (2)</u>	<u>\$ (2)</u>	<u>\$ 47.8</u>

Expenses: Benefits and Claims

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 December 31, 2012 and 2011:

December 31:	Claim and Loss Adjustment Expense Reserves			
	2012		2011	
	Gross	Net	Gross	Net
Workers' compensation	\$ 3,589.6	\$ 1,959.8	\$ 3,472.8	\$ 1,830.8
General liability	1,384.3	643.0	1,392.6	645.3
Commercial automobile (mostly trucking)	1,159.8	968.3	1,116.0	925.8
Other coverages	527.3	335.2	548.2	335.9
Unallocated loss adjustment expense reserves	175.6	142.4	172.8	137.0
Total general insurance reserves	6,836.8	4,048.9	6,702.4	3,874.9
Title	396.4	396.4	332.0	332.0
RFIG Run-off	2,051.0	1,994.8	1,730.6	1,654.0
Life and accident	18.9	15.9	21.3	17.4
Total claim and loss adjustment expense reserves	<u>\$ 9,303.3</u>	<u>\$ 6,456.2</u>	<u>\$ 8,786.6</u>	<u>\$ 5,878.5</u>
Asbestosis and environmental claim reserves included in the above general insurance reserves:				
Amount	<u>\$ 147.1</u>	<u>\$ 119.4</u>	<u>\$ 182.0</u>	<u>\$ 137.9</u>
% of total general insurance reserves	<u>2.2%</u>	<u>2.9%</u>	<u>2.7%</u>	<u>3.6%</u>

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 December 31, 2012, such reserves accounted for 73.5% and 62.7% of consolidated gross and net of reinsurance reserves, respectively, while similar reserves at December 31, 2011 represented 76.3% and 65.9% 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 92% 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. Over the most recent decade actual incurred losses have developed within a reasonable range of their original estimates.

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 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%. The amount of discount reflected in the year end net reserves totaled \$230.8, \$235.1 and \$231.0 as of December 31, 2012, 2011, and 2010, respectively.

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.

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.

RFIG Run-off mortgage guaranty insurance reserves for unpaid claims and claim adjustment expenses are recognized only upon an instance of default, defined as an insured mortgage loan for which two or more consecutive monthly payments have been missed. 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 loan defaults that have occurred but have not as yet been reported. Further, the loss reserve estimating process 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 coverage rescissions and claims denials due to material misrepresentation in key underwriting information or non-compliance with prescribed underwriting guidelines, and management judgments relative to future employment levels, housing market activity, and mortgage loan interest costs, demand, and extensions.

The Company has the legal right to rescind mortgage insurance coverage unilaterally as expressly stated in its policy. Moreover, two federal courts that have recently considered that policy wording have each affirmed that right (See First Tennessee Bank N.A. v. Republic Mortg. Ins. Co., Case No. 2:10-cv-02513-JPM-cgc (W.D. Tenn., Feb. 25, 2011) and JPMorgan Chase Bank N.A. v. Republic Mortg. Ins. Co., Civil Action No. 10-06141 (SRC) (D. NJ, May 4, 2011), each decision citing supporting state law legal precedent). RMIC's mortgage insurance policy provides that the insured represents that all statements made and information provided to it in an application for coverage for a loan, without regard to who made the statements or provided the information, have been made and presented for and on behalf of the insured; and that such statements and information are neither false nor misleading in any material respect, nor omit any fact necessary to make such statements and information not false or misleading in any material respect. According to the policy, if any of those representations are materially false or misleading with respect to a loan, the Company has the right to cancel or rescind coverage for that loan retroactively to commencement of the coverage. Whenever the Company determines that an application contains a material misrepresentation, it either advises the insured in writing of its findings prior to rescinding coverage or exercises its unilateral right to rescind coverage for that loan, stating the reasons for that action in writing and returning the applicable premium. The rescission of coverage in instances of materially faulty representations or warranties provided in applications for insurance is a necessary and prevailing practice throughout the insurance industry. In the case of mortgage guaranty insurance, rescissions have occurred regularly over the years but have been generally immaterial. Since 2008, however, the Company has experienced a much greater incidence of rescissions due to increased levels of observed fraud and misrepresentations in insurance applications pertaining to business underwritten between 2004 and the first half of 2008. As a result, the Company has incorporated certain assumptions regarding the expected levels of coverage rescissions and claim denials in its reserving methodology since 2008. Such estimates, which are evaluated at each balance sheet date, take into account observed as well as historical trends in rescission and denial rates. The table below shows the estimated effects of coverage rescissions and claim denials on loss reserves and settled and incurred losses.

	2012	2011	2010
Estimated reduction in beginning reserve	\$ 313.2	\$ 710.3	\$ 1,712.2
Total incurred claims and settlement expenses reduced (increased) by changes in estimated rescissions:			
Current year	111.7	223.1	394.1
Prior year	12.2	(340.8)	(215.7)
Sub-total	124.0	(117.6)	178.3
Estimated rescission reduction in settled claims	(262.3)	(279.5)	(1,180.3)
Estimated reduction in ending reserve	\$ 174.9	\$ 313.2	\$ 710.3

As noted above, the estimated reduction in ending loss reserves reflects, in large measure, a variety of judgments relative to the level of expected coverage rescissions and claim denials on loans that are in default as of each balance sheet date. The provision for insured events of the current year resulted from actual and anticipated rescissions and claim denials attributable to newly reported delinquencies in each respective year. The provision for insured events of prior years resulted from actual rescission and claim denial activity or revisions in assumptions regarding expected rescission or claim denial rates on outstanding prior year delinquencies. The trends since 2010 reflect a continuing reduction in the level of actual and anticipated rescission and claim denial rates on total outstanding delinquencies. Claims not paid by virtue of rescission or denial represent the Company's estimated contractual risk, before consideration of the impacts of any reinsurance and deductibles or aggregate loss limits, on cases that are settled by the issuance of a rescission or denial notification. 2010 rescissions include \$431.4 related to certain pool insurance contracts which were terminated during the year. Variances between the estimated rescission and actual claim denial rate are reflected in the periods during which they occur.

Although the insured has no right under the policy to appeal a Company claim decision, the insured may, at any time, contests in writing the Company's findings or action with respect to a loan or a claim. In such cases, the Company considers any additional information supplied by the insured. This consideration may lead to further investigation, retraction or confirmation of the initial determination. If the Company concludes that it will reinstate coverage, it advises the insured in writing that it will do so immediately upon receipt of the premium previously returned. Reserves are not adjusted for potential reversals of rescissions or adverse rulings for loans under dispute since such reversals of claim rescissions and denials have historically been immaterial to the reserve estimation process.

There is currently a single instance in which the Company seeks to recover from an insured for previously paid claims. In its counterclaim in the pending arbitration with Countrywide (Countrywide Fin'l Corp. v. Republic Mortg. Ins. Co., Case No. 72 195 Y 0011510 (AAA)). The Countrywide parties are Countrywide Financial Corporation, Countrywide Home Loans, Inc., Bank of America, N.A., in its own capacity and as successor by merger of BAC Home Loan Servicing L.P.), RMIC is seeking to rescind a June 2006 amendment to a mortgage insurance policy that it contends was fraudulently induced by Countrywide. The amendment made coverage for a loan immediately incontestable for borrower misrepresentation. The Company seeks a declaration that the amendment is null and void and to recover the claim amounts totaling at least \$26.6 that it paid notwithstanding the existence of borrower misrepresentations that otherwise would have supported a rescission of coverage for those loans. The Company does not anticipate recoveries from

previously paid claims in its reserving process until such time as a recovery is deemed probable and the amount can be reasonably estimated.

Incurred Loss Experience

Management believes 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 this Annual Report on Form 10-K under Item 1A - Risk Factors.

The following table shows an analysis of changes in aggregate reserves for the Company's losses, claims, and settlement expenses for each of the years shown.

<u>Years Ended December 31:</u>	2012	2011	2010
Gross reserves at beginning of year	\$ 8,786.6	\$ 8,814.6	\$ 7,915.0
Less: reinsurance losses recoverable	2,908.1	2,945.3	2,316.5
Net reserves at beginning of year:			
General Insurance (d)(e)	3,874.9	3,888.0	3,884.5
Title Insurance	332.0	298.0	277.1
RFIG Run-off (a)(e)	1,654.0	1,663.1	2,058.3
Other	17.4	20.0	21.5
Sub-total	5,878.5	5,869.3	6,241.5
Incurred claims and claim adjustment expenses:			
Provisions for insured events of the current year:			
General Insurance (e)	1,729.6	1,575.3	1,299.9
Title Insurance	120.9	105.7	83.4
RFIG Run-off (a)(e)	762.2	887.1	907.8
Other	40.3	40.2	44.4
Sub-total	2,653.1	2,608.5	2,335.6
Change in provision for insured events of prior years:			
General Insurance (e)	(51.5)	(130.9)	(162.7)
Title Insurance	—	—	13.4
RFIG Run-off (a)(e)	148.2	254.8	70.9
Other	(1.5)	(1.2)	(3.2)
Sub-total	95.1	122.6	(81.5)
Total incurred claims and claim adjustment expenses (a)	2,748.2	2,731.1	2,254.1
Payments:			
Claims and claim adjustment expenses attributable to insured events of the current year:			
General Insurance (e)	587.8	569.8	544.1
Title Insurance	3.0	7.9	7.2
RFIG Run-off (b)(e)	46.6	100.5	101.5
Other	30.6	30.7	33.0
Sub-total	668.1	709.2	685.9
Claims and claim adjustment expenses attributable to insured events of prior years:			
General Insurance (e)	916.1	887.6	589.5
Title Insurance	53.4	63.6	68.7
RFIG Run-off (b)(e)	523.0	1,050.5	1,272.4
Other	9.6	10.7	9.6
Sub-total	1,502.3	2,012.6	1,940.4
Total payments (b)	2,170.5	2,721.9	2,626.4
Amount of reserves for unpaid claims and claim adjustment expenses at the end of each year, net of reinsurance losses recoverable: (c)			
General Insurance (e)	4,048.9	3,874.9	3,888.0
Title Insurance	396.4	332.0	298.0
RFIG Run-off (e)	1,994.8	1,654.0	1,663.1
Other	15.9	17.4	20.0
Sub-total	6,456.2	5,878.5	5,869.3
Reinsurance losses recoverable	2,847.0	2,908.1	2,945.3
Gross reserves at end of year	<u>\$ 9,303.3</u>	<u>\$ 8,786.6</u>	<u>\$ 8,814.6</u>

As noted elsewhere in this report, in 2012 Old Republic's CCI insurance coverage was combined with the MI business within the overall RFIG Run-off Business. Prior periods' segmented information for the General Insurance and RFIG Run-off Business segments has therefore been reclassified to provide necessary consistency in period-to-period operating comparisons.

Excluding the reclassification of CCI from the General Insurance to the RFIG Run-off Business segment, certain elements shown in the preceding table would have been as follows:

	2012	2011	2010
Change in provision for incurred events of prior years:			
General Insurance	\$ (19.8)	\$ (149.2)	\$ (76.6)
RFIG Run-off	116.5	273.2	(15.2)
Payment of claim and claim adjustment expenses attributable to events of the current and prior years:			
General Insurance	1,577.9	1,551.1	1,399.0
RFIG Run-off (b)	<u>\$ 495.7</u>	<u>\$ 1,057.4</u>	<u>\$ 1,108.4</u>

- (a) In common with all other insurance lines, RFIG Run-off mortgage guaranty settled and incurred claim and claim adjustment expenses include only those costs actually or expected to be paid by the Company. Changes in mortgage guaranty aggregate case, IBNR, and loss adjustment expense reserves shown in the following table and entering into the determination of incurred claim costs, take into account, among a large number of variables, claim cost reductions for anticipated coverage rescissions and claims denials previously noted.

The RFIG Run-off mortgage guaranty provision for insured events of the current year was reduced by an estimated \$111.7, \$223.1 and \$394.1, respectively, for 2012, 2011 and 2010. The provision for insured events of prior years in 2012, 2011 and 2010 was increased (decreased) by an estimated \$(12.2), \$340.8 and \$215.7, respectively. These changes were offset to varying degrees by differences between actual claim settlements relative to expected experience and by subsequent revisions to assumptions in regards to claim frequency, severity or levels of associated claim settlement costs which result from consideration of underlying trends and expectations.

	2012	2011	2010
Net reserve increase(decrease):			
General Insurance(*)	\$ 174.0	\$ (13.1)	\$ 646.6
Title Insurance	64.3	34.0	20.8
RFIG Run-off	340.7	(9.0)	(395.2)
Other	(1.5)	(2.6)	(1.4)
Total	<u>\$ 577.6</u>	<u>\$ 9.2</u>	<u>\$ 270.8</u>

(*) Includes reserves of \$638.8 at December 31, 2010 assumed in conjunction with the PMA merger.

- (b) Rescissions reduced the Company's paid losses by an estimated \$262.3, \$279.5, and \$1,180.3 for 2012, 2011, and 2010, respectively. 2010 includes \$431.4 related to certain pool insurance contracts which were terminated during the year. 2012 RFIG Run-off Business claim and claim adjustment expense payments reflect the retention of the Deferred Payment Obligation ("DPO") within claim reserves and were thereby reduced by \$299.5.
- (c) Year end net IBNR reserves carried in each segment were as follows:

	2012	2011	2010
General Insurance	\$ 1,947.0	\$ 1,878.2	\$ 1,865.0
Title Insurance	336.9	262.5	216.5
RFIG Run-off	147.5	94.8	86.3
Other	4.6	4.6	5.0
Total	<u>\$ 2,436.1</u>	<u>\$ 2,240.4</u>	<u>\$ 2,172.9</u>

- (d) Includes reserves acquired through the PMA merger at October 1, 2010.
- (e) Consumer credit indemnity coverages have been fully reclassified from the General Insurance Group to the RFIG Run-off Business segment in this table for all periods presented. In connection with the previously noted MI/CCI combination, certain General Insurance Group companies retain losses pursuant to various quota share and stop loss reinsurance agreements.

During 2010's second half, various news accounts cited possible widespread issues pertaining to the loan foreclosure procedures of lending institutions. Basically, these news reports point to faulty documentation of such foreclosure procedures. In the Company's opinion, the possible impact on its operating segments from foreclosure delays is summarized as follows: **Title Insurance** -- The current foreclosure issues could impact this line of business by legal costs associated with defending title issues created by flaws in the foreclosure proceedings. In an extreme case, a title company could be forced to reimburse the buyer of the home as a result of a faulty foreclosure proceeding. In this event, the Company would look to the protections afforded it in the policy and seek remedies from the foreclosing lender. It is unlikely that these issues would have a material financial impact on our title insurance company. **RFIG Run-off mortgage guaranty** -- a delay in the foreclosure proceedings will have the effect of delaying the filing and ultimate payment of claims. It is not anticipated that this will increase the number of delinquent loans that ultimately go to claim but will result

in distressed loans remaining in the later stage of delinquency until the ultimate foreclosure is resolved. The CCI coverage is largely unaffected because foreclosure is not a condition precedent to the filing of a claim by an insured lending institution.

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 consolidated operations were as follows:

Years Ended December 31:	2012	2011	2010
General	73.0%	69.2%	67.8%
Title	7.2	7.8	8.0
RFIG Run-off	221.8	230.5	169.0
Consolidated benefits and claim ratio	<u>61.9%</u>	<u>68.3%</u>	<u>63.8%</u>
Reconciliation of consolidated ratio:			
Provision for insured events of the current year	59.8%	65.3%	66.1%
Change in provision for insured events of prior years:			
Due to asbestos and environmental	—	—	—
Due to all other coverages	2.1	3.0	(2.3)
Net (favorable) unfavorable development	2.1	3.0	(2.3)
Consolidated benefits and claim ratio	<u>61.9%</u>	<u>68.3%</u>	<u>63.8%</u>

The consolidated benefits and claim ratio reflects the changing effects of period-to-period contributions of each segment to consolidated results, and this ratio's variances within each segment. For the three most recent calendar years, the above table indicates that the one-year development of consolidated reserves at the beginning of each year produced unfavorable developments in 2012 and 2011 and favorable development in 2010 which on average increased the consolidated loss ratio by 1.0%.

The percentage of net claims, benefits and related settlement expenses measured against premiums earned by major types of **general insurance** coverage were as follows after taking into account the 2012 reclassification of the CCI coverage to the RFIG Run-off segment:

Years Ended December 31:	General Insurance Claim Ratios by Type of Coverage						
	All Coverages (a)	Commercial Automobile (mostly trucking)	Workers' Compensation	Financial Indemnity (a)	Inland Marine and Property	General Liability	Other
2010	67.8%	73.0%	70.7%	36.7%	62.8%	64.6%	67.1%
2011	69.2	71.9	72.3	39.2	70.4	64.6	62.8
2012	<u>73.0%</u>	<u>75.3%</u>	<u>78.6%</u>	<u>29.6%</u>	<u>71.6%</u>	<u>63.8%</u>	<u>65.6%</u>

(a) The consumer credit indemnity coverage is now reported within the RFIG Run-off segment and has been excluded for all periods presented. Prior to reclassifying such coverage, the above claim ratios would be as follows:

Years Ended December 31:	All Coverages	Financial Indemnity
2010	77.1%	133.3%
2011	72.1	88.4
2012	<u>76.4%</u>	<u>101.4%</u>

The overall general insurance claims ratio shows 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. Claims ratios in 2012 were affected by higher loss costs for the aggregate commercial automobile (trucking), general liability, and workers' compensation coverages.

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, general aviation, and the E&O/D&O (financial indemnity) lines of business; these were partially offset by unfavorable development in workers' compensation coverages and by ongoing development of asbestos and environmental ("A&E") claim reserves.

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 category 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 4.7 years (gross) and 7.6 years (net of reinsurance) as of December 31, 2012 and 5.9 years (gross) and 9.4 years (net of reinsurance) as of December 31, 2011. The survival ratios are presented on a pro forma basis (unaudited) as if PMA had been consolidated with ORI for all periods presented. 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 .1% of *general insurance* group net incurred losses for the five years ended December 31, 2012.

A summary of reserve activity, including estimates for IBNR, relating to A&E claims at December 31, 2012 and 2011 is as follows:

December 31:	2012		2011	
	Gross	Net	Gross	Net
<i>Asbestos:</i>				
Reserves at beginning of year	\$ 129.0	\$ 106.4	\$ 134.8	\$ 108.0
Loss and loss expenses incurred	10.1	4.8	12.7	9.7
Claims and claim adjustment expenses paid	22.4	13.4	18.5	11.3
Reserves at end of year	<u>116.7</u>	<u>97.8</u>	<u>129.0</u>	<u>106.4</u>
<i>Environmental:</i>				
Reserves at beginning of year	53.0	31.4	60.8	36.9
Loss and loss expenses incurred	(8.5)	(5.3)	(.5)	.6
Claims and claim adjustment expenses paid	14.1	4.5	7.2	6.1
Reserves at end of year	<u>30.4</u>	<u>21.5</u>	<u>53.0</u>	<u>31.4</u>
Total asbestos and environmental reserves	<u>\$ 147.1</u>	<u>\$ 119.4</u>	<u>\$ 182.0</u>	<u>\$ 137.9</u>

Title Insurance loss ratios have remained in the single digits for a number of years due to a continuation of favorable trends in claims frequency and severity for business underwritten since 1992 in particular. Though still reasonably contained, claim ratios have remained at elevated levels in the most recent three years by comparison to historical trends due to the continuing downturn and economic stresses in the housing and related mortgage lending industries.

The *RFIG Run-off mortgage guaranty* claim ratios for the years presented were affected mostly by varying mortgage guaranty claim payment trends and reserve provisions as well as captive and pool transactions. Claim costs for 2012 were lower as a continuing downtrend in newly reported cases, relatively stable cure rates, and lower paid claim levels more than offset reduced provisions for claim rescissions. Old Republic's mortgage guaranty subsidiaries negotiated the termination of various captive reinsurance and pool insurance contracts during 2010. Taken together all of these transactions reduced the mortgage guaranty incurred claim ratio by 15.0 percentage points for the year ended December 31, 2010. Reserve provisions have been impacted by the levels of reported delinquencies emanating from the downturn in the national economy, widespread stress in housing and mortgage finance markets, and increasing unemployment. Trends in expected and actual claim frequency and severity have been impacted to varying degrees by several factors including, but not limited to, significant declines in home prices which limit a troubled borrower's ability to sell the mortgaged property in an amount sufficient to satisfy the remaining debt obligation, more restrictive mortgage lending standards which limit a borrower's ability to refinance the loan, increases in housing supply relative to recent demand, historically high levels of coverage rescissions and claims denials as a result of material misrepresentation in key underwriting information or non-compliance with prescribed underwriting guidelines, and changes in claim settlement costs. The latter costs are influenced by the amount of unpaid principal outstanding on delinquent loans as well as the rising expenses of settling claims due to higher investigations costs, legal fees, and accumulated interest expenses.

Certain *mortgage guaranty* average claim-related trends are listed below:

	Average Settled Claim Amount (a)		Reported Delinquency Ratio at End of Period		Claims Rescissions and Denials
	Traditional Primary	Bulk	Traditional Primary	Bulk	
Years Ended December 31:					
2010	\$ 47,954	\$ 58,184	15.55%	24.54%	\$ 748.8
2011	48,254	54,956	14.89	21.90	279.5
2012	<u>\$ 46,376</u>	<u>\$ 53,221</u>	<u>14.70%</u>	<u>21.57%</u>	<u>\$ 262.3</u>

(a) Amounts are in whole dollars.

Traditional Primary Delinquency Ratios for Top Ten States (b):										
	TX	FL	GA	IL	CA	NC	PA	OH	NJ	VA
As of December 31:										
2010	9.6%	32.6%	17.3%	19.2%	22.6%	11.9%	11.5%	16.0%	20.7%	11.7%
2011	8.4	32.2	15.4	20.6	17.1	12.2	12.1	15.4	23.5	11.5
2012	<u>7.9%</u>	<u>31.6%</u>	<u>13.7%</u>	<u>20.8%</u>	<u>14.1%</u>	<u>11.2%</u>	<u>13.9%</u>	<u>15.6%</u>	<u>26.6%</u>	<u>10.8%</u>

Bulk Delinquency Ratios for Top Ten States (b):										
	TX	FL	GA	IL	CA	CO	PA	OH	NJ	NY
As of December 31:										
2010	15.2%	37.0%	22.3%	28.6%	27.7%	17.6%	20.6%	23.2%	27.9%	23.2%
2011	14.1	34.0	19.5	26.3	21.8	13.4	20.1	19.1	28.2	23.0
2012	<u>13.7%</u>	<u>34.2%</u>	<u>17.9%</u>	<u>27.2%</u>	<u>17.6%</u>	<u>12.6%</u>	<u>21.4%</u>	<u>19.5%</u>	<u>32.5%</u>	<u>25.5%</u>

Total Delinquency Ratios for Top Ten States (includes "other" business) (b):										
	TX	FL	GA	IL	CA	NC	PA	OH	NJ	NY
As of December 31:										
2010	9.9%	32.1%	17.1%	19.1%	23.2%	10.9%	12.1%	16.6%	21.5%	18.0%
2011	8.8	31.6	15.4	20.5	18.1	11.7	12.7	15.7	24.0	19.0
2012	<u>8.4%</u>	<u>31.3%</u>	<u>13.8%</u>	<u>21.3%</u>	<u>15.2%</u>	<u>11.1%</u>	<u>14.5%</u>	<u>16.0%</u>	<u>27.4%</u>	<u>23.0%</u>

(b) As determined by risk in force as of December 31, 2012, these 10 states represent approximately 50.7%, 58.5%, and 51.0%, of traditional primary, bulk, and total risk in force, respectively.

The following table shows CCI claim-related trends for the periods shown:

Years Ended December 31:	CCI Claim Costs				Reported Delinquency Ratio at End of Period	Claim Rescissions and Denials
	Paid		Incurred			
	Amount	Ratio (a)	Amount	Ratio (a)		
2010	\$ 278.3	316.4%	\$ 225.4	256.4%	4.6%	\$ 621.5
2011	111.8	191.7	102.9	176.5	4.4	166.1
2012	\$ 73.8	173.9%	\$ 112.8	265.7%	3.9%	\$ 98.1

(a) Percent of net CCI earned premiums. CCI claim ratios include only those costs actually or expected to be paid by the Company and exclude claims not paid by virtue of coverage rescissions and claim denials as well as unsubstantiated claim submissions. Certain claim rescissions and denials may from time to time become the subject of disagreements between the Company and certain individual insureds. Possible future reversals of such rescissions and denials, however, may not necessarily affect the adequacy of previously established claim reserve levels nor fully impact operating results. These effects could be fully or partially negated by the imposition of additional retrospective premiums and/or the limiting effects of maximum policy limits.

Volatility of Reserve Estimates and Sensitivity

There is a great deal of uncertainty in the estimates of loss and loss adjustment expense reserves, and unanticipated events can have both a favorable or unfavorable impact on such estimates. The Company believes that the factors most responsible, in varying and continually changing degrees, for such favorable or unfavorable development are as follows:

General insurance net claim reserves can be affected by lower than expected frequencies of claims incurred but not reported, the effect of reserve discounts applicable to workers' compensation claims, higher than expected severity of litigated claims in particular, governmental or judicially imposed retroactive conditions in the settlement of claims such as noted elsewhere in this document in regard to black lung disease claims, greater than anticipated inflation rates applicable to repairs and the medical benefits portion of claims, and higher than expected IBNR due to the slower and highly volatile emergence patterns applicable to certain types of claims such as those stemming from litigated, assumed reinsurance, or the A&E types of claims noted above.

Title insurance loss reserve levels can be impacted adversely by such developments as reduced loan refinancing activity, the effect of which can be to lengthen the period during which title policies remain exposed to loss emergence. Such reserve levels can also be impacted by reductions in either property values or the volume of transactions which, by virtue of the speculative nature of some real estate developments, can lead to increased occurrences of fraud, defalcations or mechanics' liens.

RFIG Run-off mortgage guaranty net claim reserve levels can be affected adversely by several factors. These include changes in the mix of insured business toward loans that have a higher probability of default, increases in the average risk per insured loan, the levels of estimated rescission and claim denial activity, the deterioration of regional or national economic conditions leading to a reduction in borrowers' income and thus their ability to make mortgage payments, and reductions in housing values and/or increases in housing supply that can raise the rate at which defaults evolve into claims and affect their overall severity.

With respect to Old Republic's small **life and accident** insurance operations, reserve adequacy may be affected adversely by greater than anticipated medical care cost inflation as well as greater than expected frequency and severity of claims. In life insurance, as in general insurance, concentrations of insured lives coupled with a catastrophic event would represent the Company's largest exposure.

Loss reserve uncertainty is illustrated by the variability in loss reserve development presented in the schedule which appears under Item 1 of this Annual Report. That schedule shows the cumulative loss reserve development for each of the past ten years through December 31, 2012 for the **general insurance** business which currently represents 63.8% of Old Republic's total loss and loss adjustment expense reserves, net of reinsurance reserves. Through December 31, 2012, ending claim reserves for the past ten year-ends have developed, as a percentage of the original estimates, within a range of (1.7)% unfavorable in 2002 to 14.4% favorable in 2005. For the aggregate of ten year-ends, the net development has averaged 6.8% favorable.

On a consolidated basis, which includes all coverages provided by the Company, the one year development on prior year loss reserves over the same ten year period has ranged from (6.8)% unfavorable in 2010 to 11.9% favorable in 2005 and averaged 1.3%. Although management does not have a practical business reason for making projections of likely outcomes of future loss developments, its analysis and evaluation of Old Republic's existing business mix, current aggregate loss reserve levels, and loss development patterns suggests a reasonable likelihood that 2012 year-end loss reserves could ultimately develop within a range of +/- 5%. The most significant factors impacting the potential reserve development for each of the Company's insurance segments is discussed above. While the Company has generally experienced favorable loss developments for the latest ten year period on an overall basis, the current analysis of loss development factors and economic conditions influencing the Company's insurance coverages indicates a gradual downward trend in favorable development during the most recent three years, with respect to general insurance. In management's opinion, the other segments' loss reserve development patterns show greater variability due to changes in economic conditions which cannot be reasonably anticipated. Consequently, management believes that using a 5% potential range of reserve development provides a reasonable benchmark for a sensitivity analysis of the Company's consolidated reserves as of December 31, 2012.

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 this Annual Report on Form 10-K.

Subsidiaries within the **general insurance** segment have generally obtained reinsurance coverage from independent insurance or reinsurance companies pursuant to excess of loss agreements. Under excess of loss reinsurance agreements the Company is generally reimbursed for claim costs exceeding contractually agreed-upon levels. During the three year period ended December 31, 2012, the Company's net retentions have risen gradually within the general insurance segment; however, such changes have not had a material impact on the Company's consolidated financial statements.

Except for relatively few facultative reinsurance cessions covering large risks, the *title insurance* segment does not utilize a significant amount of reinsurance to manage its insurance risk.

Generally, the *RFIG Run-off mortgage guaranty* insurance risk has historically been reinsured through excess of loss contracts through insurers owned by or affiliated with lending institutions and financial and other intermediaries whose customers are insured by Old Republic. Effective December 31, 2008, the Company discontinued excess of loss reinsurance cessions to lenders' captive insurance companies for all new production originated subsequent to the effective date. During 2010, RFIG recaptured business previously ceded to several captives. In substance, the transactions are cut-off reinsurance commutation arrangements whereby the captives have remitted to the Company the reserves on existing claim obligations and a risk premium for claims that will occur after the recapture date. The impact of these transactions is summarized in other relevant sections within the Management Analysis of Financial Position and Results of Operations.

The Company does not anticipate any significant changes to its reinsurance programs during 2013.

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	Title	RFIG Run-off	Consolidated
Years Ended December 31:				
2010	26.9%	93.0%	13.3%	47.6%
2011	25.2	91.2	22.1	47.5
2012	<u>25.7%</u>	<u>89.6%</u>	<u>10.4%</u>	<u>48.5%</u>

Any necessary reclassifications of prior years' data are reflected in the table, including the previously noted 2012 reclassification of the CCI coverage from the General Insurance segment to the RFIG Run-off Business.

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. Moreover, general operating expenses 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. The general insurance expense ratio for 2012 was impacted by a charge related to previously deferred acquisition costs stemming from new accounting guidance issued by FASB as discussed in the Executive Summary. The 2011 RFIG Run-off expense ratio reflects an accrual of employment severance and similar costs, and the elimination of previously deferred acquisition costs.

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	Title	RFIG Run-off	Consolidated
Years Ended December 31:				
2010	94.7%	101.0%	182.3%	111.4%
2011	94.4	99.0	252.6	115.8
2012	<u>98.7%</u>	<u>96.8%</u>	<u>232.2%</u>	<u>110.4%</u>

Expenses: Income Taxes

The effective consolidated income tax rates (credits) were (46.6)% in 2012, (40.6)% in 2011 and (9.2)% in 2010. The rates for each year reflect primarily the varying proportions of pretax operating income (loss) derived from partially tax sheltered investment income (principally state and municipal tax-exempt interest), the combination of fully taxable investment income, realized investment gains or losses, underwriting and service income, and judgments about the recoverability of deferred tax assets. As of December 31, 2012, 2011, and 2010, a valuation allowance was established for certain net operating loss and tax credit carryforwards which the Company did not expect to realize.

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. RFIG Run-off and Title Insurance results can be affected by similar factors and by changes in national and regional housing demand and values, the availability and cost of mortgage loans, employment trends, and default rates on mortgage loans. RFIG Run-off results, in particular, may also be affected by various mortgage guaranty risk-sharing arrangements with business producers, as well as the risk management and pricing policies of government sponsored enterprises. Life and accident insurance earnings can be affected by the levels of employment and consumer spending, variations in mortality and health trends, and changes in policy lapsation rates. At the parent holding company level, operating earnings or losses are generally reflective of the amount of debt outstanding and its cost, interest income on temporary holdings of short-term investments, and period-to-period variations in the costs of administering the Company's widespread operations.

A more detailed listing and discussion of the risks and other factors which affect the Company's risk-taking insurance business are included in Part I, Item 1A - Risk Factors, of this 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.

Item 7A - Quantitative and Qualitative Disclosure About Market Risk
(\$ in Millions)

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.

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 fair 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.

The following table illustrates the hypothetical effect on the fixed income and equity investment portfolios resulting from movements in interest rates and fluctuations in the equity securities markets, using the S&P 500 index as a proxy, at December 31, 2012:

	Estimated Fair Value	Hypothetical Change in Interest Rates or S&P 500	Estimated Fair Value After Hypothetical Change in Interest Rates or S&P 500
Interest Rate Risk:			
Fixed Maturities	\$ 8,566.2	100 basis point rate increase	\$ 8,219.3
		200 basis point rate increase	7,872.3
		100 basis point rate decrease	8,913.1
		200 basis point rate decrease	\$ 9,260.1
Equity Price Risk:			
Equity Securities	\$ 739.7	10% increase in the S&P 500	\$ 802.6
		20% increase in the S&P 500	865.4
		10% decline in the S&P 500	676.8
		20% decline in the S&P 500	\$ 614.0

Item 8 - Financial Statements and Supplementary Data

Listed below are the consolidated financial statements included herein for Old Republic International Corporation and Subsidiaries:

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

	December 31,	
	2012	2011
Assets		
Investments:		
Available for sale:		
Fixed maturity securities (at fair value) (amortized cost: \$7,993.1 and \$7,884.6)	\$ 8,566.2	\$ 8,393.2
Equity securities (at fair value) (adjusted cost: \$452.1 and \$341.9)	739.7	580.8
Short-term investments (at fair value which approximates cost)	1,264.9	1,476.2
Miscellaneous investments	29.6	35.3
Total	10,600.5	10,485.6
Other investments	8.2	9.8
Total investments	10,608.8	10,495.5
Other Assets:		
Cash	101.2	93.0
Securities and indebtedness of related parties	12.7	16.9
Accrued investment income	90.4	96.5
Accounts and notes receivable	1,134.7	1,039.0
Federal income tax recoverable: Current	71.9	73.5
Deferred	148.1	116.7
Reinsurance balances and funds held	201.6	210.0
Reinsurance recoverable: Paid losses	103.7	100.7
Policy and claim reserves	3,133.3	3,143.1
Deferred policy acquisition costs	165.5	197.6
Sundry assets	454.2	467.2
Total Other Assets	5,618.0	5,554.9
Total Assets	\$ 16,226.8	\$ 16,050.4
Liabilities, Preferred Stock, and Common Shareholders' Equity		
Liabilities:		
Losses, claims, and settlement expenses	\$ 9,303.3	\$ 8,786.6
Unearned premiums	1,364.4	1,268.8
Other policyholders' benefits and funds	201.8	193.1
Total policy liabilities and accruals	10,869.6	10,248.6
Commissions, expenses, fees, and taxes	511.1	457.3
Reinsurance balances and funds	437.9	380.5
Debt	572.9	912.8
Sundry liabilities	238.8	278.4
Commitments and contingent liabilities		
Total Liabilities	12,630.6	12,277.8
Preferred Stock (1)	—	—
Common Shareholders' Equity:		
Common stock (1)	259.4	259.3
Additional paid-in capital	660.9	657.9
Retained earnings	2,222.3	2,472.4
Accumulated other comprehensive income (loss)	481.7	416.0
Unallocated ESSOP shares (at cost)	(28.2)	(33.2)
Treasury stock (at cost)(1)	—	—
Total Common Shareholders' Equity	3,596.2	3,772.5
Total Liabilities, Preferred Stock and Common Shareholders' Equity	\$ 16,226.8	\$ 16,050.4

(1) At December 31, 2012 and 2011, 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 259,490,089 and 259,328,278 were issued as of December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011, 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 December 31, 2012 and 2011.

See accompanying Notes to Consolidated Financial Statements.

Old Republic International Corporation and Subsidiaries
Consolidated Statements of Income
(\$ in Millions, Except Share Data)

	Year Ended December 31,		
	2012	2011	2010
Revenues:			
Net premiums earned	\$ 4,043.8	\$ 3,695.5	\$ 3,225.5
Title, escrow, and other fees	427.1	354.5	348.0
Total premiums and fees	4,471.0	4,050.1	3,573.5
Net investment income	336.5	364.6	379.0
Other income	114.5	115.2	41.0
Total operating revenues	4,922.2	4,529.9	3,993.5
Realized investment gains (losses):			
From sales	48.1	165.8	110.3
From impairments	(.2)	(50.2)	(1.2)
Total realized investment gains (losses)	47.8	115.5	109.1
Total revenues	4,970.1	4,645.5	4,102.7
Benefits, Claims and Expenses:			
Benefits, claims and settlement expenses	2,747.4	2,748.7	2,266.1
Dividends to policyholders	17.9	15.6	12.1
Underwriting, acquisition, and other expenses	2,297.1	2,054.3	1,764.8
Interest and other charges	36.2	63.4	32.0
Total expenses	5,098.7	4,882.2	4,075.1
Income (loss) before income taxes (credits)	(128.5)	(236.7)	27.6
Income Taxes (Credits):			
Current	2.4	(36.7)	(22.6)
Deferred	(62.3)	(59.4)	20.1
Total	(59.8)	(96.1)	(2.5)
Net Income (Loss)	\$ (68.6)	\$ (140.5)	\$ 30.1
Net Income (Loss) Per Share:			
Basic	\$ (.27)	\$ (.55)	\$.13
Diluted	\$ (.27)	\$ (.55)	\$.13
Average shares outstanding: Basic	255,812,888	255,045,210	241,075,488
Diluted	255,812,888	255,045,210	241,327,073
Dividends Per Common Share:			
Cash	\$.71	\$.70	\$.69

Consolidated Statements of Comprehensive Income

	Years Ended December 31,		
	2012	2011	2010
Net Income (Loss) As Reported	\$ (68.6)	\$ (140.5)	\$ 30.1
Other comprehensive income (loss):			
Net unrealized gains (losses) on securities, net of tax	73.8	7.5	101.7
Net adjustment related to defined benefit pension plans, net of tax	(12.6)	(36.2)	(2.0)
Foreign currency translation and other adjustments	4.4	(14.3)	5.5
Net adjustments	65.6	(43.0)	105.2
Comprehensive Income (Loss)	\$ (3.0)	\$ (183.5)	\$ 135.3

See accompanying Notes to Consolidated Financial Statements.

Old Republic International Corporation and Subsidiaries
Consolidated Statements of Preferred Stock
and Common Shareholders' Equity
(\$ in Millions)

	Years Ended December 31,		
	2012	2011	2010
Convertible Preferred Stock:			
Balance, beginning and end of year	\$ —	\$ —	\$ —
Common Stock:			
Balance, beginning of year	\$ 259.3	\$ 259.2	\$ 240.6
Dividend reinvestment plan	—	—	—
Net issuance of shares under stock based compensation plans	—	—	.7
Conversion of senior debentures	—	—	—
Acquisition of subsidiary	—	—	17.7
Balance, end of year	\$ 259.4	\$ 259.3	\$ 259.2
Additional Paid-in Capital:			
Balance, beginning of year	\$ 657.9	\$ 649.6	\$ 412.4
Dividend reinvestment plan	.8	.8	.8
Net issuance of shares under stock based compensation plans	(.6)	—	1.6
Conversion of senior debentures	—	—	—
Acquisition of subsidiary	—	—	228.7
Stock based compensation	2.5	3.4	4.1
ESSOP shares released	.3	1.0	1.7
Acquisition of non-controlling interest	—	2.7	—
Balance, end of year	\$ 660.9	\$ 657.9	\$ 649.6
Retained Earnings:			
Balance, beginning of year	\$ 2,472.4	\$ 2,791.4	\$ 2,927.3
Net income (loss)	(68.6)	(140.5)	30.1
Dividends on common stock: cash	(181.5)	(178.4)	(166.1)
Balance, end of year	\$ 2,222.3	\$ 2,472.4	\$ 2,791.4
Accumulated Other Comprehensive Income (Loss):			
Balance, beginning of year	\$ 416.0	\$ 459.1	\$ 353.7
Net unrealized gains (losses) on securities, net of tax	73.8	7.5	101.7
Net adjustment related to defined benefit pension plans, net of tax	(12.6)	(36.2)	(2.0)
Foreign currency translation and other adjustments	4.4	(14.3)	5.5
Balance, end of year	\$ 481.7	\$ 416.0	\$ 459.1
Unallocated ESSOP Shares:			
Balance, beginning of year	\$ (33.2)	\$ (38.0)	\$ (42.7)
ESSOP shares released	5.0	4.8	4.6
Balance, end of year	\$ (28.2)	\$ (33.2)	\$ (38.0)
Treasury Stock:			
Balance, beginning and end of year	\$ —	\$ —	\$ —

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31,		
	2012	2011	2010
Cash flows from operating activities:			
Net income (loss)	\$ (68.6)	\$ (140.5)	\$ 30.1
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Deferred policy acquisition costs	32.5	32.7	20.8
Premiums and other receivables	(105.6)	(16.1)	81.1
Unpaid claims and related items	578.2	9.3	(372.7)
Unearned premiums and other policyholders' liabilities	52.7	23.1	(76.5)
Income taxes	(60.7)	(88.5)	(17.5)
Prepaid federal income taxes	1.0	101.9	118.5
Reinsurance balances and funds	51.7	(12.4)	(48.5)
Realized investment (gains) losses	(47.8)	(115.5)	(109.1)
Accounts payable, accrued expenses and other	98.6	111.2	91.5
Total	<u>532.0</u>	<u>(94.9)</u>	<u>(282.2)</u>
Cash flows from investing activities:			
Fixed maturity securities:			
Maturities and early calls	1,080.3	926.8	882.0
Sales	406.1	1,769.5	1,055.5
Sales of:			
Equity securities	71.1	86.6	116.6
Other - net	28.3	31.2	7.5
Cash balances of subsidiaries acquired	—	—	17.8
Sale of a business	5.8	—	—
Purchases of:			
Fixed maturity securities	(1,598.3)	(2,409.6)	(1,556.6)
Equity securities	(169.8)	(65.0)	(129.4)
Other - net	(37.8)	(50.8)	(33.4)
Net decrease (increase) in short-term investments	211.5	(476.0)	140.0
Other-net	(1.0)	—	—
Total	<u>(3.7)</u>	<u>(187.1)</u>	<u>499.8</u>
Cash flows from financing activities:			
Issuance of debentures and notes	—	537.0	215.0
Issuance of common shares	1.0	1.2	3.2
Redemption of debentures and notes	(339.8)	(112.1)	(218.9)
Dividends on common shares	(181.5)	(178.4)	(166.1)
Other-net	.2	.1	(.7)
Total	<u>(520.0)</u>	<u>247.8</u>	<u>(167.6)</u>
Increase (decrease) in cash:	8.1	(34.2)	50.0
Cash, beginning of year	93.0	127.3	77.3
Cash, end of year	<u>\$ 101.2</u>	<u>\$ 93.0</u>	<u>\$ 127.3</u>
Supplemental cash flow information:			
Cash paid (received) during the period for: Interest	\$ 35.0	\$ 42.0	\$ 28.4
Income taxes	\$ 1.6	\$ (6.9)	\$ 15.5
Non-cash transaction: Purchase consideration for PMA merger	\$ —	\$ —	\$ 247.2

See accompanying Notes to Consolidated Financial Statements.

Old Republic International Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(\$ in Millions, Except as Otherwise Indicated)

Old Republic International Corporation is a Chicago-based insurance holding company with subsidiaries engaged mainly in the general (property and liability), title, and mortgage guaranty ("MI") and consumer credit indemnity ("CCI") run-off businesses. These insurance subsidiaries are organized as the Old Republic General Insurance, Title Insurance and RFIG Run-off Business Groups, and references herein to such groups apply to the Company's subsidiaries engaged in the respective segments of business. As more fully disclosed in Note 1(s), RFIG's flagship mortgage guaranty insurance carrier, Republic Mortgage Insurance Company ("RMIC") and its affiliate Republic Mortgage Insurance Company of North Carolina ("RMIC-NC") have been operating in run-off pursuant to Summary Orders received from the North Carolina Department of Insurance ("NCDOL") which placed these companies under its supervision in 2012. As discussed in Note 6, the Company combined its General Insurance Group's Consumer Credit Indemnity (CCI) division with its Mortgage Guaranty (MI) business in a renamed Republic Financial Indemnity Group, Inc. (RFIG) Run-off Business segment. The combination affects the manner in which segmented results are presented. Prior periods' segmented information for the General Insurance and RFIG Run-off Business segments has therefore been reclassified to provide necessary consistency in period-to-period operating comparisons. A small life and accident insurance business is included in the corporate and other caption of this report. In this report, "Old Republic", or "the Company" refers to Old Republic International Corporation and its subsidiaries as the context requires.

Note 1 - Summary of Significant Accounting Policies - The significant accounting policies employed by Old Republic International Corporation and its subsidiaries are set forth in the following summary.

(a) Accounting Principles - The Company's insurance subsidiaries are managed pursuant to the laws and regulations of the various states in which they operate. As a result, the subsidiaries operate and maintain their accounts in conformity with accounting practices prescribed or permitted by various states' insurance regulatory authorities. Federal income taxes and dividends to shareholders are based on financial statements and reports complying with such practices. The statutory accounting requirements vary from the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") of accounting principles generally accepted in the United States of America ("GAAP") in the following major respects: (1) the costs of selling insurance policies are charged to operations immediately, while the related premiums are taken into income over the terms of the policies; (2) investments in fixed maturity securities designated as available for sale are generally carried at amortized cost rather than their estimated fair value; (3) certain assets classified as "non-admitted assets" are excluded from the balance sheet through a direct charge to earned surplus; (4) changes in allowed deferred income tax assets or liabilities are recorded directly in earned surplus and not through the income statement; (5) mortgage guaranty contingency reserves intended to provide for future catastrophic losses are established as a liability through a charge to earned surplus whereas, GAAP does not allow provisions for future catastrophic losses; (6) title insurance premium reserves, which are intended to cover losses that will be reported at a future date are based on statutory formulas, and changes therein are charged in the income statement against each year's premiums written; (7) certain required formula-derived reserves for general insurance in particular are established for claim reserves in excess of amounts considered adequate by the Company as well as for credits taken relative to reinsurance placed with other insurance companies not licensed in the respective states, all of which are charged directly against earned surplus; (8) surplus notes are classified as equity; and (9) the mortgage guaranty deferred payment obligation ("DPO") retained in claim reserves is classified as an admissible asset and as a component of policyholder surplus pursuant to a permitted practice of the NCDOL. In consolidating the statutory financial statements of its insurance subsidiaries, the Company has therefore made necessary adjustments to conform their accounts with GAAP. The following table reflects a summary of all such adjustments:

	Shareholders' Equity		Net Income (Loss)		
	December 31,		Years Ended December 31,		
	2012	2011	2012	2011	2010
Statutory totals of insurance company subsidiaries:					
General	\$ 2,905.9	\$ 2,849.7	225.5	\$ 292.5	\$ 255.6 (a)
Title	358.1	236.6	70.3	46.7	14.6
RFIG Run-off	149.2	113.6	(285.0)	(422.6)	(196.3)
Life & Health	71.9	70.1	3.0	4.8	4.3
Sub-total	3,485.1	3,270.0	13.8	(78.6)	78.2
GAAP totals of non-insurance company subsidiaries and consolidation adjustments	(111.6)	140.9	(64.2)	(38.7)	(41.2)
Unadjusted totals	3,374.0	3,411.1	(50.4)	(117.4)	36.8
Adjustments to conform to GAAP statements:					
Deferred policy acquisition costs	161.7	193.3	(33.3)	(30.6)	(19.8)
Fair value of fixed maturity securities	552.7	468.8	—	—	—
Non-admitted assets	78.2	99.0	—	—	—
Deferred income taxes	(113.9)	(93.8)	35.7	73.4	49.8
Mortgage contingency and deferred payment obligation reserves	(296.9)	8.2	—	—	—
Title unearned premiums	390.4	360.4	30.0	14.6	6.7
Loss reserves	(360.7)	(290.4)	(70.4)	(49.6)	(21.7)
Surplus notes	(202.5)	(365.0)	—	—	—
Sundry adjustments	13.0	(19.5)	19.4	(30.9)	(21.6)
Total adjustments	222.3	361.4	(18.2)	(23.1)	(6.6)
Consolidated GAAP totals	<u>\$ 3,596.2</u>	<u>\$ 3,772.5</u>	<u>\$ (68.6)</u>	<u>\$ (140.5)</u>	<u>\$ 30.1</u>

(a) Includes the effect of PMA Capital Corporation's statutory results from the date of acquisition through year-end, excluding adjustments to conform to Old Republic's accounting policies.

The preparation of financial statements in conformity with either statutory practices or GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

(b) Consolidation Practices - The consolidated financial statements include the accounts of the Company and those of its majority owned insurance underwriting and service subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Effective October 1, 2010, Old Republic acquired PMA Capital Corporation ("PMA"), an insurance holding company with interests in the commercial property and liability insurance field. Accordingly, operating results, acquired assets, and assumed liabilities associated with PMA's business are included in the Company's financial statements from that date forward. (See Note 8.)

(c) Statement Presentation - 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.

(d) Investments - The Company may classify its invested assets in terms of those assets relative to which it either (1) has the positive intent and ability to hold until maturity, (2) has available for sale or (3) has the intention of trading. As of December 31, 2012 and 2011, substantially all the Company's invested assets were classified as "available for sale."

Fixed maturity securities classified as "available for sale" and other preferred and common stocks (equity securities) are included at fair value with changes in such values, net of deferred income taxes, reflected directly in shareholders' equity. Fair values for fixed maturity securities and equity securities are based on quoted market prices or estimates using values obtained from independent pricing services as applicable.

The Company reviews the status and fair value changes of each of its investments on at least a quarterly basis during the year, and estimates of other-than-temporary impairments ("OTTI") in the portfolio's value are evaluated and established at each quarterly balance sheet date. In reviewing investments for OTTI, 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 fair 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 OTTI. In the event the Company's estimate of OTTI is insufficient at any point in time, future periods' net income (loss) would be adversely affected by the recognition of additional realized or impairment losses, but its financial position would not necessarily be affected adversely inasmuch as such losses, or a portion of them, could have been recognized previously as unrealized losses in shareholders' equity. The Company recognized \$.2, \$50.2 and \$1.2 of OTTI adjustments for the years ended December 31, 2012, 2011 and 2010, respectively.

The amortized cost and estimated fair values by type and contractual maturity of fixed maturity securities are shown in the following tables. Expected maturities will differ from contractual maturities since borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed Maturity Securities by Type:				
December 31, 2012:				
U.S. & Canadian Governments	\$ 1,151.2	\$ 65.9	\$.3	\$ 1,216.8
Tax-exempt	380.8	11.4	.1	392.2
Corporate	6,461.0	502.1	6.0	6,957.1
	<u>\$ 7,993.1</u>	<u>\$ 579.5</u>	<u>\$ 6.5</u>	<u>\$ 8,566.2</u>
December 31, 2011:				
U.S. & Canadian Governments	\$ 1,104.0	\$ 78.3	\$.1	\$ 1,182.1
Tax-exempt	597.1	23.4	—	620.5
Corporate	6,183.5	414.1	7.0	6,590.5
	<u>\$ 7,884.6</u>	<u>\$ 515.9</u>	<u>\$ 7.2</u>	<u>\$ 8,393.2</u>

	Amortized Cost	Estimated Fair Value
Fixed Maturity Securities Stratified by Contractual Maturity at December 31, 2012:		
Due in one year or less	\$ 1,254.7	\$ 1,271.8
Due after one year through five years	3,324.3	3,538.2
Due after five years through ten years	3,208.1	3,531.7
Due after ten years	205.8	224.3
	<u>\$ 7,993.1</u>	<u>\$ 8,566.2</u>

Bonds and other investments with a statutory carrying value of \$479.6 as of December 31, 2012 were on deposit with governmental authorities by the Company's insurance subsidiaries to comply with insurance laws.

A summary of the Company's equity securities reflecting reported adjusted cost, net of OTTI adjustments totaling \$131.3 and \$138.5 at December 31, 2012 and 2011, respectively, follows:

	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity Securities:				
December 31, 2012	\$ 452.1	\$ 290.5	\$ 2.9	\$ 739.7
December 31, 2011	<u>\$ 341.9</u>	<u>\$ 243.5</u>	<u>\$ 4.6</u>	<u>\$ 580.8</u>

The following table reflects the Company's gross unrealized losses and fair value, aggregated by category and length of time that individual securities have been in an unrealized loss position. Fair value and issuer's adjusted cost comparisons follow:

	12 Months or Less		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2012:						
Fixed Maturity Securities:						
U.S. & Canadian Governments	\$ 60.3	\$.3	\$ —	\$ —	\$ 60.3	\$.3
Tax-exempt	3.7	.1	—	—	3.7	.1
Corporate	348.4	4.3	10.2	1.7	358.6	6.0
Subtotal	412.6	4.8	10.2	1.7	422.8	6.5
Equity Securities	78.9	2.9	—	—	78.9	2.9
Total	<u>\$ 491.5</u>	<u>\$ 7.8</u>	<u>\$ 10.2</u>	<u>\$ 1.7</u>	<u>\$ 501.8</u>	<u>\$ 9.5</u>
December 31, 2011:						
Fixed Maturity Securities:						
U.S. & Canadian Governments	\$ 35.5	\$.1	\$ —	\$ —	\$ 35.5	\$.1
Tax-exempt	2.1	—	.6	—	2.7	—
Corporate	402.9	6.7	1.7	.2	404.7	7.0
Subtotal	440.6	7.0	2.3	.2	443.0	7.2
Equity Securities	98.4	4.5	—	—	98.5	4.6
Total	<u>\$ 539.1</u>	<u>\$ 11.5</u>	<u>\$ 2.4</u>	<u>\$.3</u>	<u>\$ 541.5</u>	<u>\$ 11.9</u>

At December 31, 2012, the Company held 102 fixed maturity and 14 equity securities in an unrealized loss position, representing 5.7% as to fixed maturities and 21.9% as to equity securities of the total number of such issues it held. At December 31, 2011, the Company held 131 fixed maturity and 6 equity securities in an unrealized loss position, representing 7.1% as to fixed maturities and 14.3% as to equity securities of the total number of such issues it held. Of the securities in an unrealized loss position, 4 fixed maturity securities and 1 equity security, had been in a continuous unrealized loss position for more than 12 months as of December 31, 2012 and 2011. The unrealized losses on these securities are primarily attributable to a post-purchase rising interest rate environment and/or a decline in the credit quality of some issuers. As part of its assessment of other-than-temporary impairments, the Company considers its intent to continue to hold and the likelihood that it will not be required to sell investment securities in an unrealized loss position until cost recovery, principally on the basis of its asset and liability maturity matching procedures.

Fair Value Measurements - Fair value is defined as the estimated price that is likely to 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). Following is a description of the valuation methodologies and general classification used for financial instruments measured at fair value.

The Company uses quoted values and other data provided by nationally recognized independent pricing sources 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 other sources including 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 and uses 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 value.

Level 1 securities include U.S. and Canadian Treasury notes, publicly traded common stocks, the quoted net asset value ("NAV") mutual funds, and most short-term investments in highly liquid money market instruments. Level 2 securities generally include corporate bonds, municipal bonds, 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 as of December 31, 2012 and December 31, 2011.

The following tables show a summary of assets measured at fair value segregated among the various input levels described above:

As of December 31, 2012:	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Available for sale:				
Fixed maturity securities:				
U.S. & Canadian Governments	\$ 570.9	\$ 645.9	\$ —	\$ 1,216.8
Tax-exempt	—	392.2	—	392.2
Corporate	—	6,926.3	30.7	6,957.1
Equity securities	736.9	—	2.7	739.7
Short-term investments	\$ 1,260.2	\$ —	\$ 4.6	\$ 1,264.9
As of December 31, 2011:				
Available for sale:				
Fixed maturity securities:				
U.S. & Canadian Governments	\$ 389.8	\$ 792.2	\$ —	\$ 1,182.1
Tax-exempt	—	620.5	—	620.5
Corporate	—	6,560.0	30.5	6,590.5
Equity securities	579.0	—	1.8	580.8
Short-term investments	\$ 1,471.1	\$ —	\$ 5.0	\$ 1,476.2

There were no transfers between Levels 1, 2 or 3 during 2012.

Investment income is reported net of allocated expenses and includes appropriate adjustments for amortization of premium and accretion of discount on fixed maturity securities acquired at other than par value. Dividends on equity securities are credited to income on the ex-dividend date. Realized investment gains and losses, which result from sales or write-downs of securities, are reflected as revenues in the income statement and are determined on the basis of amortized value at date of sale for fixed maturity securities, and cost in regard to equity securities; such bases apply to the specific securities sold. Unrealized investment gains and losses, net of any deferred income taxes, are recorded directly as a component of accumulated other comprehensive income in shareholders' equity. At December 31, 2012, the Company and its subsidiaries had no non-income producing fixed maturity securities.

The following table reflects the composition of net investment income, net realized gains or losses, and the net change in unrealized investment gains or losses for each of the years shown.

Years Ended December 31:	2012	2011	2010
Investment income from:			
Fixed maturity securities	\$ 321.0	\$ 353.2	\$ 368.5
Equity securities	13.1	11.3	9.0
Short-term investments	1.9	1.5	1.5
Other sources	5.4	4.7	3.9
Gross investment income	341.6	370.9	383.1
Investment expenses (a)	5.1	6.2	4.1
Net investment income	<u>\$ 336.5</u>	<u>\$ 364.6</u>	<u>\$ 379.0</u>
Realized gains (losses) on:			
Fixed maturity securities:			
Gains	\$ 32.7	\$ 143.9	\$ 80.4
Losses	—	(1.2)	(1.2)
Net	<u>32.7</u>	<u>142.6</u>	<u>79.1</u>
Equity securities & other long-term investments	<u>15.1</u>	<u>(27.0)</u>	<u>29.9</u>
Total	47.8	115.5	109.1
Income taxes (credits)(b)	16.7	37.5	38.2
Net realized gains (losses)	<u>\$ 31.1</u>	<u>\$ 78.0</u>	<u>\$ 70.8</u>
Changes in unrealized investment gains (losses) on:			
Fixed maturity securities	\$ 64.9	\$ 46.3	\$ 30.2
Less: Deferred income taxes (credits)	22.6	16.0	10.4
Net changes in unrealized investment gains (losses)	<u>\$ 42.2</u>	<u>\$ 30.3</u>	<u>\$ 19.7</u>
Equity securities & other long-term investments	<u>\$ 48.4</u>	<u>\$ (35.2)</u>	<u>\$ 126.1</u>
Less: Deferred income taxes (credits)	16.8	(12.4)	44.2
Net changes in unrealized investment gains (losses)	<u>\$ 31.5</u>	<u>\$ (22.7)</u>	<u>\$ 81.9</u>

- (a) Investment expenses consist of personnel costs and investment management and custody service fees, as well as interest incurred on funds held of \$2.0, \$1.9 and \$5 for the years ended December 31, 2012, 2011 and 2010, respectively.
- (b) Reflects primarily the combination of fully taxable realized investment gains or losses and judgments about the recoverability of deferred tax assets.

(e) Revenue Recognition - Pursuant to GAAP applicable to the insurance industry, revenues are recognized as follows:

Substantially all general insurance premiums pertain to annual policies and are reflected in income on a pro-rata basis in association with the related benefits, claims, and expenses. 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.

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 32% of 2012, 33% of 2011 and 36% of 2010 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 title premium and fee revenues are 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 Company's mortgage guaranty premiums primarily stem from monthly installments paid on long-duration, guaranteed renewable insurance policies. Substantially all such premiums are written and earned in the month coverage is effective. With respect to relatively few annual or single premium policies, earned premiums are largely recognized on a pro-rata basis over the terms of the policies. Recognition of normal or catastrophic claim costs, however, occurs only upon an instance of default, defined as the occurrence of two or more consecutively missed monthly payments. Accordingly, GAAP revenue recognition for insured loans is not appropriately matched to the risk exposure and the consequent recognition of both normal and most significantly, future catastrophic loss occurrences for which current reserve provisions are not permitted. As a result, mortgage guaranty GAAP earnings for any individual year or series of years may be materially adversely affected, particularly by cyclical catastrophic loss events such as the mortgage insurance industry has experienced since mid year 2007. Reported GAAP earnings and financial condition form, in part,

the basis for significant judgments and strategic evaluations made by management, analysts, investors, and other users of the financial statements issued by mortgage guaranty companies. The risk exists that such judgments and evaluations are at least partially based on GAAP financial information that does not match revenues and expenses and is therefore not reflective of the long-term normal and catastrophic risk exposures assumed by mortgage guaranty insurers at any point in time.

During 2010, Old Republic's mortgage guaranty subsidiaries negotiated the terminations of various captive reinsurance and pool insurance contracts. From a financial accounting standpoint, premiums obtained upon terminations of captive reinsurance agreements are recognized as income when they are received rather than being deferred to future periods when the related claim costs are expected to arise. While terminations of pool insurance contracts cause a reduction of incurred claims due to the positive effect of reserves released, greater cash outflows ensue. Taken together, these terminations had the following effects on key elements of reported results and operating cash flows.

	Year Ended December 31, 2010
Increase in net premiums earned	\$ 13.6
Reduction in incurred claim costs	51.8
Increase in pretax operating income (loss)	\$ 65.4
Effect on operating cash flows	\$ (173.2)

No similarly significant transactions occurred during 2012 and 2011.

(f) Deferred Policy Acquisition Costs - The Company's insurance subsidiaries, other than title companies defer certain costs which vary with and are primarily related to the production of business. Deferred costs consist principally of commissions, premium taxes, marketing, and policy issuance expenses. Effective January 1, 2012, the Company adopted a prospective application of new GAAP authoritative guidance related to the deferral of costs for acquiring or renewing insurance contracts. The guidance identifies those direct costs that relate to the successful acquisition of new or renewal insurance contracts that should be capitalized. The adoption of the guidance resulted in 2012 pretax charges of \$37.9 to General Insurance results.

With respect to most coverages, deferred acquisition costs are amortized on the same basis as the related premiums are earned or, alternatively, over the periods during which premiums will be paid. To the extent that future revenues on existing policies are not adequate to cover related costs and expenses, deferred policy acquisition costs are charged to earnings. During 2011, \$29.1 of previously deferred mortgage guaranty acquisition costs were written-off as they were no longer deemed recoverable in future run-off periods.

The following table shows a reconciliation of deferred acquisition costs between succeeding balance sheet dates.

Years Ended December 31:	2012	2011	2010
Deferred, beginning of year	\$ 197.6	\$ 230.6	\$ 206.9
Value of business acquired pursuant to PMA merger	—	—	43.7
Acquisition costs deferred:			
Commissions - net of reinsurance	180.8	139.0	142.5
Premium taxes	86.8	77.7	68.5
Salaries and other marketing expenses	43.3	121.8	86.9
Sub-total	311.0	338.4	297.9
Amortization charged to income	(343.2)	(371.7)	(318.1)
Change for the year	(32.1)	(33.3)	(20.2)
Deferred, end of year	\$ 165.5	\$ 197.6	\$ 230.6

(g) Unearned Premiums - Unearned premium reserves are generally calculated by application of pro-rata factors to premiums in force. At December 31, 2012 and 2011, unearned premiums consisted of the following:

As of December 31:	2012	2011
General Insurance Group	\$ 1,323.8	\$ 1,211.0
RFIG Run-off Business	40.5	57.7
Total	\$ 1,364.4	\$ 1,268.8

(h) Losses, Claims and Settlement 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. These factors principally include past experience applicable to the anticipated costs of various types of claims, continually evolving and changing legal theories emanating from the judicial system, recurring accounting, statistical, and actuarial studies, the professional experience and expertise of the Company's claim departments' personnel or attorneys and independent claim adjusters, ongoing changes in claim frequency or severity patterns such as those caused by natural disasters, illnesses, accidents, work-related injuries, and changes in general and industry-specific economic conditions. Consequently, the 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 due to all of these factors, and to the evolution, interpretation, and expansion of tort law, as well as the effects of unexpected jury verdicts.

All reserves are necessarily based on estimates which are periodically reviewed and evaluated in the light of emerging claim experience and changing circumstances. The resulting changes in estimates are recorded in operations of the periods during which they are made. Return and additional premiums and policyholders' dividends, all of which tend to be affected by development of claims in future years, may offset, in whole or in part, developed claim redundancies or deficiencies for certain coverages such as workers' compensation, portions of which are written under loss sensitive programs that provide for such adjustments. The Company believes that its overall reserving practices have been consistently applied over many years, and that its aggregate net reserves have generally resulted in reasonable approximations of the ultimate net costs of claims incurred. However, no representation is made nor is any guaranty given that ultimate net claim and related costs will not develop in future years to be greater or lower than currently established reserve estimates.

General Insurance Group reserves are established to provide for the ultimate expected cost of settling unpaid losses and claims reported at each balance sheet date. Such reserves are based on continually evolving assessments of the facts available to the Company during the settlement process which may stretch over long periods of time. Long-term disability-type workers' compensation reserves are discounted to present value based on interest rates ranging from 3.5% to 4.0%. Losses and claims incurred but not reported, as well as expenses required to settle losses and claims are established on the basis of a large number of formulas that take into account various criteria, including historical cost experience and anticipated costs of servicing reinsured and other risks. Estimates of possible recoveries from salvage or subrogation opportunities are considered in the establishment of such reserves as applicable. As part of overall claim and claim expense reserves, the point estimates incorporate amounts to cover net estimates of unusual claims such as those emanating from asbestosis and environmental ("A&E") exposures as discussed below. Such reserves can affect claim costs and related loss ratios for such insurance coverages as general liability, commercial automobile (truck), workers' compensation and property.

Early in 2001, the Federal Department of Labor revised the Federal Black Lung Program regulations. The revisions basically require a reevaluation of previously settled, denied, or new occupational disease claims in the context of newly devised, more lenient standards when such claims are resubmitted. Following a number of challenges and appeals by the insurance and coal mining industries, the revised regulations were, for the most part, upheld in June, 2002 and are to be applied prospectively. Since the final quarter of 2001 black lung claims filed or refiled pursuant to these revised regulations have increased, though the volume of new claim reports has abated in recent years. In March 2010, federal regulations were revised once again as part of the Patient Protection and Affordability Act that reinstates two provisions that potentially benefit claimants. In response to this most recent legislation and similar to the 2001 change, black lung claims filed or refiled have again increased. The vast majority of claims filed to date against Old Republic pertain to business underwritten through loss sensitive programs that permit the charge of additional or refund of return premiums to wholly or partially offset changes in estimated claim costs, or to business underwritten as a service carrier on behalf of various industry-wide involuntary market (i.e. assigned risk) pools. A much smaller portion pertains to business produced on a traditional risk transfer basis. The Company has established applicable reserves for claims as they have been reported and for claims not as yet reported on the basis of its historical experience as well as assumptions relative to the effect of the revised regulations. Inasmuch as a variety of challenges are likely as the revised regulations are implemented through the actual claim settlement process, the potential impact on reserves, gross and net of reinsurance or retrospective premium adjustments, resulting from such regulations cannot be estimated with reasonable certainty.

Old Republic's reserve estimates also include provisions for indemnity and settlement costs for various asbestosis and environmental impairment ("A&E") claims that have been filed in the normal course of business against a number of its insurance subsidiaries. Many such claims relate to policies issued prior to 1985, including many issued during a short period between 1981 and 1982 pursuant to an agency agreement canceled in 1982. Over the years, the Company's property and liability insurance subsidiaries have typically issued general liability insurance policies with face amounts ranging between \$1.0 and \$2.0 and rarely exceeding \$10.0. Such policies have, in turn, been subject to reinsurance cessions which have typically reduced the subsidiaries' net retentions to \$.5 or less as to each claim. Old Republic's exposure to A&E claims cannot, however, be calculated by conventional insurance reserving methods for a variety of reasons, including: a) the absence of statistically valid data inasmuch as such claims typically involve long reporting delays and very often uncertainty as to the number and identity of insureds against whom such claims have arisen or will arise; and b) the litigation history of such or similar claims for insurance industry members which has produced inconsistent court decisions with regard to such questions as when an alleged loss occurred, which policies provide coverage, how a loss is to be allocated among potentially responsible insureds and/or their insurance carriers, how policy coverage exclusions are to be interpreted, what types of environmental impairment or toxic tort claims are covered, when the insurer's duty to defend is triggered, how policy limits are to be calculated, and whether clean-up costs constitute property damage. Over time, the Executive Branch and/or the Congress of the United States have proposed or considered changes in the legislation and rules affecting the determination of liability for environmental and asbestosis claims. As of December 31, 2012, however, there is no solid evidence to suggest that possible future changes might mitigate or reduce some or all of these claim exposures. Because of the above issues and uncertainties, estimation of reserves for losses and allocated loss adjustment expenses for A&E claims in particular is much more difficult or impossible to quantify with a high degree of precision. Accordingly, no representation can be made that the Company's reserves for such claims and related costs will not prove to be overstated or understated in the future. At December 31, 2012 and 2011, Old Republic's aggregate indemnity and loss adjustment expense reserves specifically identified with A&E exposures amounted to \$147.1 and \$182.0 gross, respectively, and \$119.4 and \$137.9 net of reinsurance, respectively. Old Republic's average five year survival ratios stood at 4.7 years (gross) and 7.6 years (net of reinsurance) as of December 31,

2012 and 5.9 years (gross) and 9.4 years (net of reinsurance) as of December 31, 2011. The survival ratios are presented on a pro forma basis (unaudited) as if PMA had been consolidated with ORI for all periods. Fluctuations in this ratio between years can be caused by the inconsistent pay out patterns associated with these types of claims.

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 cost of claims.

RFIG Run-off mortgage guaranty insurance reserves for unpaid claims and claim adjustment expenses are recognized only upon an instance of default, defined as an insured mortgage loan for which two or more consecutive monthly payments have been missed. 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 loan defaults that have occurred but have not as yet been reported ("IBNR"). Further, the loss reserve estimating process 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 coverage rescissions and claims denials due to material misrepresentation in key underwriting information or non-compliance with prescribed underwriting guidelines, and management judgments relative to future employment levels, housing market activity, and mortgage loan interest costs, demand, and extensions.

The Company has the legal right to rescind mortgage insurance coverage unilaterally as expressly stated in its policy. Moreover, two federal courts that have recently considered that policy wording have each affirmed that right (See First Tennessee Bank N.A. v. Republic Mortg. Ins. Co., Case No. 2:10-cv-02513-JPM-cgc (W.D. Tenn., Feb. 25, 2011) and JPMorgan Chase Bank N.A. v. Republic Mortg. Ins. Co., Civil Action No. 10-06141 (SRC) (D. NJ, May 4, 2011), each decision citing supporting state law legal precedent). RMIC's mortgage insurance policy provides that the insured represents that all statements made and information provided to it in an application for coverage for a loan, without regard to who made the statements or provided the information, have been made and presented for and on behalf of the insured; and that such statements and information are neither false nor misleading in any material respect, nor omit any fact necessary to make such statements and information not false or misleading in any material respect. According to the policy, if any of those representations are materially false or misleading with respect to a loan, the Company has the right to cancel or rescind coverage for that loan retroactively to commencement of the coverage. Whenever the Company determines that an application contains a material misrepresentation, it either advises the insured in writing of its findings prior to rescinding coverage or exercises its unilateral right to rescind coverage for that loan, stating the reasons for that action in writing and returning the applicable premium. The rescission of coverage in instances of materially faulty representations or warranties provided in applications for insurance is a necessary and prevailing practice throughout the insurance industry. In the case of mortgage guaranty insurance, rescissions have occurred regularly over the years but have been generally immaterial. Since 2008, however, the Company has experienced a much greater incidence of rescissions due to increased levels of observed fraud and misrepresentations in insurance applications pertaining to business underwritten between 2004 and the first half of 2008. As a result, the Company has incorporated certain assumptions regarding the expected levels of coverage rescissions and claim denials in its reserving methodology since 2008. Such estimates, which are evaluated at each balance sheet date, take into account observed as well as historical trends in rescission and denial rates. The table below shows the estimated effects of coverage rescissions and claim denials on loss reserves and settled and incurred losses.

	2012	2011	2010
Estimated reduction in beginning reserve	\$ 313.2	\$ 710.3	\$ 1,712.2
Total incurred claims and settlement expenses reduced (increased) by changes in estimated rescissions:			
Current year	111.7	223.1	394.1
Prior year	12.2	(340.8)	(215.7)
Sub-total	124.0	(117.6)	178.3
Estimated rescission reduction in settled claims	(262.3)	(279.5)	(1,180.3)
Estimated reduction in ending reserve	\$ 174.9	\$ 313.2	\$ 710.3

As above-noted, the estimated reduction in ending loss reserves reflects, in large measure, a variety of judgments relative to the level of expected coverage rescissions and claim denials on loans that are in default as of each balance sheet date. The provision for insured events of the current year resulted from actual and anticipated rescissions and claim denials attributable to newly reported delinquencies in each respective year. The provision for insured events of prior years resulted from actual rescission and claim denial activity or revisions in assumptions regarding expected rescission or claim denial rates on outstanding prior year delinquencies. The trends since 2010 reflect a continuing reduction in the level of actual and anticipated rescission and claim denial rates on total outstanding delinquencies. Claims not paid by virtue of rescission or denial represent the Company's estimated contractual risk, before consideration of the impacts of any reinsurance and deductibles or aggregate loss limits, on cases that are settled by the issuance of a rescission or denial notification. 2010 rescissions include \$431.4 related to certain pool insurance contracts which were terminated during the year. Variances between the estimated rescission and actual claim denial rate are reflected in the periods during which they occur.

Although the insured has no right under the policy to appeal a Company claim decision, the insured may, at any time, contest in writing the Company's findings or action with respect to a loan or a claim. In such cases, the Company considers any additional information supplied by the insured. This consideration may lead to further investigation, retraction or confirmation of the initial determination. If the Company concludes that it will reinstate coverage, it advises the insured in writing that it will do so immediately upon receipt of the premium previously returned. Reserves are not adjusted for potential reversals of rescissions or adverse rulings for loans under dispute since such reversals of claim rescissions and denials have historically been immaterial to the reserve estimation process.

There is currently a single instance in which the Company seeks to recover from an insured for previously paid claims. In its counterclaim in the pending arbitration with Countrywide (Countrywide Fin'l Corp. v. Republic Mortg. Ins. Co., Case No. 72 195 Y 0011510 (AAA)). The Countrywide parties are Countrywide Financial Corporation, Countrywide Home Loans, Inc., Bank of America, N.A., in its own capacity and as successor by merger of BAC Home Loan Servicing L.P.), RMIC is seeking to rescind a June 2006 amendment to a mortgage insurance policy that it contends was fraudulently induced by Countrywide. The amendment made coverage for a loan immediately incontestable for borrower misrepresentation. The Company seeks a declaration that the amendment is null and void and to recover the claim amounts totaling at least \$26.6 that it paid notwithstanding the existence of borrower misrepresentations that otherwise would have supported a rescission of coverage for those loans. The Company does not anticipate recoveries from previously paid claims in its reserving process until such time as a recovery is deemed probable and the amount can be reasonably estimated.

In addition to the above reserve elements, the Company establishes 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 known and IBNR claims.

The following table shows an analysis of changes in aggregate reserves for the Company's losses, claims and settlement expenses for each of the years shown.

Years Ended December 31:	2012	2011	2010
Gross reserves at beginning of year	\$ 8,786.6	\$ 8,814.6	\$ 7,915.0
Less: reinsurance losses recoverable	2,908.1	2,945.3	2,316.5
Net reserves at beginning of year:			
General Insurance (d)(e)	3,874.9	3,888.0	3,884.5
Title Insurance	332.0	298.0	277.1
RFIG Run-off (a)(e)	1,654.0	1,663.1	2,058.3
Other	17.4	20.0	21.5
Sub-total	5,878.5	5,869.3	6,241.5
Incurring claims and claim adjustment expenses:			
Provisions for insured events of the current year:			
General Insurance (e)	1,729.6	1,575.3	1,299.9
Title Insurance	120.9	105.7	83.4
RFIG Run-off (a)(e)	762.2	887.1	907.8
Other	40.3	40.2	44.4
Sub-total	2,653.1	2,608.5	2,335.6
Change in provision for insured events of prior years:			
General Insurance (e)	(51.5)	(130.9)	(162.7)
Title Insurance	—	—	13.4
RFIG Run-off (a)(e)	148.2	254.8	70.9
Other	(1.5)	(1.2)	(3.2)
Sub-total	95.1	122.6	(81.5)
Total incurred claims and claim adjustment expenses (a)	2,748.2	2,731.1	2,254.1
Payments:			
Claims and claim adjustment expenses attributable to insured events of the current year:			
General Insurance (e)	587.8	569.8	544.1
Title Insurance	3.0	7.9	7.2
RFIG Run-off (b)(e)	46.6	100.5	101.5
Other	30.6	30.7	33.0
Sub-total	668.1	709.2	685.9
Claims and claim adjustment expenses attributable to insured events of prior years:			
General Insurance (e)	916.1	887.6	589.5
Title Insurance	53.4	63.6	68.7
RFIG Run-off (b)(e)	523.0	1,050.5	1,272.4
Other	9.6	10.7	9.6
Sub-total	1,502.3	2,012.6	1,940.4
Total payments (b)	2,170.5	2,721.9	2,626.4
Amount of reserves for unpaid claims and claim adjustment expenses at the end of each year, net of reinsurance losses recoverable: (c)			
General Insurance (e)	4,048.9	3,874.9	3,888.0
Title Insurance	396.4	332.0	298.0
RFIG Run-off (e)	1,994.8	1,654.0	1,663.1
Other	15.9	17.4	20.0
Sub-total	6,456.2	5,878.5	5,869.3
Reinsurance losses recoverable	2,847.0	2,908.1	2,945.3
Gross reserves at end of year	\$ 9,303.3	\$ 8,786.6	\$ 8,814.6

As noted elsewhere in this report, in 2012 Old Republic's CCI insurance coverage was combined with the MI business within the overall RFIG Run-off Business. Prior periods' segmented information for the General Insurance and RFIG Run-off Business segments has therefore been reclassified to provide necessary consistency in period-to-period operating comparisons.

Excluding the reclassification of CCI from the General Insurance to the RFIG Run-off Business segment, certain elements shown in the preceding table would have been as follows:

	2012	2011	2010
Change in provision for incurred events of prior years:			
General Insurance	\$ (19.8)	\$ (149.2)	\$ (76.6)
RFIG Run-off	116.5	273.2	(15.2)
Payment of claim and claim adjustment expenses attributable to events of the current and prior years:			
General Insurance	1,577.9	1,551.1	1,399.0
RFIG Run-off (b)	<u>\$ 495.7</u>	<u>\$ 1,057.4</u>	<u>\$ 1,108.4</u>

- (a) In common with all other insurance lines, RFIG Run-off mortgage guaranty settled and incurred claim and claim adjustment expenses include only those costs actually or expected to be paid by the Company. Changes in mortgage guaranty aggregate case, IBNR, and loss adjustment expense reserves shown in the following table and entering into the determination of incurred claim costs, take into account, among a large number of variables, claim cost reductions for anticipated coverage rescissions and claims denials previously noted.

The RFIG Run-off mortgage guaranty provision for insured events of the current year was reduced by an estimated \$111.7, \$223.1 and \$394.1, respectively, for 2012, 2011 and 2010. The provision for insured events of prior years in 2012, 2011 and 2010 was increased (decreased) by an estimated \$(12.2), \$340.8 and \$215.7, respectively. These changes were offset to varying degrees by differences between actual claim settlements relative to expected experience and by subsequent revisions to assumptions in regards to claim frequency, severity or levels of associated claim settlement costs which result from consideration of underlying trends and expectations.

	2012	2011	2010
Net reserve increase(decrease):			
General Insurance(*)	\$ 174.0	\$ (13.1)	\$ 646.6
Title Insurance	64.3	34.0	20.8
RFIG Run-off	340.7	(9.0)	(395.2)
Other	(1.5)	(2.6)	(1.4)
Total	<u>\$ 577.6</u>	<u>\$ 9.2</u>	<u>\$ 270.8</u>

(*) Includes reserves of \$638.8 at December 31, 2010 assumed in conjunction with the PMA merger.

- (b) Rescissions reduced the Company's paid losses by an estimated \$262.3, \$279.5, and \$1,180.3 for 2012, 2011, and 2010, respectively. 2010 includes \$431.4 related to certain pool insurance contracts which were terminated during the year. 2012 RFIG Run-off Business claim and claim adjustment expense payments reflect the retention of the Deferred Payment Obligation ("DPO") within claim reserves and were thereby reduced by \$299.5.
- (c) Year end net IBNR reserves carried in each segment were as follows:

	2012	2011	2010
General Insurance	\$ 1,947.0	\$ 1,878.2	\$ 1,865.0
Title Insurance	336.9	262.5	216.5
RFIG Run-off	147.5	94.8	86.3
Other	4.6	4.6	5.0
Total	<u>\$ 2,436.1</u>	<u>\$ 2,240.4</u>	<u>\$ 2,172.9</u>

- (d) Includes reserves acquired through the PMA merger at October 1, 2010.
- (e) Consumer credit indemnity coverages have been fully reclassified from the General Insurance Group to the RFIG Run-off Business segment in this table for all period presented. In connection with the previously noted MI/CCI combination, certain General Insurance Group companies retain losses pursuant to various quota share and stop loss reinsurance agreements.

For the three most recent calendar years, the above table indicates that the one-year development of consolidated reserves at the beginning of each year produced unfavorable developments of (1.6)% and (2.1)% for 2012 and 2011 whereas 2010 produced a favorable development of 1.5%, respectively, with average unfavorable annual developments of (.8)%. The Company believes that the factors most responsible, in varying and continually changing degrees, for reserve redundancies or deficiencies include, as to mortgage guaranty and the CCI coverage, differences in originally estimated salvage and subrogation recoveries, sales and prices of homes that can impact claim costs upon the disposition of foreclosed properties, changes in regional or local economic conditions and employment levels, greater numbers of coverage rescissions and claims denials due to material misrepresentation in key underwriting information or non-compliance with prescribed underwriting guidelines, the extent of loan refinancing activity that can reduce the period of time over which a policy remains at risk, and lower than expected frequencies of claims incurred but not reported. As to many general insurance coverages, changes in reserve adequacy or deficiency result from the effect of reserve discounts applicable to workers' compensation claims, higher than expected severity of litigated claims in particular, governmental

or judicially imposed retroactive conditions in the settlement of claims such as noted above in regard to black lung disease claims, greater than anticipated inflation rates applicable to repairs and the medical portion of claims in particular, and higher than expected claims incurred but not reported due to the slower and highly volatile emergence patterns applicable to certain types of claims such as those stemming from litigated, assumed reinsurance, or the A&E types of claims noted above.

(i) Reinsurance - The cost of reinsurance is recognized over the terms of reinsurance contracts. Amounts recoverable from reinsurers for loss and loss adjustment expenses are estimated in a manner consistent with the claim liability associated with the reinsured business. The Company evaluates the financial condition of its reinsurers on a regular basis. Allowances are established for amounts deemed uncollectible and are included in the Company's net claim and claim expense reserves.

(j) Income Taxes - The Company and most of its subsidiaries file a consolidated tax return and provide for income taxes payable currently. Deferred income taxes included in the accompanying consolidated financial statements will not necessarily become payable/recoverable in the future. The Company uses the asset and liability method of calculating deferred income taxes. This method results in the establishment of deferred tax assets and liabilities, calculated at currently enacted tax rates that are applied to the cumulative temporary differences between financial statement and tax bases of assets and liabilities.

The provision for combined current and deferred income taxes (credits) reflected in the consolidated statements of income does not bear the usual relationship to income before income taxes (credits) as the result of permanent and other differences between pretax income or loss and taxable income or loss determined under existing tax regulations. The more significant differences, their effect on the statutory income tax rate (credit), and the resulting effective income tax rates (credits) are summarized below:

Years Ended December 31:	2012	2011	2010
Statutory tax rate (credit)	(35.0)%	(35.0)%	35.0 %
Tax rate increases (decreases):			
Tax-exempt interest	(4.1)	(5.4)	(70.6)
Dividends received exclusion	(2.1)	(1.0)	(8.8)
Valuation allowance (see below)	(2.0)	(.6)	14.1
Goodwill impairment	.4	1.6	—
Foreign income (loss) reattribution	(3.5)	1.0	—
Sale of subsidiary	(1.3)	—	—
Other items - net	1.0	(1.2)	21.1
Effective tax rate (credit)	<u>(46.6)%</u>	<u>(40.6)%</u>	<u>(9.2)%</u>

The tax effects of temporary differences that give rise to significant portions of the Company's net deferred tax assets (liabilities) are as follows at the dates shown:

December 31:	2012	2011	2010
Deferred Tax Assets:			
Losses, claims, and settlement expenses	\$ 272.4	\$ 231.7	\$ 225.8
Pension and deferred compensation plans	90.8	85.8	67.4
Impairment losses on investments	49.2	52.9	90.5
Net operating loss carryforward	91.0	77.2	75.6
AMT credit carryforward	25.5	29.7	9.6
Other temporary differences	67.7	50.1	55.9
Total deferred tax assets before valuation allowance	596.8	527.7	525.0
Valuation allowance	(9.6)	(12.2)	(13.5)
Total deferred tax assets	<u>587.2</u>	<u>515.4</u>	<u>511.4</u>
Deferred Tax Liabilities:			
Unearned premium reserves	35.3	29.3	25.1
Deferred policy acquisition costs	52.5	63.9	74.8
Mortgage guaranty insurers' contingency reserves	—	.4	63.5
Amortization of fixed maturity securities	6.9	7.2	9.3
Net unrealized investment gains	309.7	273.0	269.4
Title plants and records	5.0	5.0	4.9
Other temporary differences	29.6	19.7	18.7
Total deferred tax liabilities	<u>439.2</u>	<u>398.7</u>	<u>466.0</u>
Net deferred tax assets (liabilities)	<u>\$ 148.1</u>	<u>\$ 116.7</u>	<u>\$ 45.3</u>

At December 31, 2012, the Company had a net operating loss ("NOL") carryforward of \$260.1 which will expire in years 2020 through 2032 and a \$25.5 alternative minimum tax ("AMT") credit carryforward which does not expire.

Approximately \$156.8 of the NOL carryforward is subject to the limitations set by Section 382 of the Internal Revenue Code. All NOL carryforwards are available to reduce future years taxable income of the Company.

A valuation allowance was established against deferred tax assets as of December 31, 2012, 2011 and 2010 related to certain NOL and tax credit carryforwards which the Company did not expect to realize. In valuing the deferred tax assets, the Company considered certain factors including primarily the scheduled reversals of certain deferred tax liabilities, estimates of future taxable income, the impact of available carryback and carryforward periods, as well as the availability of certain tax planning strategies. The Company estimates that all remaining deferred tax assets at year end 2012 will more likely than not be fully realized.

Pursuant to special provisions of the Internal Revenue Code pertaining to mortgage guaranty insurers, a contingency reserve (established in accordance with insurance regulations designed to protect policyholders against extraordinary volumes of claims) is deductible from gross income. The deduction is allowed only to the extent that U.S. government non-interest bearing tax and loss bonds are purchased and held in an amount equal to the tax benefit attributable to such deduction. For Federal income tax purposes, amounts deducted from the contingency reserve are taken into gross statutory taxable income in the period in which they are released. Contingency reserves may be released when incurred losses exceed thresholds established under state law or regulation, upon special request and approval by state insurance regulators, or in any event, upon the expiration of ten years. As of December 31, 2012, the Company had no significant contingency reserves deductible for tax purposes. The \$1.0 of U.S. Treasury Tax and Loss Bonds that were held at December 31, 2011 were redeemed in 2012.

Tax positions taken or expected to be taken in a tax return by the Company are recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. To the best of management's knowledge 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 primarily 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, the possible accelerated payment of tax to the IRS would not necessarily affect the annual effective tax rate. The IRS is currently examining the Company's 2005 through 2010 consolidated Federal income tax returns, including amendments, relative to claims for recovery of taxes previously paid. The Company's consolidated 2006 Federal income tax return has been examined and no significant adjustments have been identified. The Company classifies interest and penalties as income tax expense in the consolidated statement of income.

(k) Property and Equipment - Property and equipment is generally depreciated or amortized over the estimated useful lives of the assets, (2 to 27 years), substantially by the straight-line method. Depreciation and amortization expenses related to property and equipment were \$23.9, \$21.9 and \$18.2 in 2012, 2011, and 2010, respectively. Expenditures for maintenance and repairs are charged to income as incurred, and expenditures for major renewals and additions are capitalized.

(l) Title Plants and Records - Title plants and records are carried at original cost or appraised value at the date of purchase. Such values represent the cost of producing or acquiring interests in title records and indexes and the appraised value of purchased subsidiaries' title records and indexes at dates of acquisition. The cost of maintaining, updating, and operating title records is charged to income as incurred. Title records and indexes are ordinarily not amortized unless events or circumstances indicate that the carrying amount of the capitalized costs may not be recoverable.

(m) Goodwill and Intangible Assets - The following table presents the components of the Company's goodwill balance:

	General	Title	RFIG Run-off	Other	Total
<u>January 1, 2011</u>	\$ 115.9	\$ 44.3	\$ 10.7	\$.1	\$ 171.1
Acquisitions	1.6	—	—	—	1.6
Impairments	—	—	(10.7)	—	(10.7)
<u>December 31, 2011</u>	117.5	44.3	—	.1	162.0
Acquisitions	—	—	—	—	—
Impairments	(1.3)	—	—	—	(1.3)
<u>December 31, 2012</u>	<u>\$ 116.2</u>	<u>\$ 44.3</u>	<u>\$ —</u>	<u>\$.1</u>	<u>\$ 160.7</u>

Goodwill resulting from business combinations is not amortizable against operations but must be tested annually for possible impairment of its continued value. Intangible assets with definitive lives are amortized against future operating results; whereas indefinite-lived intangibles are tested annually for impairment. During 2011, RFIG's historical mortgage guaranty goodwill balance of \$10.7 was impaired in its entirety.

In September 2011, the FASB issued authoritative guidance which simplifies how an entity tests goodwill for impairment. This guidance was effective in 2012 and its adoption did not impact the consolidated financial statements. There are no significant goodwill balances within reporting units with estimated fair values not significantly in excess of their carrying values.

(n) **Employee Benefit Plans** - Prior to December 31, 2012, the Company had four separate pension plans covering a portion of its work force. The four plans were the Old Republic International Salaried Employees Retirement Plan (the Old Republic Plan), the Bituminous Casualty Corporation Retirement Income Plan (the Bituminous Plan), the Old Republic National Title Group Pension Plan (the Title Plan), and the PMA Capital Corporation Pension Plan (the PMA Plan). The plans are defined benefit plans pursuant to which pension payments are based primarily on years of service and employee compensation near retirement. It is the Company's policy to fund the plans' costs as they accrue. With the exception of the PMA Plan, these plans have been closed to new participants since December 31, 2004; the PMA Plan was frozen as of December 31, 2005. Under the terms of the freeze, the plan is closed to new participants and eligible employees retained all of their rights under the plan that they had vested as of December 31, 2005 but do not accrue any additional benefits thereafter. All plan assets and liabilities are measured as of December 31 of the years presented. Effective December 31, 2012, the Bituminous Plan and the Title Plan were merged into the Old Republic Plan.

Authoritative guidance governing pension accounting requires that the funded status of pension and other postretirement plans be recognized in the consolidated balance sheet. The funded status is measured as the difference between the fair value of plan assets and the projected benefit obligations on a plan-by-plan basis. The funded status of an overfunded benefit plan is recognized as a net pension asset while the funded status for underfunded benefit plans is recognized as a net pension liability; offsetting entries are reflected as a component of shareholders' equity in accumulated other comprehensive income, net of deferred taxes. Changes in the funded status of the plans are recognized in the period in which they occur.

The changes in the projected benefit obligation ("PBO") are as follows:

Years Ended December 31:	2012	2011	2010
Projected benefit obligation at beginning of year	\$ 477.8	\$ 425.2	\$ 285.8
Increases (decreases) during the year attributable to:			
Projected benefit obligation acquired pursuant to PMA merger	—	—	101.2
Service cost	9.4	8.7	8.0
Interest cost	21.8	22.7	18.0
Actuarial (gains) losses	31.5	36.7	23.6
Benefits paid	(15.0)	(15.5)	(11.5)
Net increase (decrease) for the year	47.8	52.6	139.3
Projected benefit obligation at end of year	\$ 525.7	\$ 477.8	\$ 425.2
Accumulated benefit obligation at end of year	\$ 495.4	\$ 443.4	\$ 394.6

The changes in the fair value of net assets available for plan benefits are as follows:

Years Ended December 31:	2012	2011	2010
Fair value of net assets available for plan benefits			
At beginning of the year	\$ 315.4	\$ 297.1	\$ 209.1
Increases (decreases) during the year attributable to:			
Fair value of net assets acquired pursuant to PMA merger	—	—	64.1
Actual return on plan assets	25.8	.2	32.4
Sponsor contributions	26.0	33.6	2.9
Benefits paid	(15.0)	(15.5)	(11.5)
Net increase (decrease) for year	36.8	18.3	88.0
Fair value of net assets available for plan benefits			
At end of the year	\$ 352.3	\$ 315.4	\$ 297.1

Each of the plans had accumulated and projected benefit obligations in excess of plan assets at December 31, 2012, 2011 and 2010. The Companies expect to make cash contributions of approximately \$15.3 in calendar year 2013.

The components of aggregate annual net periodic pension costs consisted of the following:

Years Ended December 31:	2012	2011	2010
Service cost	\$ 9.4	\$ 8.7	\$ 8.0
Interest cost	21.8	22.7	18.0
Expected return on plan assets	(25.1)	(23.7)	(17.5)
Recognized loss	10.2	6.2	4.8
Net cost	\$ 16.3	\$ 13.9	\$ 13.3

The pretax amounts recognized in other comprehensive income consist of the following:

Years Ended December 31:	2012	2011	2010
Amounts arising during the period:			
Net recognized gain (loss)	\$ (30.8)	\$ (60.2)	\$ (8.6)
Reclassification adjustment to components of net periodic pension cost:			
Net recognized loss	10.0	6.0	4.6
Net prior service cost	.1	.1	.1
Net pretax amount recognized	<u>\$ (20.6)</u>	<u>\$ (54.0)</u>	<u>\$ (3.8)</u>

The amounts included in accumulated other comprehensive income that have not yet been recognized as components of net periodic pension cost consist of the following:

As of December 31:	2012	2011
Net recognized loss	\$ (151.9)	\$ (131.1)
Net prior service cost	(.7)	(.9)
Total	<u>\$ (152.7)</u>	<u>\$ (132.0)</u>

The amounts included in accumulated other comprehensive income expected to be recognized as components of net periodic pension cost during 2013 consist of the following:

As of December 31:	2012
Net recognized loss	\$ 11.6
Net prior service cost	.1
Total	<u>\$ 11.7</u>

The projected benefit obligations and net periodic benefit costs for the plans were determined using the following weighted-average assumptions:

As of December 31:	Projected Benefit Obligation		Net Periodic Benefit Cost		
	2012	2011	2012	2011	2010
Settlement discount rates	4.17%	4.66%	4.66%	5.46%	5.82%
Rates of compensation increase	3.22%	4.25%	4.25%	4.25%	4.25%
Long-term rates of return on plans' assets			7.81%	7.94%	7.95%

The assumed settlement discount rates were determined by matching the current estimate of each Plan's projected cash outflows against spot rate yields on a portfolio of high quality bonds as of the measurement date. To develop the expected long-term rate of return on assets assumption, the Plans considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolios.

The benefits expected to be paid as of December 31, 2012 for the next 10 years are as follows: 2013: \$19.1; 2014: \$20.7; 2015: \$22.5; 2016: \$24.2; 2017: \$25.3 and for the five years after 2017: \$151.1.

The investment policy of the Plans is to consider the matching of assets and liabilities, appropriate risk aversion, liquidity needs, the preservation of capital, and the attainment of modest growth. The weighted-average asset allocations of the Plans are as follows:

As of December 31:	2012	2011	Investment Policy Asset Allocation % Range Target
Equity securities:			
Common shares of Company stock	8.3%	6.7%	
Other	48.5	43.8	
Sub-total	56.8	50.5	30% to 70%
Fixed maturity securities	35.2	34.7	30% to 70%
Other	8.0	14.8	1% to 20%
Total	<u>100.0%</u>	<u>100.0%</u>	

The Plans use quoted values and other data provided by the respective investment custodians as inputs for determining fair value of debt and equity securities. The custodians obtain market quotations and actual transaction prices for securities that have quoted prices in active markets and use their 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 investment custodian uses observable 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 value.

The following tables present a summary of the Plans' assets segregated among the various input levels described in Note 1(d).

As of December 31, 2012:	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Common shares of Company stock	\$ 29.0	\$ —	\$ —	\$ 29.0
Other	154.0	16.9	—	171.0
Sub-total	183.1	16.9	—	200.1
Fixed maturity securities	1.5	122.5	—	124.0
Other	10.6	9.3	8.1	28.1
Total	<u>\$ 195.3</u>	<u>\$ 148.8</u>	<u>\$ 8.1</u>	<u>\$ 352.3</u>
As of December 31, 2011:				
Equity securities:				
Common shares of Company stock	\$ 21.1	\$ —	\$ —	\$ 21.1
Other	122.9	15.2	—	138.1
Sub-total	144.0	15.2	—	159.2
Fixed maturity securities	21.0	88.2	—	109.3
Other	18.2	13.5	15.1	46.9
Total	<u>\$ 183.3</u>	<u>\$ 117.0</u>	<u>\$ 15.1</u>	<u>\$ 315.4</u>

Level 1 assets include publicly traded common stocks, mutual funds and certain short-term investments. Level 2 assets generally include corporate and government agency bonds, common collective trusts, and a limited partnership investment. Level 3 assets primarily consist of an immediate participation guaranteed fund. The decline in fair value of Level 3 investments is due to the sale of certain securities in 2012.

The Company has a number of profit sharing and other incentive compensation programs for the benefit of a substantial number of its employees. The costs related to such programs are summarized below:

Years Ended December 31:	2012	2011	2010
Employees Savings and Stock Ownership Plan	\$ 5.3	\$ 5.9	\$ 6.3
Other profit sharing plans	12.9	13.4	7.3
Cash and deferred incentive compensation	<u>\$ 20.5</u>	<u>\$ 19.5</u>	<u>\$ 17.8</u>

The Company sponsors an Employees Savings and Stock Ownership Plan (ESSOP) in which a majority of its employees participate. Current Company contributions are provided in the form of Old Republic common stock. Dividends on shares are allocated to participants as earnings, and likewise invested in Company stock; dividends on unallocated shares are used to pay debt service costs. The Company's annual contributions are based on a formula that takes the growth in net operating income per share over consecutive five year periods into account. As of December 31, 2012, there were 14,619,686 Old Republic common shares owned by the ESSOP, of which 10,973,084 were allocated to employees' account balances. There are no repurchase obligations in existence. See Note 3(b).

(o) Escrow Funds - Segregated cash deposit accounts and the offsetting liabilities for escrow deposits in connection with Title Insurance Group real estate transactions in the same amounts (\$878.1 and \$681.5 at December 31, 2012 and 2011, respectively) are not included as assets or liabilities in the accompanying consolidated balance sheets as the escrow funds are not available for regular operations.

(p) 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 year. Diluted earnings per share are similarly calculated with the inclusion of dilutive common stock equivalents. The following table provides a reconciliation of net income (loss) and the number of shares used in basic and diluted earnings per share calculations.

Years Ended December 31:	2012	2011	2010
Numerator:			
Net income (loss)	\$ (68.6)	\$ (140.5)	\$ 30.1
Numerator for basic earnings per share - income (loss) available to common stockholders	(68.6)	(140.5)	30.1
Adjustment for interest expense incurred on assumed conversions of convertible senior notes	—	—	—
Numerator for diluted earnings per share - income (loss) available to common stockholders after assumed conversions	<u>\$ (68.6)</u>	<u>\$ (140.5)</u>	<u>\$ 30.1</u>
Denominator:			
Denominator for basic earnings per share - weighted-average shares (a)	255,812,888	255,045,210	241,075,488
Effect of dilutive securities - stock based compensation awards	—	—	251,585
Effect of dilutive securities - convertible senior notes	—	—	—
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions (a)	<u>255,812,888</u>	<u>255,045,210</u>	<u>241,327,073</u>
Earnings per share: Basic	<u>\$ (.27)</u>	<u>\$ (.55)</u>	<u>\$.13</u>
Diluted	<u>\$ (.27)</u>	<u>\$ (.55)</u>	<u>\$.13</u>
Anti-dilutive common stock equivalents excluded from earning per share computations:			
Stock based compensation awards	14,543,835	16,007,624	14,528,515
Convertible senior notes	35,409,303	56,464,160	27,473,871
Total	<u>49,953,138</u>	<u>72,471,784</u>	<u>42,002,386</u>

(a) In calculating earnings per share, pertinent 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.

(g) **Concentration of Credit Risk** - The Company is not exposed to material concentrations of credit risks as to any one issuer.

(r) **Stock Based Compensation** - As periodically amended, the Company has had a stock option plan in effect for certain eligible key employees since 1978. Under the current plan amended in 2010, the maximum number of common shares available for 2010 and future years' grants has been set at 14.5 million through 2016. The exercise price of stock options is equal to the closing market price of the Company's common stock on the date of grant, and the contractual life of the grant is generally ten years from the date of the grant. Options granted may be exercised to the extent of 10% of the number of shares covered thereby as of December 31st of the year of the grant and, cumulatively, to the extent of an additional 15%, 20%, 25% and 30% on and after the second through fifth calendar years, respectively. Options granted to employees who meet certain retirement eligibility provisions become fully vested on the date of grant.

The following table presents the stock based compensation expense and income tax benefit recognized in the financial statements:

Years Ended December 31:	2012	2011	2010
Stock based compensation expense	\$ 1.7	\$ 3.0	\$ 3.2
Income tax benefit	<u>\$.6</u>	<u>\$ 1.0</u>	<u>\$ 1.1</u>

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes-Merton Model. The following table presents the assumptions used in the Black-Scholes Model for the awards granted during the periods presented, inclusive of replacement options issued pursuant to the PMA merger in 2010. Expected volatilities are based on the historical experience of Old Republic's common stock. The expected term of stock options represents the period of time that stock options granted are assumed to be outstanding. The Company uses historical data to estimate the effect of stock option exercise and employee departure behavior; groups of employees that have similar historical behavior are considered separately for valuation purposes. The risk-free rate of return for periods within the contractual term of the share option is based on the U.S. Treasury rate in effect at the time of the grant.

	2012	2011	2010
Expected volatility	.32	.31	.34
Expected dividends	6.88%	5.95%	5.63%
Expected term (in years)	7	7	5
Risk-free rate	<u>1.74%</u>	<u>2.73%</u>	<u>2.11%</u>

A summary of stock option activity under the plan as of December 31, 2012, 2011 and 2010, and changes in outstanding options during the years then ended is presented below:

	As of and for the Years Ended December 31,					
	2012		2011		2010	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	15,679,915	\$ 17.25	16,560,483	\$ 17.39	15,781,176	\$ 17.49
Issuance of options pursuant to PMA merger	—	—	—	—	471,279	14.85
Granted	974,500	10.80	1,064,500	12.33	747,000	12.08
Exercised	14,850	10.48	31,113	12.22	341,057	6.79
Forfeited and canceled	2,346,416	17.66	1,913,955	15.85	97,915	17.48
Outstanding at end of year	<u>14,293,149</u>	16.75	<u>15,679,915</u>	17.25	<u>16,560,483</u>	17.39
Exercisable at end of year	<u>12,032,624</u>	\$ 17.74	<u>13,262,682</u>	\$ 18.21	<u>13,672,002</u>	\$ 18.09
Weighted average fair value of options granted during the year (a)	\$ 1.46 per share		\$ 1.99 per share		\$ 2.22 per share	

(a) Based on the Black-Scholes option pricing model and the assumptions outlined above; 2010 includes the impact of replacement options issued pursuant to the PMA merger.

A summary of stock options outstanding and exercisable at December 31, 2012 follows:

Ranges of Exercise Prices	Year(s) Of Grant	Options Outstanding			Options Exercisable	
		Number Out- Standing	Weighted - Average Remaining Contractual Life	Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$14.37	2003	1,198,402	0.25	\$ 14.37	1,198,402	\$ 14.37
\$19.32 to \$20.02	2004	1,887,198	1.25	19.33	1,887,198	19.33
\$18.41 to \$20.87	2005	1,609,747	2.25	18.45	1,609,747	18.45
\$21.36 to \$22.35	2006	2,139,275	3.25	22.01	2,139,275	22.01
\$21.78 to \$23.16	2007	2,022,275	4.25	21.78	2,022,275	21.78
\$7.73 to \$12.95	2008	1,380,420	5.25	12.94	1,380,420	12.94
\$10.48	2009	910,043	6.25	10.48	646,856	10.48
\$12.08	2010	751,415	7.25	12.08	357,996	12.08
\$10.51 to \$36.36	2010 (a)	416,874	1.25	13.12	416,874	13.12
\$12.33	2011	1,003,000	8.25	12.33	277,731	12.33
\$10.80	2012	974,500	9.25	10.80	95,850	10.80
Total		<u>14,293,149</u>		<u>\$ 16.75</u>	<u>12,032,624</u>	<u>\$ 17.74</u>

(a) Represents the replacement options issued pursuant to the PMA merger.

Pursuant to the Company's self-imposed limits, the maximum number of options available for future issuance as of December 31, 2012, is 11,769,498 shares.

As of December 31, 2012, there was \$1.0 of total unrecognized compensation cost related to nonvested stock-based compensation arrangements granted under the plan. That cost is expected to be recognized over a weighted average period of approximately 3 years.

The cash received from stock option exercises, the total intrinsic value of stock options exercised, and the actual tax benefit realized for the tax deductions from option exercises are as follows:

	2012	2011	2010
Cash received from stock option exercise	\$.1	\$.3	\$ 2.3
Intrinsic value of stock options exercised	—	—	1.7
Actual tax benefit realized for tax deductions from stock options exercised	\$ —	\$ —	\$.6

At December 31, 2012, the Company had restricted common stock issued to certain employees which are expected to vest over approximately 2.5 years. During the vesting period, restricted shares are nontransferable and subject to forfeiture, but are entitled to all of the other rights of outstanding shares. Compensation expense for the restricted stock award is recognized over the vesting period of the award and was immaterial for the years ended December 31, 2012, 2011 and 2010.

(s) Regulatory Matters - The material increases in mortgage guaranty insurance claims and loss payments that began in 2007 gradually depleted RMIC's statutory capital base and forced it to discontinue writing new business. Sixteen states have insurance laws or regulations which require a mortgage insurer to maintain a minimum amount of statutory capital relative to the level of risk in force, the most common measure being a risk to capital ratio of 25 to 1. The failure to maintain the prescribed minimum capital level in a particular state generally requires a mortgage insurer to immediately stop writing new business until it reestablishes the required level of capital or receives a waiver of the requirement from a state's insurance regulatory authority. RMIC breached the minimum capital requirement during the third quarter of 2010. RMIC had previously requested and, subsequently received waivers or forbearance of the minimum policyholder position requirements from the regulatory authorities in substantially all affected states. Following several brief extensions, the waiver from its domiciliary state of North Carolina expired on August 31, 2011, and RMIC and its sister company, Republic Mortgage Insurance Company of North Carolina (RMIC-NC), discontinued writing new business in all states and limited themselves to servicing the run-off of their existing business.

During 2012 the North Carolina Department of Insurance ("NCDOI") issued several orders the ultimate effects of which were:

- To place RMIC and its affiliate, Republic Mortgage Insurance Company of North Carolina ("RMICNC") under NCDOI supervision;
- To approve a Corrective Plan submitted by RMIC pursuant to which all settled claims are to be paid in cash for 60% of the settled amount, with the remaining 40% retained in claim reserves as a Deferred Payment Obligation ("DPO") until a future payment of all or a portion of this 40% is approved by the NCDOI; and
- To execute the DPO-based run-off plan under Old Republic's ownership and NCDOI supervision of RMIC and RMICNC to effect a most economically sound realization of ultimate benefits to policyholders during a sufficiently long future period.

RMIC's evaluation of the potential long-term performance of the run-off book of business is based on various modeling techniques. Of necessity the resulting models take into account actual premium and paid claim experience of prior periods, together with a large number of assumptions and judgments about future outcomes that are highly sensitive to a wide range of estimates. Many of these estimates and underlying assumptions relate to matters over which the Company has no control, including: 1) The conflicted interests, as well as the varying mortgage servicing and foreclosure practices of a large number of insured lending institutions; 2) General economic and industry-specific trends and events; and 3) The evolving or future social and economic policies of the U.S. Government vis-à-vis such critical sectors as the banking, mortgage lending, and housing industries, as well as its policies for resolving the insolvencies and assigning a possible future role to Fannie Mae and Freddie Mac. These matters notwithstanding, RMIC's ten year standard model of forecasted results extending through 2022 continues to reflect ultimate profitability for the book of business. Accordingly, the establishment of a premium deficiency reserve as of December 31, 2012 is unwarranted.

The indicated positive outcome of the ten year standard model notwithstanding, it is more likely than not that MI operating results for 2013 and 2014 will be negative. As long as the run-off under NCDOI supervision remains in place, however, the statutory DPO accounting treatment should mitigate the adverse effect of operating losses on the statutory capital balance. In these circumstances, RMIC's and RMICNC's statutory solvency would be retained and the risk of a regulatory receivership action would be averted. In management's opinion, the DPO Plan under NCDOI supervision should be continued for a sufficiently long period of time to achieve the objectives contemplated by the above referenced NCDOI orders.

In light of all the above, the mortgage guaranty run-off will devolve within constraints of Old Republic's currently committed capital resources. As of December 31, 2012, the total statutory capital, inclusive of accumulated DPO reserve funds of \$299.5 held in RFIG's mortgage insurance subsidiaries was approximately \$132.8. As of the same date, RFIG's consolidated GAAP capitalization amounted to \$(56.6) (or a negative capital contribution of approximately 22 cents per Old Republic common share). Based on the above-noted loss expectations for 2013 and 2014 it is most likely that the RFIG consolidated GAAP capital account will reflect a continuing and increasingly negative balance. Moreover, Old Republic will be required to recognize RFIG's continuing net losses in its consolidated GAAP financial statements so long as it retains a controlling financial interest in RFIG. Under GAAP, the Company would deconsolidate RFIG and restore any accumulated deficit to the consolidated shareholders' equity account at the point in time that it relinquishes control of RFIG. This accounting treatment does not affect the liquidity of the Old Republic parent holding company or that of its separately capitalized and organized insurance companies and their individual abilities to meet their respective obligations.

Note 2 - Debt - Consolidated debt of Old Republic and its subsidiaries is summarized below:

December 31:	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
3.75% Convertible Senior Notes due 2018	\$ 550.0	\$ 568.5	\$ 550.0	\$ 489.5
8.0% Convertible Senior Notes due 2012	—	—	316.2	320.9
ESSOP debt with an average yield of 3.74% and 3.73%, respectively	20.8	20.8	23.4	23.4
Junior subordinated debt due 2037 with an average yield of 8.29%	—	—	20.0	20.0
Other miscellaneous debt	2.0	2.0	3.1	3.1
Total debt	\$ 572.9	\$ 591.5	\$ 912.8	\$ 857.0

On May 15, 2012, the 8.0% Convertible Senior Notes were redeemed at their par value of \$316.2. On June 15, 2012, the junior subordinated debt due 2037 was redeemed.

The Company completed a public offering of \$550.0 aggregate principal amount of Convertible Senior Notes in early March, 2011. The notes bear interest at a rate of 3.75% per year, mature on March 15, 2018, and are convertible at any time prior to maturity by the holder into 64.3407 shares (subject to periodic adjustment under certain circumstances) of common stock per one thousand dollar note.

Scheduled maturities of the above debt at year end are as follows: 2013: \$3.6; 2014: \$4.2; 2015: \$3.3; 2016: \$3.5; 2017: \$3.9; 2018 and after: \$554.2. During 2012, 2011 and 2010, \$34.6, \$51.1 and \$31.9, respectively, of interest expense on debt was charged to consolidated operations.

The Company's 3.75% Convertible Senior Notes ("the Notes") contain provisions defining certain events of default, among them a court ordered proceeding due to the insolvency of a Significant Subsidiary. The Notes define Significant Subsidiary in accordance with paragraph (w) of Rule 1-02 of the SEC's Regulation S-X. The Company's flagship mortgage guaranty insurance carrier, Republic Mortgage Insurance Company, ("RMIC") qualifies as a Significant Subsidiary for purposes of the Notes. If RMIC were to become statutorily impaired, its insolvency could trigger a receivership proceeding which, in turn could ultimately result in an event of default. If this were to occur, the outstanding principal of the Notes could become immediately due and payable. As previously noted, however, Management believes the Orders issued by the North Carolina Department of Insurance to RMIC has precluded such an event from occurring for the foreseeable future. Moreover, RMIC is expected to be increasingly less significant when its run-off book of business extinguishes itself. While Old Republic believes that it would have access to the capital markets or otherwise mitigate an event of default under the Notes, there is no assurance that it would be able to do so under future stressful capital market conditions.

At December 31, 2012, the Company had sufficient liquid resources available to redeem a substantial portion of the 3.75% Notes. Management is exploring a number of options to address its liquidity needs in the circumstance that an event of default was to occur at a future date. These potential plans include an amendment to the 3.75% Notes removing RMIC from the definition of a Significant Subsidiary, an additional capital raise through issuance of new straight or convertible debt, or the utilization of intra system dividend capacity. While Management is confident that an event of default can be stemmed, there is no assurance that its impact could be addressed through execution of these plans.

Fair Value Measurements - The Company utilizes indicative market prices, which incorporate recent actual market transactions and current bid/ask quotations to estimate the fair value of outstanding debt securities that are classified within Level 2 of the fair value hierarchy as presented below. The Company uses an internally generated interest yield market matrix table, which incorporates maturity, coupon rate, credit quality, structure and current market conditions to estimate the fair value of its outstanding debt securities that are classified within Level 3.

The following table shows a summary of financial liabilities disclosed, but not carried, at fair value, segregated among the various input levels described in Note 1(d) above:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Financial Liabilities:					
Debt:					
December 31, 2012	\$ 572.9	\$ 591.5	\$ —	\$ 568.5	\$ 22.9
December 31, 2011	\$ 912.8	\$ 857.0	\$ —	\$ 810.4	\$ 46.6

Note 3 - Shareholders' Equity

(a) Preferred Stock - The following table shows certain information pertaining to the Company's preferred shares issued and outstanding:

	Convertible Series G(a)
Preferred Stock Series:	
Annual cumulative dividend rate per share	\$ (a)
Conversion ratio of preferred into common shares	1 for .95
Conversion right begins	Anytime
Redemption and liquidation value per share	(a)
Redemption beginning in year	(a)
Total redemption value (millions)	(a)
Vote per share	1
Shares outstanding:	
December 31, 2011	—
December 31, 2012	—

(a) The Company has authorized up to 1,000,000 shares of Series G Convertible Preferred Stock for issuance pursuant to the Company's Stock Option Plan. Each share of Series G pays a floating rate dividend based on the prime rate of interest. At December 31, 2012, the annual dividend rate would have been 34 cents per share. Each share of Series G is convertible at any time, after being held six months, into .95 shares of Common Stock. Unless previously converted, Series G shares may be redeemed at the Company's sole option five years after their issuance.

(b) Common Stock - At December 31, 2012, there were 500,000,000 shares of common stock authorized. At the same date, there were 100,000,000 shares of Class "B" common stock authorized, though none were issued or outstanding. Class "B" common shares have the same rights as common shares except for being entitled to 1/10th of a vote per share. During 2008, the Company issued 5,488,475 shares to the Old Republic Employees Savings and Stock Ownership Plan ("ESSOP") for consideration of \$50.0. The ESSOP's common stock purchases were financed by a \$30.0 bank loan and by \$20.0 of pre-fundings from ESSOP participating subsidiaries. Common stock held by the ESSOP is classified as a charge to the common shareholders' equity account until it is allocated to participating employees' accounts contemporaneously with the repayment of the ESSOP debt incurred for its acquisition. Such unallocated shares are not considered outstanding for purposes of calculating earnings per share. Dividends on unallocated shares are used to pay debt service costs. Dividends on allocated shares are credited to participants' accounts.

Old Republic issued 17,754,047 shares of its common stock with a fair value of \$245.8 during the fourth quarter 2010 as part of the consideration transferred in the acquisition of PMA Capital Corporation.

(c) Cash Dividend Restrictions - The payment of cash dividends by the Company is principally dependent upon the amount of its insurance subsidiaries' statutory policyholders' surplus available for dividend distribution. The insurance subsidiaries' ability to pay cash dividends to the Company is in turn generally restricted by law or subject to approval of the insurance regulatory authorities of the states in which they are domiciled. These authorities recognize only statutory accounting practices for determining financial position, results of operations, and the ability of an insurer to pay dividends to its shareholders. Based on year end 2012 data, the maximum amount of dividends payable to the Company by its insurance and a small number of non-insurance company subsidiaries during 2013 without the prior approval of appropriate regulatory authorities is approximately \$350.6. Cash dividends declared during 2012, 2011 and 2010 to the Company by its subsidiaries amounted to \$195.0, \$177.1 and \$181.1, respectively.

Note 4 - Commitments and Contingent Liabilities:

(a) Reinsurance and Retention Limits - In order to maintain premium production within their capacity and to limit maximum losses for which they might become liable under policies they've underwritten, Old Republic's insurance subsidiaries, as is the common practice in the insurance industry, may cede all or a portion of their premiums and related liabilities on certain classes of business to other insurers and reinsurers. Although the ceding of insurance does not ordinarily discharge an insurer from liability to a policyholder, it is industry practice to establish the reinsured part of risks as the liability of the reinsurer. Old Republic also employs retrospective premium and a large variety of risk-sharing procedures and arrangements for parts of its business in order to reduce underwriting losses for which it might become liable under insurance policies it issues. To the extent that any reinsurance companies, assured or producer might be unable to meet their obligations under existing reinsurance, retrospective insurance and production agreements, Old Republic would be liable for the defaulted amounts. As deemed necessary, reinsurance ceded to other companies is secured by letters of credit, cash, and/or securities.

Except as noted in the following paragraph, reinsurance protection on property and liability coverages generally limits the net loss on most individual claims to a maximum of: \$5.2 for workers' compensation; \$3.5 for commercial auto liability; \$3.5 for general liability; \$8.0 for executive protection (directors & officers and errors & omissions); \$2.0 for aviation; and \$3.5 for property coverages. Title insurance risk assumptions are currently limited to a maximum of \$500.0 as to any one policy. The vast majority of title policies issued, however, carry exposures of less than \$1.0. Roughly 14% of the

mortgage guaranty traditional primary insurance in force is subject to lender sponsored captive reinsurance arrangements structured primarily on an excess of loss basis. All bulk and other insurance risk in force is retained. Exclusive of reinsurance, the average direct primary mortgage guaranty exposure is approximately (in whole dollars) \$38,500 per insured loan.

Since January 1, 2005, the Company has had maximum reinsurance coverage of up to \$200.0 for its workers' compensation exposures. Pursuant to regulatory requirements, however, all workers' compensation primary insurers such as the Company remain liable for unlimited amounts in excess of reinsured limits. Other than the substantial concentration of workers' compensation losses caused by the September 11, 2001 terrorist attack on America, to the best of the Company's knowledge there had not been a similar accumulation of claims in a single location from a single occurrence prior to that event. Nevertheless, the possibility continues to exist that non-reinsured losses could, depending on a wide range of severity and frequency assumptions, aggregate several hundred million dollars to an insurer such as the Company. Such aggregation of losses could occur in the event of a catastrophe such as an earthquake that could lead to the death or injury of a large number of persons concentrated in a single facility such as a high rise building.

As a result of the September 11, 2001 terrorist attack on America, the reinsurance industry eliminated coverage from substantially all contracts for claims arising from acts of terrorism. Primary insurers like the Company thus became fully exposed to such claims. Late in 2002, the Terrorism Risk Insurance Act of 2002 (the "TRIA") was signed into law, immediately establishing a temporary federal reinsurance program administered by the Secretary of the Treasury. The program applied to insured commercial property and casualty losses resulting from an act of terrorism, as defined in the TRIA. Congress extended and modified the program in late 2005 through the Terrorism Risk Insurance Revision and Extension Act of 2005 (the "TRIREA"). TRIREA expired on December 31, 2007. Congress enacted a revised program in December 2007 through the Terrorism Risk Insurance Program Reauthorization Act of 2007 (the "TRIPRA"), a seven year extension through December 2014. The TRIA automatically voided all policy exclusions which were in effect for terrorism related losses and obligated insurers to offer terrorism coverage with most commercial property and casualty insurance lines. The TRIREA revised the definition of "property and casualty insurance" to exclude commercial automobile, burglary and theft, surety, professional liability and farm owner's multi-peril insurance. TRIPRA did not make any further changes to the definition of property and casualty insurance, however, it does include domestic acts of terrorism within the scope of the program. Although insurers are permitted to charge an additional premium for terrorism coverage, insureds may reject the coverage. Under TRIPRA, the program's protection is not triggered for losses arising from an act of terrorism until the industry first suffers losses of \$100 billion in the aggregate during any one year. Once the program trigger is met, the program will pay 85% of an insurer's terrorism losses that exceed an individual insurer's deductible. The insurer's deductible is 20% of direct earned premium on property and casualty insurance. Insurers may reinsure that portion of the risk they retain under the program. Effective January 1, 2008, the Company reinsured limits of \$198.0 excess of \$2.0 for claims arising from certain acts of terrorism for casualty clash coverage and catastrophe workers' compensation liability insurance coverage.

Reinsurance ceded by the Company's insurance subsidiaries in the ordinary course of business is typically placed on an excess of loss basis. Under excess of loss reinsurance agreements, the companies are generally reimbursed for losses exceeding contractually agreed-upon levels. Quota share reinsurance is most often effected between the Company's insurance subsidiaries and industry-wide assigned risk plans or captive insurers owned by assureds. Under quota share reinsurance, the Company remits to the assuming entity an agreed upon percentage of premiums written and is reimbursed for underwriting expenses and proportionately related claims costs.

Reinsurance recoverable asset balances represent amounts due from or credited by assuming reinsurers for paid and unpaid claims and premium reserves. Such reinsurance balances are recoverable from non-admitted foreign and certain other reinsurers such as captive insurance companies owned by assureds, as well as similar balances or credits arising from policies that are retrospectively rated or subject to assureds' high deductible retentions are substantially collateralized by letters of credit, securities, and other financial instruments. Old Republic evaluates on a regular basis the financial condition of its assuming reinsurers and assureds who purchase its retrospectively rated or self-insured deductible policies. Estimates of unrecoverable amounts totaling \$21.2 and \$28.2 at December 31, 2012 and 2011, respectively, are included in the Company's net claim and claim expense reserves since reinsurance, retrospectively rated, and self-insured deductible policies and contracts do not relieve Old Republic from its direct obligations to assureds or their beneficiaries.

At December 31, 2012, the Company's General Insurance Group's ten largest reinsurers represented approximately 58% of the total consolidated reinsurance recoverable on paid and unpaid losses, with Munich Re America, Inc. the largest reinsurer representing 25.8% of the total recoverable balance. Of the balances due from these ten reinsurers, 82.3% was recoverable from A or better rated reinsurance companies, 6.1% from industry-wide insurance assigned risk pools, 8.0% from foreign unrated companies, and 3.6% from domestic unrated companies. The RFIG Run-off mortgage guaranty operation's total claims exposure to its largest reinsurer, AAMBG Reinsurance, Inc., was \$14.0, which represented .5% of total consolidated reinsured liabilities, as of December 31, 2012.

The following information relates to reinsurance and related data for the General Insurance and RFIG Run-off Groups for the three years ended December 31, 2012. Reinsurance transactions of the Title Insurance Group and small life and accident insurance operation are not material.

Property and liability insurance companies are required to annualize certain policy premiums in their regulatory financial statements though such premiums may not be contractually due nor ultimately collectible. The annualization process relies on a large number of estimates, and has the effect of increasing direct, ceded, and net premiums written, and of grossing up corresponding balance sheet premium balances and liabilities such as unearned premium reserves. The accrual of these estimates has no effect on net premiums earned or GAAP net income.

Years Ended December 31:	2012	2011	2010
General Insurance Group (a)			
Written premiums: Direct	\$ 3,043.4	\$ 2,763.0	\$ 2,223.8
Assumed	19.9	6.1	7.3
Ceded	<u>\$ 696.5</u>	<u>\$ 631.5</u>	<u>\$ 606.5</u>
Earned premiums: Direct	\$ 2,949.9	\$ 2,716.2	\$ 2,278.7
Assumed	17.9	8.9	10.7
Ceded	<u>\$ 643.4</u>	<u>\$ 615.8</u>	<u>\$ 595.3</u>
Claims ceded	<u>\$ 410.6</u>	<u>\$ 427.0</u>	<u>\$ 371.4</u>
RFIG Run-off Business (a)			
Written premiums: Direct	\$ 409.2	\$ 544.4	\$ 591.3
Assumed	—	—	(.2)
Ceded	<u>\$ 19.3</u>	<u>\$ 23.2</u>	<u>\$ 30.1</u>
Earned premiums: Direct	\$ 429.8	\$ 526.4	\$ 617.5
Assumed	—	.1	(.1)
Ceded	<u>\$ 19.3</u>	<u>\$ 23.2</u>	<u>\$ 30.6</u>
Claims ceded	<u>\$ 24.2</u>	<u>\$ 42.2</u>	<u>\$ 76.4</u>
Mortgage Guaranty Insurance in force as of December 31:			
Direct	\$ 56,413.7	\$ 70,520.9	\$ 82,911.0
Assumed	—	446.0	756.7
Ceded	<u>\$ 886.1</u>	<u>\$ 1,452.7</u>	<u>\$ 2,036.0</u>

(a) As previously noted, consumer credit indemnity coverages are reported within the RFIG Run-off segment and have been excluded from the General Insurance Group for all periods presented to conform with segment classifications adopted in 2012. See Note 6.

(b) **Leases** - Some of the Company's subsidiaries maintain their offices in leased premises. Some of these leases provide for the payment of real estate taxes, insurance, and other operating expenses. Rental expenses for operating leases amounted to \$52.6, \$56.0 and \$50.0 in 2012, 2011 and 2010, respectively. These expenses relate primarily to building leases of the Company. A number of the Company's subsidiaries also lease other equipment for use in their businesses. At December 31, 2012, aggregate minimum rental commitments (net of expected sub-lease receipts) under noncancellable operating leases are summarized as follows: 2013: \$52.2; 2014: \$42.8; 2015: \$28.5; 2016: \$19.9; 2017: \$14.7; 2018 and after: \$18.0.

(c) **General** - In the normal course of business, the Company and its subsidiaries are subject to various contingent liabilities, including possible income tax assessments resulting from tax law interpretations or issues raised by taxing or regulatory authorities in their regular examinations, catastrophic claim occurrences not indemnified by reinsurers such as noted at 4(a) above, or failure to collect all amounts on its investments or balances due from assureds and reinsurers. The Company does not have a basis for anticipating any significant losses or costs that could result from any known or existing contingencies.

From time to time, in order to assure possible liquidity needs, the Company may guaranty the timely payment of principal and/or interest on certain intercompany balances, debt, or other securities held by some of its insurance, non-insurance, and ESSOP affiliates. At December 31, 2012, the aggregate principal amount of such guaranties was \$155.9.

(d) **Legal Proceedings** - Legal proceedings against the Company and its subsidiaries routinely 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, non-routine legal proceedings which may prove to be material to the Company or a subsidiary 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 federal courts in two states - Pennsylvania (*Markocki et al. v. ORNTIC*, U.S. District Court, Eastern District, Pennsylvania, filed June 8, 2006), and Texas (*Ahmad et al. v. ORNTIC*, U.S. District Court, Northern District, Texas, Dallas Division, filed February 8, 2008). 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 Pennsylvania suit also alleges violations of the federal Real Estate Settlement Procedures Act ("RESPA"). The Court in the Texas suit dismissed similar RESPA allegations. Classes have been certified in the Pennsylvania suit, but the 5th Circuit Court of Appeals has reversed the earlier class certification in the Texas case.

A putative class action filed in state court in Kansas City, Missouri on December 7, 2006 (Painter et al. v. Old Republic Title Company of Kansas City and Old Republic National Title Insurance Company) alleges that the companies overcharged title recording fees in a number of states. No class has yet been certified. Though the suit is not expected to result in any material liability to the Company, the expenses of reviewing individual closing files as a part of the discovery which the Company has been ordered to undertake have been substantial and may continue.

On May 22, 2009, a purported national class action suit was filed in the U.S. District Court in Birmingham, Alabama (Barker v. Old Republic Home Protection) alleging that Old Republic Home Protection paid fees to the real estate brokers to market its home warranty contracts and that the payment of such fees was in violation of Sections 8(a) and 8(b) of RESPA. The suit seeks unspecified damages, including treble damages under RESPA. No class has been certified, and the action is not expected to result in any material liability to the Company.

On December 19, 2008, Old Republic Insurance Company and Old Republic Insured Credit Services, Inc., ("Old Republic") filed suit against Countrywide Bank FSB, Countrywide Home Loans, Inc. ("Countrywide") and Bank of New York Mellon, BNY Mellon Trust of Delaware in the Circuit Court, Cook County, Illinois (Old Republic Insurance Company, et al. v. Countrywide Bank FSB, et al.) seeking rescission of various credit indemnity policies issued to insure home equity loans and home equity lines of credit which Countrywide had securitized or held for its own account, a declaratory judgment and money damages based upon material misrepresentations either by Countrywide as to the credit characteristics of the loans or by the borrowers in their loan applications. Countrywide filed a counterclaim alleging a breach of contract, bad faith and seeking a declaratory judgment challenging the factual and procedural bases that Old Republic had relied upon to deny or rescind coverage for individual defaulted loans under those policies, as well as unspecified compensatory and punitive damages.

On November 3, 2010, Bank of America, N.A. ("B of A") filed suit against Old Republic Insurance Company ("ORIC") in the U.S. District Court for the Western District of North Carolina (Bank of America, N.A. v. Old Republic Insurance Company) alleging breach of contract, breach of the duty of good faith and fair dealing and bad faith with respect to ORIC's handling of certain claims under a policy of credit indemnity insurance issued to B of A. The policy is not related to those issued to Countrywide, which are the subject of the above-noted separate litigation. The B of A suit seeks a declaratory judgment with respect to the interpretation of certain policy terms, B of A's compliance with certain terms and conditions of the policy, and the propriety of certain positions and procedures taken by ORIC in response to claims filed by B of A. The suit also seeks money damages in excess of \$320, pre and post judgment interest and unspecified punitive damages. On January 23, 2012, ORIC filed a counterclaim seeking damages based on B of A's alleged interference with ORIC's subrogation rights.

On December 31, 2009, two of the Company's mortgage insurance subsidiaries, Republic Mortgage Insurance Company and Republic Mortgage Insurance Company of North Carolina (together "RMIC") filed a Complaint for Declaratory Judgment in the Supreme Court of the State of New York, County of New York, against Countrywide Financial Corporation, Countrywide Home Loans, Inc., The Bank of New York Mellon Trust Company, N.A., BAC Home Loans Servicing, LP, and Bank of America N.A. as successor in interest to Countrywide Bank, N.A. (together "Countrywide") (Republic Mortgage Insurance Company, et al. v. Countrywide Financial Corporation, et al.). The suit relates to five mortgage insurance master policies (the "Policies") issued by RMIC to Countrywide or to the Bank of New York Mellon Trust Company as co-trustee for trusts containing securitized mortgage loans that were originated or purchased by Countrywide. RMIC has rescinded its mortgage insurance coverage on over 1,500 of the loans originally covered under the Policies based upon material misrepresentations of the borrowers in their loan applications or the negligence of Countrywide in its loan underwriting practices or procedures. Each of the coverage rescissions occurred after a borrower had defaulted and RMIC reviewed the claim and loan file submitted by Countrywide. The suit seeks the Court's review and interpretation of the Policies' incontestability provisions and its validation of RMIC's investigation procedures with respect to the claims and underlying loan files.

On January 29, 2010, in response to RMIC's suit, Countrywide served RMIC with a demand for arbitration under the arbitration clauses of the same Policies. The demand raises largely the same issues as those raised in RMIC's suit against Countrywide, but from Countrywide's perspective, as well as Countrywide's and RMIC's compliance with the terms, provisions and conditions of the Policies. The demand includes a prayer for punitive, compensatory and consequential damages. RMIC filed a motion to stay the arbitration, and Countrywide filed a motion to dismiss RMIC's lawsuit and to compel the arbitration. On July 26, 2010, the Court granted Countrywide's motion, ordering the matters be submitted to arbitration and dismissing the lawsuit. The arbitration is proceeding.

After its First Amended Complaint was dismissed on May 4, 2011, on July 19, 2011, J.P. Morgan Chase Bank, N.A. ("Chase") filed a Second Amended Complaint against RMIC in the U.S. District Court for the District of New Jersey arising out of RMIC's rescissions of coverage on approximately 377 mortgage loans. (J.P. Morgan Chase Bank, N.A. v. Republic Mortgage Insurance Company). The new lawsuit abandons the earlier claim, which the Court dismissed, that RMIC could not unilaterally rescind coverage. Instead, Chase alleges that RMIC's rescissions were improper either because the coverage had become incontestable; or the rescissions relied upon evidence that was either improperly obtained or insufficient, unreliable or immaterial; or the rescissions were not permitted by applicable law. Based on these allegations, Chase asserts claims for breach of contract, breach of good faith and fiduciary duties, negligence and violations of Colorado and Louisiana insurance laws and seeks declaratory relief and unspecified compensatory, treble and punitive damages. On September 26, 2011, RMIC filed a motion for entry of an order dismissing various claims in the Second Amended Complaint with prejudice and requiring Chase to provide a more definitive statement of any remaining claims. That motion is awaiting the Court's action.

Nine purported class action suits alleging RESPA violations have been filed in the Federal District Courts, two in the Central District of California, five in the Eastern District of Pennsylvania, and two in the Western District of Pennsylvania, respectively, between December 9, 2011 and January 4, 2013. The suits target J.P. Morgan Chase Bank, N.A., the PNC Financial Services Group, Inc. as successor to National City Bank, N.A., Citibank, N.A., HSBC Bank USA, N.A., Bank of America, N.A., Fifth Third Bank, N.A., Flagstar Bank, FSB, First Tennessee Bank, N.A., and Wachovia Bank, N.A., each of their wholly-owned captive insurance subsidiaries and most or all of the mortgage guaranty insurance companies, including RMIC. (Samp, Komarchuk, Whitaker v. J.P. Morgan Chase Bank, N.A., et al.; White, Hightower v. The PNC Financial Services Group, Inc., et al.; Menichino v. CitiBank, N.A., et al.; Riddle v. Bank of America, et al.; Manners v. Fifth Third Bank, et al.; Hill, et al. v. Flagstar Bank, FSB, et al.; Barlee v. First Tennessee Bank, N.A., et al.; Orange v. Wachovia Bank, N.A., et al.; and Ba, Chip, et al. v. HSBC Bank USA, N.A., et al.). The lawsuits, filed by the same law firms, are substantially identical in alleging that the mortgage guaranty insurers had reinsurance arrangements with the defendant banks' captive insurance subsidiaries under which payments were made in violation of the anti-kickback and fee splitting prohibitions of Sections 8(a) and 8(b) of RESPA. Each of the suits seeks unspecified damages, costs, fees and the return of the allegedly improper payments. A class has not been certified in any of the suits.

A purported state class action suit was filed against Old Republic Title Company in the Superior Court of California for Orange County on January 7, 2011, on behalf of the Company's escrow officers and escrow assistants in the State of California. (Hinrichs v. Old Republic Title Company). The Company filed a demur to the complaint, and in response, plaintiff filed an Amended Complaint on January 5, 2012 adding another named plaintiff. The suit alleged that the Company failed to pay overtime, failed to calculate overtime properly, denied meal breaks and rest breaks and failed to itemize pay statements, in violation of the California Labor Code and seeks compensatory damages, statutory penalties, interest, costs and attorneys' fees for the period from January 7, 2007 to the present. On January 11, 2013 a tentative settlement was reached calling for the Company's payment to the plaintiffs, the class and their lawyers. The Company has recorded its estimated liability as of December 31, 2012.

On September 26, 2012 a purported national class action suit was filed against Old Republic Home Protection Company in the Superior Court of California for Riverside County. (Friedman v. Old Republic Home Protection Company, Inc.). The suit alleges that the Company operates in breach of its home warranty contracts, in breach of implied covenants of good faith and fair dealing, in violation of various provisions of the California Civil Code and Business and Professions Code and is guilty of false advertising. The stated class period is from November 24, 2004 through the present. The suit seeks declaratory relief, injunctive relief, restitution, damages, costs and attorneys' fees in unspecified amounts. The firm representing the plaintiff had previously filed similar suits against the Company, which were unsuccessful. The Company succeeded in having the case removed to the U.S. District Court for the Central District of California on October 24, 2012, and believes it has strong defenses to the allegations and to the certification of any class in this matter.

PNC Bank, N.A., in its own right and as successor-in-interest to National City Corporation, filed suit against RMIC on October 10, 2012 in the United States District Court for the Western District of Pennsylvania disputing RMIC's denials and rescissions of its mortgage guaranty insurance coverage on an unspecified number of mortgage loans. It filed an amended complaint on January 30, 2013 identifying 248 disputed coverage denials or rescissions (PNC Bank, N.A. v. Republic Mortgage Insurance Company). The suit seeks certain declaratory relief, actual money damages and unspecified compensatory, consequential and punitive damages.

Under GAAP, an estimated loss is accrued only if the loss is probable and reasonably estimable. The Company and its subsidiaries have defended and intend to continue defending vigorously against each of the aforementioned actions. The Company does not believe it probable that any of these actions will have a material adverse effect on its consolidated financial position, results of operations, or cash flows, though there can be no assurance in those regards. Except as otherwise noted, the Company is unable to make a reasonable estimate or range of estimates of any potential liability under these lawsuits, the counterclaim, and the arbitration, all of which seek unquantified damages, attorneys' fees, and expenses. It is also unclear what effect, if any, the run-off operations of RMIC and depletion of its capital will have in the actions against it.

Note 5 - Consolidated Quarterly Results - Unaudited - Old Republic's consolidated quarterly operating data for the two years ended December 31, 2012 is presented below. In management's opinion, however, quarterly operating data for insurance enterprises such as the Company is not indicative of results to be achieved in succeeding quarters or years. The long-term nature of the insurance business, seasonal and cyclical factors affecting premium production, the fortuitous nature and, at times, delayed emergence of claims, and changes in yields on invested assets are some of the factors necessitating a review of operating results, changes in shareholders' equity, and cash flows for periods of several years to obtain a proper indicator of performance trends. The data below should be read in conjunction with the "Management Analysis of Financial Position and Results of Operations".

In management's opinion, all adjustments consisting of normal recurring adjustments necessary for a fair statement of quarterly results have been reflected in the data which follows.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Year Ended December 31, 2012:				
Operating Summary:				
Net premiums, fees, and other income	\$ 1,069.1	\$ 1,116.8	\$ 1,204.0	\$ 1,195.3
Net investment income and realized gains (losses)	88.7	107.0	100.6	87.8
Total revenues	1,158.0	1,223.9	1,304.8	1,283.2
Benefits, claims, and expenses	1,160.7	1,282.2	1,335.9	1,319.7
Net income (loss)	\$.4	\$ (34.0)	\$ (14.8)	\$ (20.2)
Net income (loss) per share: Basic	\$ —	\$ (.13)	\$ (.06)	\$ (.08)
Diluted	\$ —	\$ (.13)	\$ (.06)	\$ (.08)
Average shares outstanding:				
Basic	<u>255,473,634</u>	<u>255,747,273</u>	<u>255,921,356</u>	<u>256,086,431</u>
Diluted	<u>255,779,449</u>	<u>255,747,273</u>	<u>255,921,356</u>	<u>256,086,431</u>
Year Ended December 31, 2011:				
Operating Summary:				
Net premiums, fees, and other income	\$ 1,031.5	\$ 1,004.7	\$ 1,038.2	\$ 1,090.6
Net investment income and realized gains (losses)	97.9	90.2	75.3	216.7
Total revenues	1,129.5	1,094.9	1,113.5	1,307.4
Benefits, claims, and expenses	1,154.4	1,203.3	1,296.2	1,228.1
Net income (loss)	\$ (12.9)	\$ (66.3)	\$ (116.5)	\$ 55.2
Net income (loss) per share: Basic	\$ (.05)	\$ (.26)	\$ (.46)	\$.22
Diluted	\$ (.05)	\$ (.26)	\$ (.46)	\$.22
Average shares outstanding:				
Basic	<u>254,769,513</u>	<u>254,972,652</u>	<u>255,137,235</u>	<u>255,292,231</u>
Diluted	<u>254,769,513</u>	<u>254,972,652</u>	<u>255,137,235</u>	<u>255,597,983</u>

Note 6 - 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 Group (property and liability insurance), Title Insurance Group and the Republic Financial Indemnity Group Run-off Business. The results of a small life & accident insurance business are included with those of its holding company parent and minor corporate services 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.

In late March of 2012, Old Republic combined its General Insurance Group's Consumer Credit Indemnity division with its Mortgage Guaranty business in a renamed Republic Financial Indemnity Group, Inc. Run-off Business segment. The two operations, which offer similar insurance coverages, have been in run-off operating mode since 2008 (CCI) and August 2011 (MI), and are inactive from new business production standpoints. The combination affects the manner in which segmented results are presented. The operating results of the combined coverages are therefore shown as a single run-off book of business within the Company's consolidated operations. Prior periods' segmented information for the General Insurance and RFIG Run-off Business segments has therefore been reclassified to provide necessary consistency in period-to-period operating comparisons. Segment results exclude net realized investment gains or losses and other-than-temporary impairments as 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.

The Company does not derive over 10% of its consolidated revenues from any one customer. Revenues and assets connected with foreign operations are not significant in relation to consolidated totals.

The General Insurance Group provides property and liability insurance primarily to commercial clients. Old Republic does not have a meaningful participation in personal lines of insurance. Workers' compensation is the largest type of coverage underwritten by the General Insurance Group, accounting for 36.5% of the Group's direct premiums written in 2012. The remaining premiums written by the General Insurance Group are derived largely from a wide variety of coverages, including commercial automobile (principally trucking), general liability, general aviation, directors and officers indemnity, fidelity and surety indemnities, and home and auto warranties.

The title insurance business consists primarily of the issuance of policies to real estate purchasers and investors based upon searches of the public records which contain information concerning interests in real property. The policy insures against losses arising out of defects, loans and encumbrances affecting the insured title and not excluded or excepted from the coverage of the policy.

Private mortgage insurance produced by the RFIG Run-off Business protects mortgage lenders and investors from default related losses on residential mortgage loans made primarily to homebuyers who make down payments of less than 20% of the home's purchase price. The RFIG Run-off mortgage guaranty operations insures only first mortgage loans, primarily on residential properties having one-to-four family dwelling units. Consumer credit indemnity ("CCI")

policies provide limited indemnity coverage to lenders and other financial intermediaries. The coverage is for the risk of non-payment of loan balances by individual buyers and borrowers.

The accounting policies of the segments parallel those described in the summary of significant accounting policies pertinent thereto.

Segment Reporting

Years Ended December 31:	2012	2011	2010
General Insurance:			
Prior to reclassification and including CCI run-off business:			
Net premiums earned	\$ 2,366.9	\$ 2,167.7	\$ 1,782.1
Net investment income and other income	375.1	379.3	292.7
Total revenues before realized gains or losses	<u>\$ 2,742.0</u>	<u>\$ 2,547.1</u>	<u>\$ 2,074.9</u>
Income (loss) before taxes (credits) and realized investment gains or losses (a)	<u>\$ 186.0</u>	<u>\$ 304.3</u>	<u>\$ 172.7</u>
Income tax expense (credits) on above	<u>\$ 51.1</u>	<u>\$ 94.5</u>	<u>\$ 51.6</u>
All CCI run-off business reclassification:			
Net premiums earned	\$ 42.4	\$ 58.3	\$ 87.9
Net investment income and other income	.1	.1	—
Total revenues before realized gains or losses	<u>\$ 42.6</u>	<u>\$ 58.4</u>	<u>\$ 88.0</u>
Income (loss) before taxes (credits) and realized investment gains or losses (a)	<u>\$ (74.9)</u>	<u>\$ (49.6)</u>	<u>\$ (143.9)</u>
Income tax expense (credits) on above	<u>\$ (26.2)</u>	<u>\$ (17.3)</u>	<u>\$ (50.3)</u>
After reclassification and total excluding all CCI run-off business:			
Net premiums earned	\$ 2,324.4	\$ 2,109.4	\$ 1,694.2
Net investment income and other income	374.9	379.2	292.7
Total revenues before realized gains or losses	<u>\$ 2,699.4</u>	<u>\$ 2,488.6</u>	<u>\$ 1,986.9</u>
Income (loss) before taxes (credits) and realized investment gains or losses (a)	<u>\$ 261.0</u>	<u>\$ 353.9</u>	<u>\$ 316.7</u>
Income tax expense (credits) on above	<u>\$ 77.4</u>	<u>\$ 111.8</u>	<u>\$ 102.0</u>
Title Insurance:			
Net premiums earned	\$ 1,250.2	\$ 1,007.9	\$ 863.0
Title, escrow and other fees	427.1	354.5	348.0
Sub-total	<u>1,677.4</u>	<u>1,362.4</u>	<u>1,211.0</u>
Net investment income and other income	29.6	29.3	27.7
Total revenues before realized gains or losses	<u>\$ 1,707.1</u>	<u>\$ 1,391.8</u>	<u>\$ 1,238.8</u>
Income (loss) before taxes (credits) and realized investment gains or losses (a)	<u>\$ 73.8</u>	<u>\$ 36.2</u>	<u>\$ 9.4</u>
Income tax expense (credits) on above	<u>\$ 26.5</u>	<u>\$ 11.5</u>	<u>\$ 3.3</u>
RFIG Run-off Business:			
Prior to reclassification and excluding CCI run-off business:			
Net premiums earned	\$ 368.0	\$ 444.9	\$ 498.8
Net investment income and other income	36.6	61.2	89.6
Total revenues before realized gains or losses	<u>\$ 404.6</u>	<u>\$ 506.1</u>	<u>\$ 588.4</u>
Income (loss) before taxes (credits) and realized investment gains or losses (a)(c)	<u>\$ (433.6)</u>	<u>\$ (678.1)</u>	<u>\$ (260.8)</u>
Income tax expense (credits) on above	<u>\$ (151.5)</u>	<u>\$ (234.3)</u>	<u>\$ (94.8)</u>
All CCI run-off business reclassification:			
Net premiums earned	\$ 42.4	\$ 58.3	\$ 87.9
Net investment income and other income	.1	.1	—
Total revenues before realized gains or losses	<u>\$ 42.6</u>	<u>\$ 58.4</u>	<u>\$ 88.0</u>
Income (loss) before taxes (credits) and realized investment gains or losses (a)(c)	<u>\$ (74.9)</u>	<u>\$ (49.6)</u>	<u>\$ (143.9)</u>
Income tax expense (credits) on above	<u>\$ (26.2)</u>	<u>\$ (17.3)</u>	<u>\$ (50.3)</u>
After reclassification and total RFIG run-off MI and CCI business:			
Net premiums earned	\$ 410.5	\$ 503.2	\$ 586.8
Net investment income and other income	36.7	61.3	89.7
Total revenues before realized gains or losses	<u>\$ 447.3</u>	<u>\$ 564.6</u>	<u>\$ 676.5</u>
Income (loss) before taxes (credits) and realized investment gains or losses (a)(c)	<u>\$ (508.6)</u>	<u>\$ (727.8)</u>	<u>\$ (404.8)</u>
Income tax expense (credits) on above	<u>\$ (177.8)</u>	<u>\$ (251.6)</u>	<u>\$ (145.2)</u>

Segment Reporting (Continued)

Years Ended December 31:	2012	2011	2010
Consolidated Revenues:			
Total revenues of above Company segments	\$ 4,853.8	\$ 4,445.1	\$ 3,902.3
Other sources (b)	126.4	143.7	145.8
Consolidated net realized investment gains (losses)	47.8	115.5	109.1
Consolidation elimination adjustments	(58.0)	(58.8)	(54.5)
Consolidated revenues	<u>\$ 4,970.1</u>	<u>\$ 4,645.5</u>	<u>\$ 4,102.7</u>
Consolidated Income (Loss) Before Taxes (Credits):			
Total income (loss) before income taxes (credits) and realized investment gains or losses of above Company segments	\$ (173.6)	\$ (337.5)	\$ (78.6)
Other sources - net (b)	(2.7)	(14.6)	(2.8)
Consolidated net realized investment gains (losses)	47.8	115.5	109.1
Consolidated income (loss) before income taxes (credits)	<u>\$ (128.5)</u>	<u>\$ (236.7)</u>	<u>\$ 27.6</u>
Consolidated Income Tax Expense (Credits):			
Total income tax expense (credits) for above Company segments	\$ (73.8)	\$ (128.2)	\$ (39.8)
Other sources - net (b)	(2.8)	(5.4)	(.9)
Income tax expense (credits) on consolidated net realized investment gains (losses)	16.7	37.5	38.2
Consolidated income tax expense (credits)	<u>\$ (59.8)</u>	<u>\$ (96.1)</u>	<u>\$ (2.5)</u>
December 31:	2012	2011	
Consolidated Assets:			
General Insurance	\$ 12,770.2	\$ 12,384.3	
Title Insurance	1,076.5	956.2	
RFIG Run-off Business	<u>2,051.1</u>	<u>2,027.6</u>	
Total assets for above company segments	15,897.9	15,368.2	
Other assets (b)	626.2	973.4	
Consolidation elimination adjustments	(297.3)	(291.2)	
Consolidated assets	<u>\$ 16,226.8</u>	<u>\$ 16,050.4</u>	

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 - \$28.1, \$25.0 and \$21.5 for the years ended December 31, 2012, 2011, and 2010 respectively; Title - \$8.0, \$5.3 and \$5.1 for the years ended December 31, 2012, 2011, and 2010 respectively; RFIG Run-off - \$2.1, \$8.0 and \$7.1 for the years ended December 31, 2012, 2011, and 2010 respectively.
- (b) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, and a small life and accident insurance operation.
- (c) Income (loss) before taxes (credits) for 2011 includes an accrual of employment severance and similar costs (\$10.7), elimination of previously deferred acquisition costs (\$29.1) no longer deemed recoverable in future run-off periods, and a write-off of the historical goodwill balance of (\$10.7). 2010 results reflect the impact of the accounting treatment for certain reinsurance commutations. Refer to further discussion at Note 1(e).

General Insurance results for 2012 reflect a pretax charge of \$37.9 related to previously deferred acquisition costs ("DAC"). The DAC charge stemmed from new accounting guidance issued by the FASB which became effective as of January 1, 2012.

Note 7 - Transactions with Affiliates:

The Company is affiliated with a policyholder owned mutual insurer, American Business & Mercantile Insurance Mutual, Inc. ("AB&M" or "the Mutual") whose formation it sponsored in 1981. The Mutual is managed through a service agreement with several Old Republic subsidiaries. AB&M's underwriting operations are limited to certain types of coverages not provided by Old Republic, and to a small amount of intercompany reinsurance placements. The following table shows certain unaudited information reflective of such business:

Years Ended December 31:	Assumed from Old Republic			Ceded to Old Republic		
	2012	2011	2010	2012	2011	2010
Premiums earned	\$ 1.0	\$.5	\$.2	\$.4	\$.4	\$.2
Commissions and fees	.3	—	—	—	—	—
Losses and loss expenses	1.0	.4	.4	.4	.4	.7
Loss and loss expense reserves	4.9	4.6	4.4	2.5	2.3	2.1
Unearned premiums	<u>\$.6</u>	<u>\$.3</u>	<u>\$ —</u>	<u>\$.1</u>	<u>\$ —</u>	<u>\$ —</u>

As of December 31, 2012 and 2011, the Mutual's statutory capital included surplus notes due to Old Republic of \$10.5 out of total statutory capital of \$27.4 and \$25.5, respectively. AB&M's accounts are not consolidated with Old Republic's since it is owned by its policyholders and, in any event, their inclusion would not have a significant effect on Old Republic's consolidated financial statements.

Note 8 - Merger with PMA Capital Corporation:

Effective October 1, 2010, Old Republic acquired PMA Capital Corporation ("PMA"), an insurance holding company with interests in the commercial property and liability insurance field. The consideration transferred of \$247.2 included the issuance of 17,754,047 Old Republic common shares and the replacement value of PMA stock options. As of the acquisition date, PMA's total assets and liabilities inclusive of all required adjustments conforming with GAAP were valued at \$2,469.6 and \$2,222.4, respectively. Old Republic's consolidated financial statements include PMA's results of operations for 2012, 2011 and the final quarter of 2010 and its assets and liabilities as of both December 31, 2012 and 2011.

The following table reflects PMA's actual revenues and earnings included in Old Republic's consolidated statement of income beginning in the fourth quarter of 2010, and the supplemental pro forma revenues and net income (excluding any merger related expenses) as if the acquisition had occurred as of January 1, 2010. In substance, the supplemental pro forma information for the year ended December 31, 2010 reflects the combined historical results of Old Republic and PMA. Such combined data is not necessarily indicative of the actual results that would have been achieved by the consolidated companies for this period.

	Revenues	Net Income (Loss) from Continuing Operations
Actual Post Merger Amounts:		
Quarter and year ended December 31, 2010	<u>\$ 128.1</u>	<u>\$ (7.1)</u>
Year ended December 31, 2011	<u>\$ 533.4</u>	<u>\$ 15.6</u>
Year ended December 31, 2012	<u>\$ 567.6</u>	<u>\$ (13.0)</u>
Supplemental pro forma information (unaudited):		
Year ended December 31, 2010	<u>\$ 4,522.9</u>	<u>\$ 39.1</u>

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Old Republic International Corporation:

We have audited the accompanying consolidated balance sheets of Old Republic International Corporation and subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, preferred stock and common shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2012. We also have audited the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting under Item 9A of the 2012 Annual Report on Form 10-K. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Old Republic International Corporation and subsidiaries as of December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Old Republic International Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

Chicago, Illinois
March 1, 2013

Management's Responsibility for Financial Statements

Management is responsible for the preparation of the Company's consolidated financial statements and related information appearing in this report. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present the Company's financial position and results of operations in conformity with generally accepted accounting principles. Management also has included in the Company's financial statement amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

The independent registered public accounting firms have advised that they audit the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board, as stated in their reports, included herein.

The Board of Directors of the Company has an Audit Committee composed of five non-management Directors. The committee meets periodically with financial management, the internal auditors and the independent registered public accounting firm to review accounting, control, auditing and financial reporting matters.

Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A - Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's principal executive officer and its principal accounting officer have evaluated the Company's disclosure controls and procedures as of the end of the period covered by this annual 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 December 31, 2012, 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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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.

Based on our evaluation under the framework in *Internal Control - Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2012. KPMG LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2012. Their report is shown on page 99 in this Annual Report.

Item 9B - Other Information

Pursuant to the requirements of Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, the Company has filed the Annual CEO Certification with the New York Stock Exchange on June 11, 2012.

PART III

Item 10 - Directors, Executive Officers, and Corporate Governance Executive Officers of the Registrant

The following table sets forth certain information as of December 31, 2012, regarding the senior officers of the Company:

Name	Age	Position
Charles S. Boone	59	Senior Vice President - Investments and Treasurer since August, 2001.
James A. Kellogg	61	Executive Vice Chairman since July, 2010 and President of Old Republic Insurance Company since October, 2002.
Spencer LeRoy, III	66	Senior Vice President, Secretary and General Counsel since 1992.
Karl W. Mueller	53	Senior Vice President and Chief Financial Officer since October, 2004.
Christopher S. Nard	49	President and Chief Executive Officer of Republic Financial Indemnity Group, Inc. since June, 2012.
R. Scott Rager	64	President and Chief Operating Officer since June 2012; Senior Vice President - General Insurance and President and Chief Operating Officer of Old Republic General Insurance Companies since July, 2006.
Rande K. Yeager	64	Senior Vice President - Title Insurance since March, 2003; Chairman and Chief Executive Officer of Old Republic Title Insurance Companies since July, 2010 and March, 2002, respectively.
Aldo C. Zucaro	73	Chairman of the Board, Chief Executive Officer, and Director since 1993, 1990 and 1976, respectively.

The term of office of each officer of the Company expires on the date of the annual meeting of the board of directors, which is generally held in May of each year. There is no family relationship between any of the executive officers named above. Each of these named officers has been employed in senior capacities with the Company and/or its subsidiaries for the past five years. Mr. LeRoy has been determined by the Company to not be an executive officer under Rule 3-b7 of the Exchange Act.

The Company will file with the Commission a definitive proxy statement pursuant to Regulation 14a in connection with its Annual Meeting of Shareholders to be held on May 24, 2013. A list of Directors appears on the "Signature" page of this report. Information about the Company's directors is contained in the Company's definitive proxy statement for the 2012 Annual Meeting of shareholders, which is incorporated herein by reference.

The Company has adopted a code of ethics that applies to its principal executive officer and principal financial officer. A copy has been filed with the Commission and appears as Exhibit (14) in the exhibit index under item 15. The Company has also posted the text of its code of ethics on its internet website at www.oldrepublic.com.

Item 11 - Executive Compensation

Information with respect to this Item is incorporated herein by reference to the section entitled "Executive Compensation" in the Company's proxy statement in connection with the Annual Meeting of Shareholders to be held on May 24, 2013, which will be on file with the Commission.

Item 12 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information with respect to this Item is incorporated herein by reference to the sections entitled "General Information" and "Principal Holders of Securities" in the Company's proxy statement to be filed with the Commission in connection with the Annual Meeting of Shareholders to be held on May 24, 2013.

Item 13 - Certain Relationships and Related Transactions

Information with respect to this Item is incorporated herein by reference to the sections entitled "Procedures for the Approval of Related Person Transactions" and "The Board of Directors Responsibilities and Independence" contained in the Company's Proxy Statement in connection with the Annual Meeting of Shareholders to be held on May 24, 2013, which will be on file with the Commission.

Item 14 - Principal Accountant Fees and Services

Information with respect to this Item is incorporated herein by reference to the paragraphs following Item 2 concerning the "Ratification of the Selection of an Independent Registered Public Accounting Firm" contained in the Company's Proxy Statement in connection with the Annual Meeting of Shareholders to be held on May 24, 2013, which will be on file with the Commission.

PART IV

Item 15 - Exhibits

Documents filed as a part of this report:

1. Financial statements: See Item 8, Index to Financial Statements.
2. See exhibit index on page 116 of this report.
3. Financial Statement Schedules.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 (Name, Title or Principal Capacity, and Date).

(Registrant): **Old Republic International Corporation**

By: _____ Date _____
Aldo C. Zucaro, Chairman of the Board,
Chief Executive Officer and Director

By: _____ Date _____
Karl W. Mueller, Senior Vice President,
Chief Financial Officer, and
Principal Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated (Name, Title or Principal Capacity, and Date).

Harrington Bischof, Director*

Arnold L. Steiner, Director*

Jimmy A. Dew, Director*

Fredricka Taubitz, Director*

John M. Dixon, Director*

Charles F. Titterton, Director*

James C. Hellauer, Director*

Dennis P. Van Mieghem, Director*

Leo E. Knight, Jr., Director*

Steven Walker, Director*

* By /s/ Aldo C. Zucaro
Attorney-in-fact
Date: March 1, 2013

INDEX TO FINANCIAL STATEMENT SCHEDULES

Reports of Independent Registered Public Accounting Firms

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES

Schedule I - Summary of Investments - Other than Investments in Related Parties as of December 31, 2012

Schedule II - Condensed Financial Information of Registrant as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010

Schedule III - Supplementary Insurance Information for the years ended December 31, 2012, 2011 and 2010

Schedule IV - Reinsurance for the years ended December 31, 2012, 2011 and 2010

Schedule V - Valuation and Qualifying Accounts for the years ended December 31, 2012, 2011 and 2010

Schedule VI - Supplemental Information Concerning Property - Casualty Insurance Operations for the years ended December 31, 2012, 2011 and 2010

Schedules other than those listed are omitted for the reason that they are not required, are not applicable or that equivalent information has been included in the financial statements, notes thereto, or elsewhere herein.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON
FINANCIAL STATEMENT SCHEDULES**

To the Board of Directors and Shareholders of
Old Republic International Corporation:

Under date of March 1, 2013, we reported on the consolidated balance sheets of Old Republic International Corporation and subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, preferred stock and common shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2012, as contained in the annual report on Form 10-K for the year 2012. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedules as listed in the accompanying index. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Chicago, Illinois
March 1, 2013

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE I - SUMMARY OF INVESTMENTS - OTHER THAN INVESTMENTS IN RELATED PARTIES
As of December 31, 2012
(\$ in Millions)

Column A	Column B	Column C	Column D
Type of investment	Cost (1)	Fair Value	Amount at which shown in balance sheet
Available for sale:			
Fixed maturity securities:			
United States Government and government agencies and authorities	\$ 1,010.9	\$ 1,069.4	\$ 1,069.4
States, municipalities and political subdivisions	380.8	392.2	392.2
Foreign government	140.3	147.4	147.4
Corporate, industrial and all other	6,461.0	6,957.1	6,957.1
	<u>7,993.1</u>	<u>\$ 8,566.2</u>	<u>8,566.2</u>
Equity securities:			
Non-redeemable preferred stocks	.6	\$.8	.8
Common stocks:			
Banks, trusts and insurance companies	44.4	272.2	272.2
Industrial, miscellaneous and all other	253.4	281.9	281.9
Indexed mutual funds	153.6	184.6	184.6
	<u>452.1</u>	<u>\$ 739.7</u>	<u>739.7</u>
Short-term investments	1,264.9		1,264.9
Miscellaneous investments	29.6		29.6
Total	9,739.9		10,600.5
Other investments	8.2		8.2
Total Investments	<u>\$ 9,748.2</u>		<u>\$ 10,608.8</u>

(1) Represents original cost of equity securities, net of other-than-temporary impairment adjustments of \$131.3, and as to fixed maturities, original cost reduced by repayments and adjusted for amortization of premium or accrual of discount.

See accompanying Report of Independent Registered Public Accounting Firm on Financial Statement Schedules.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEETS
OLD REPUBLIC INTERNATIONAL CORPORATION (PARENT COMPANY)
(\$ in Millions)

	December 31,	
	2012	2011
Assets:		
Bonds and notes	\$ 55.8	\$ 20.5
Short-term investments	159.4	114.9
Investments in, and indebtedness of related parties	4,121.5	4,645.0
Other assets	114.2	84.6
Total Assets	<u>\$ 4,451.1</u>	<u>\$ 4,865.1</u>
Liabilities and Common Shareholders' Equity:		
Liabilities:		
Accounts payable and accrued expenses	\$ 187.2	\$ 187.1
Debt and debt equivalents	570.8	889.6
Indebtedness to affiliates and subsidiaries	96.8	15.7
Commitments and contingent liabilities		
Total Liabilities	<u>854.9</u>	<u>1,092.5</u>
Common Shareholders' Equity:		
Common stock	259.4	259.3
Additional paid-in capital	660.9	657.9
Retained earnings	2,222.3	2,472.4
Accumulated other comprehensive income (loss)	481.7	416.0
Unallocated ESSOP shares (at cost)	(28.2)	(33.2)
Total Common Shareholders' Equity	<u>3,596.2</u>	<u>3,772.5</u>
Total Liabilities and Common Shareholders' Equity	<u>\$ 4,451.1</u>	<u>\$ 4,865.1</u>

See accompanying Notes to Condensed Financial Statements.

See accompanying Report of Independent Registered Public Accounting Firm on Financial Statement Schedules.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF INCOME
OLD REPUBLIC INTERNATIONAL CORPORATION (PARENT COMPANY)
(\$ in Millions)

	Years Ended December 31,		
	2012	2011	2010
Revenues:			
Investment income from subsidiaries	\$ 39.9	\$ 40.1	\$ 35.7
Real estate and other income	4.4	4.1	4.0
Other investment income	.5	.6	.6
Total revenues	<u>44.9</u>	<u>44.9</u>	<u>40.4</u>
Expenses:			
Interest - subsidiaries	.5	.6	.6
Interest - other	33.8	47.6	29.4
Real estate and other expenses	3.8	3.8	3.7
General expenses, taxes and fees	11.2	12.3	13.9
Total expenses	<u>49.4</u>	<u>64.5</u>	<u>47.7</u>
Revenues, net of expenses	(4.4)	(19.5)	(7.2)
Federal income taxes (credits)	(3.3)	(7.2)	(2.6)
Income (loss) before equity in earnings (losses) of subsidiaries	(1.0)	(12.2)	(4.5)
Equity in Earnings (Losses) of Subsidiaries:			
Dividends received	211.5	177.1	181.1
Earnings (losses) in excess of dividends	(279.1)	(305.3)	(146.3)
Net Income (Loss)	<u>\$ (68.6)</u>	<u>\$ (140.5)</u>	<u>\$ 30.1</u>

See accompanying Notes to Condensed Financial Statements.

See accompanying Report of Independent Registered Public Accounting Firm on Financial Statement Schedules.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF CASH FLOWS
OLD REPUBLIC INTERNATIONAL CORPORATION (PARENT COMPANY)
(\$ in Millions)

	Years Ended December 31,		
	2012	2011	2010
Cash flows from operating activities:			
Net income (loss)	\$ (68.6)	\$ (140.5)	\$ 30.1
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Accounts receivable	.2	(.1)	—
Income taxes - net	(83.8)	55.9	13.2
Excess of equity in net (income) loss of subsidiaries over cash dividends received	262.6	305.3	146.3
Accounts payable, accrued expenses and other	6.4	10.9	11.9
Total	116.7	231.5	201.6
Cash flows from investing activities:			
Purchases of:			
Fixed assets for company use	(1.4)	(4.3)	(5.3)
Net repayment (issuance) of notes receivable with related parties	380.0	(564.4)	7.7
Net decrease (increase) in short-term investments	(44.4)	(18.6)	(37.9)
Total	334.0	(587.4)	(35.5)
Cash flows from financing activities:			
Issuance of debentures and notes	—	537.0	—
Net issuance (repayment) of notes and loans to related parties	49.0	(1.5)	(1.4)
Issuance of common shares	1.0	1.2	3.2
Redemption of debentures and notes	(318.7)	(2.3)	(2.1)
Dividends on common shares	(181.5)	(178.4)	(166.1)
Other - net	(.6)	(.1)	.2
Total	(450.8)	355.8	(166.1)
Increase (decrease) in cash	—	—	—
Cash, beginning of year	—	—	—
Cash, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying Notes to Condensed Financial Statements.

See accompanying Report of Independent Registered Public Accounting Firm on Financial Statement Schedules.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE II - CONDENSED FINANCIAL INFORMATION OF REGISTRANT
NOTES TO CONDENSED FINANCIAL STATEMENTS
(\$ in Millions)

Note 1 - Summary of Significant Accounting Policies

Old Republic International Corporation's ("the Company" or "Old Republic") condensed financial statements are presented in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") of accounting principles generally accepted in the United States of America ("GAAP") and should be read in conjunction with the consolidated financial statements and notes thereto of Old Republic International Corporation and Subsidiaries included in its Annual Report on Form 10-K.

Note 2 - Investments in Consolidated Subsidiaries

Old Republic International Corporation's investments in consolidated subsidiaries are reflected in the condensed financial statements in accordance with the equity method of accounting. Undistributed earnings in excess of dividends received are recorded as separate line items in the condensed statements of income.

Note 3 - Debt

On May 15, 2012, the 8.0% Convertible Senior Notes were redeemed at their par value of \$316.2.

The Company completed a public offering of \$550.0 aggregate principal amount of Convertible Senior Notes in early March, 2011. The notes bear interest at a rate of 3.75% per year, mature on March 15, 2018, and are convertible at any time prior to maturity by the holder into 64.3407 shares (subject to periodic adjustment under certain circumstances) of common stock per one thousand dollar note.

In 2008, the Company secured a ten year \$30.0 bank loan to enable its Employees Savings and Stock Ownership Plan ("ESSOP") to purchase Old Republic common stock. Principal amounts of \$20.8 and \$23.4 were outstanding as of December 31, 2012 and 2011, respectively. The average yield of the ESSOP bank loan was 3.74% and 3.73% at December 31, 2012 and 2011, respectively.

The Company's 3.75% Convertible Senior Notes ("the Notes") contain provisions defining certain events of default, among them a court ordered proceeding due to the insolvency of a Significant Subsidiary. The Notes define Significant Subsidiary in accordance with paragraph (w) of Rule 1-02 of the SEC's Regulation S-X. The Company's flagship mortgage guaranty insurance carrier, Republic Mortgage Insurance Company, ("RMIC") qualifies as a Significant Subsidiary for purposes of the Notes. If RMIC were to become statutorily impaired, its insolvency could trigger a receivership proceeding which, in turn could ultimately result in an event of default. If this were to occur, the outstanding principal of the Notes could become immediately due and payable. As previously noted, however, management believes the Orders issued by the North Carolina Department of Insurance to RMIC has precluded such an event from occurring for the foreseeable future. Moreover, RMIC is expected to be increasingly less significant when its run-off book of business extinguishes itself. While Old Republic believes that it would have access to the capital markets or otherwise mitigate an event of default under the Notes, there is no assurance that it would be able to do so under future stressful capital market conditions.

At December 31, 2012, the Company had sufficient liquid resources available to redeem a substantial portion of the 3.75% Notes. Management is exploring a number of options to address its liquidity needs in the circumstance that an event of default was to occur at a future date. These potential plans include an amendment to the 3.75% Notes removing RMIC from the definition of a Significant Subsidiary, an additional capital raise through issuance of new straight or convertible debt, or the utilization of intra system dividend capacity. While Management is confident that an event of default can be stemmed, there is no assurance that its impact could be addressed through execution of these plans.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE III - SUPPLEMENTARY INSURANCE INFORMATION
For the Years Ended December 31, 2012, 2011 and 2010
(\$ in Millions)

Column A	Column B	Column C	Column D	Column E	Column F
Segment	Deferred Policy Acquisition Costs	Losses, Claims and Settlement Expenses	Unearned Premiums	Other Policyholders' Benefits and Funds	Premium Revenue
Year Ended December 31, 2012:					
Insurance Underwriting:					
General Insurance Group	\$ 139.4	\$ 4,048.9	\$ 1,068.8	\$ 107.7	\$ 2,324.4
Title Insurance Group	—	396.4	—	7.0	1,250.2
RFIG Run-off Business	—	1,994.8	40.5	—	410.5
Corporate & Other (1)	26.0	15.9	—	55.7	58.6
Reinsurance Recoverable (2)	—	2,847.0	255.1	31.2	—
Consolidated	<u>\$ 165.5</u>	<u>\$ 9,303.3</u>	<u>\$ 1,364.4</u>	<u>\$ 201.8</u>	<u>\$ 4,043.8</u>
Year Ended December 31, 2011: (3)					
Insurance Underwriting:					
General Insurance Group	\$ 168.6	\$ 3,874.9	\$ 1,009.2	\$ 96.9	\$ 2,109.4
Title Insurance Group	—	332.0	—	6.1	1,007.9
RFIG Run-off Business	—	1,654.0	57.6	—	503.2
Corporate & Other (1)	29.0	17.4	—	56.9	74.9
Reinsurance Recoverable (2)	—	2,908.1	201.9	33.0	—
Consolidated	<u>\$ 197.6</u>	<u>\$ 8,786.6</u>	<u>\$ 1,268.8</u>	<u>\$ 193.1</u>	<u>\$ 3,695.5</u>
Year Ended December 31, 2010: (3)					
Insurance Underwriting:					
General Insurance Group	\$ 164.4	\$ 3,888.0	\$ 981.7	\$ 93.4	\$ 1,694.2
Title Insurance Group	—	298.0	—	6.4	863.0
RFIG Run-off Business	31.9	1,663.1	64.4	—	586.8
Corporate & Other (1)	34.3	20.0	—	57.6	81.4
Reinsurance Recoverable (2)	—	2,945.3	186.2	34.8	—
Consolidated	<u>\$ 230.6</u>	<u>\$ 8,814.6</u>	<u>\$ 1,232.4</u>	<u>\$ 192.4</u>	<u>\$ 3,225.5</u>

- (1) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, a small life & accident insurance operation and consolidation elimination adjustments.
- (2) In accordance with GAAP, reinsured losses and unearned premiums are to be reported as assets. Assets and liabilities were, as a result, increased by corresponding amounts of approximately \$3.1 billion at December 31, 2012, 2011 and 2010. This accounting treatment does not have any effect on the Company's results of operations.
- (3) Certain 2011 and 2010 segment information for General Insurance and RFIG Run-off Business has been reclassified to conform to the 2012 presentation. Such reclassifications of segmented results have no effect on the basic consolidated financial statements of the Company.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE III - SUPPLEMENTARY INSURANCE INFORMATION
For the Years Ended December 31, 2012, 2011 and 2010

(\$ in Millions)

Column A	Column G	Column H	Column I	Column J	Column K
Segment	Net Investment Income	Benefits, Claims, Losses and Settlement Expenses	Amortization of Deferred Policy Acquisition Costs	Other Operating Expenses	Premiums Written
Year Ended December 31, 2012:					
Insurance Underwriting:					
General Insurance Group	\$ 264.9	\$ 1,696.0	\$ 327.9	\$ 414.4	\$ 2,366.9
Title Insurance Group	27.3	120.8	—	1,512.3	1,250.2
RFIG Run-off Business	36.3	910.4	—	45.4	389.8
Corporate & Other (1)	7.9	38.0	15.3	17.8	58.5
Reinsurance Recoverable (2)	—	—	—	—	—
Consolidated	<u>\$ 336.5</u>	<u>\$ 2,765.3</u>	<u>\$ 343.2</u>	<u>\$ 1,990.1</u>	<u>\$ 4,065.5</u>
Year Ended December 31, 2011: (3)					
Insurance Underwriting:					
General Insurance Group	\$ 270.5	\$ 1,460.0	\$ 296.7	\$ 374.6	\$ 2,137.6
Title Insurance Group	27.3	105.7	—	1,249.8	1,007.9
RFIG Run-off Business	59.3	1,160.1	52.3	83.2	521.2
Corporate & Other (1)	7.4	38.5	22.7	38.2	75.1
Reinsurance Recoverable (2)	—	—	—	—	—
Consolidated	<u>\$ 364.6</u>	<u>\$ 2,764.3</u>	<u>\$ 371.8</u>	<u>\$ 1,745.9</u>	<u>\$ 3,742.0</u>
Year Ended December 31, 2010: (3)					
Insurance Underwriting:					
General Insurance Group	\$ 260.1	\$ 1,149.3	\$ 262.4	\$ 257.2	\$ 1,624.6
Title Insurance Group	26.5	96.8	—	1,132.5	863.0
RFIG Run-off Business	85.0	991.7	33.5	57.2	560.8
Corporate & Other (1)	7.3	40.3	22.2	31.5	81.3
Reinsurance Recoverable (2)	—	—	—	—	—
Consolidated	<u>\$ 379.0</u>	<u>\$ 2,278.2</u>	<u>\$ 318.1</u>	<u>\$ 1,478.6</u>	<u>\$ 3,129.9</u>

- (1) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, a small life & accident insurance operation and consolidation elimination adjustments.
- (2) In accordance with GAAP, reinsured losses and unearned premiums are to be reported as assets. Assets and liabilities were, as a result, increased by corresponding amounts of approximately \$3.1 billion at December 31, 2012, 2011 and 2010. This accounting treatment does not have any effect on the Company's results of operations.
- (3) Certain 2011 and 2010 segment information for General Insurance and RFIG Run-off Business has been reclassified to conform to the 2012 presentation. Such reclassifications of segmented results have no effect on the basic consolidated financial statements of the Company.

See accompanying Report of Independent Registered Public Accounting Firm on Financial Statement Schedules.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE IV - REINSURANCE
For the years ended December 31, 2012, 2011 and 2010
(\$ in Millions)

Column A	Column B	Column C	Column D	Column E	Column F
	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
Year Ended December 31, 2012:					
Life insurance in force	\$ 9,375.2	\$ 4,853.0	\$ —	\$ 4,522.1	—%
Premium Revenues:					
General Insurance	\$ 2,949.9	\$ 643.4	\$ 17.9	\$ 2,324.4	.8%
Title Insurance	1,248.6	—	1.6	1,250.2	.1
RFIG Run-off	429.8	19.3	—	410.5	—
Life and Health Insurance:					
Life insurance	23.5	10.2	—	13.3	—
Accident and health insurance	56.4	11.1	—	45.2	—
Total Life & Health Insurance	80.2	21.3	—	58.9	—
Consolidating adjustments	—	—	—	—	—
Consolidated	\$ 4,708.4	\$ 684.2	\$ 19.6	\$ 4,043.8	.5%
Year Ended December 31, 2011: (1)					
Life insurance in force	\$ 10,201.4	\$ 5,312.1	\$ —	\$ 4,889.2	—%
Premium Revenues:					
General Insurance	\$ 2,716.2	\$ 615.8	\$ 8.9	\$ 2,109.4	.4%
Title Insurance	1,005.5	.1	2.5	1,007.9	.3
RFIG Run-off	526.4	23.2	.1	503.2	—
Life and Health Insurance:					
Life insurance	25.7	10.4	—	15.2	—
Accident and health insurance	71.7	12.1	—	59.6	—
Total Life & Health Insurance	97.4	22.5	—	74.9	—
Consolidating adjustments	—	—	—	—	—
Consolidated	\$ 4,345.7	\$ 661.7	\$ 11.6	\$ 3,695.5	.3%
Year Ended December 31, 2010: (1)					
Life insurance in force	\$ 10,795.6	\$ 5,594.4	\$ —	\$ 5,201.1	—%
Premium Revenues:					
General Insurance	\$ 2,278.7	\$ 595.3	\$ 10.7	\$ 1,694.2	.6%
Title Insurance	861.4	.1	1.7	863.0	.2
RFIG Run-off	617.5	30.6	(.1)	586.8	—
Life and Health Insurance:					
Life insurance	27.3	10.0	—	17.2	—
Accident and health insurance	79.5	15.4	—	64.1	—
Total Life & Health Insurance	106.9	25.4	—	81.4	—
Consolidating adjustments	—	—	—	—	—
Consolidated	\$ 3,864.6	\$ 651.5	\$ 12.4	\$ 3,225.5	.4%

(1) Certain 2011 and 2010 segment information for General Insurance and RFIG Run-off Business has been reclassified to conform to the 2012 presentation. Such reclassifications of segmented results have no effect on the basic consolidated financial statements of the Company.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE V - VALUATION AND QUALIFYING ACCOUNTS
For the years ended December 31, 2012, 2011 and 2010
(\$ in Millions)

(\$ in millions)

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Deductions - Describe	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts - Describe		
<u>Year Ended December 31, 2012:</u>					
Deducted from Asset Accounts:					
Reserve for unrecoverable reinsurance	\$ 28.2	\$ —	\$ —	\$ (7.0)	\$ 21.2
Deferred tax asset valuation Allowance (1)	\$ 12.2	\$ —	\$ —	\$ (2.5)	\$ 9.6
<u>Year Ended December 31, 2011:</u>					
Deducted from Asset Accounts:					
Reserve for unrecoverable reinsurance	\$ 28.2	\$ —	\$ —	\$ —	\$ 28.2
Deferred tax asset valuation Allowance (1)	\$ 13.5	\$ —	\$ —	\$ (1.3)	\$ 12.2
<u>Year Ended December 31, 2010:</u>					
Deducted from Asset Accounts:					
Reserve for unrecoverable reinsurance	\$ 28.2	\$ —	\$ —	\$ —	\$ 28.2
Deferred tax asset valuation Allowance (1)	\$ —	\$ 3.8	\$ 9.6	\$ —	\$ 13.5

- (1) A valuation allowance was established against deferred tax assets as of December 31, 2012, 2011 and 2010 related to certain NOL and tax credit carryforwards which the Company did not expect to realize. In valuing the deferred tax assets, the Company considered certain factors including primarily the scheduled reversals of certain deferred tax liabilities, the impact of available carryback and carryforward periods, as well as the availability of certain tax planning strategies. The Company estimates that all remaining deferred tax assets at year end 2012 will more likely than not be fully realized.

See accompanying Report of Independent Registered Public Accounting Firm on Financial Statement Schedules.

OLD REPUBLIC INTERNATIONAL CORPORATION AND SUBSIDIARIES
SCHEDULE VI - SUPPLEMENTAL INFORMATION CONCERNING
PROPERTY-CASUALTY INSURANCE OPERATIONS
For the years ended December 31, 2012, 2011 and 2010
(\$ in Millions)

Column A	Column B	Column C	Column D	Column E
Affiliation With Registrant (1)	Deferred Policy Acquisition Costs	Reserves for Unpaid Claims and Claim Adjustment Expenses (2)	Discount, If Any, Deducted in Column C	Unearned Premiums (2)
<u>Year Ended December 31:</u>				
2012	\$ 139.4	\$ 4,119.2	\$ 230.8	\$ 1,068.8
2011	168.6	3,928.1	235.1	1,009.2
2010	164.4	3,334.3	231.0	981.7
Column A	Column F	Column G	Column H	
Affiliation With Registrant (1)	Earned Premiums	Net Investment Income	Claims and Claim Adjustment Expenses Incurred Related to	
			Current Year	Prior Years
<u>Year Ended December 31:</u>				
2012	\$ 2,366.9	\$ 265.0	\$ 1,810.8	\$ (19.8)
2011	2,167.7	270.5	1,678.5	(149.2)
2010	1,782.1	260.1	1,426.3	(76.6)
Column A	Column I	Column J	Column K	
Affiliation With Registrant (1)	Amortization of Deferred Policy Acquisition Costs	Paid Claims and Claim Adjustment Expenses	Premiums Written	
<u>Year Ended December 31:</u>				
2012	\$ 327.9	\$ 1,577.9	\$ 2,405.8	
2011	298.9	1,551.1	2,220.7	
2010	264.8	1,399.0	1,697.1	

- (1) Includes consolidated property-casualty entities. The amounts relating to the Company's unconsolidated property-casualty subsidiaries and the proportionate share of the registrant's and its subsidiaries' 50%-or-less owned property-casualty equity investees are immaterial and have, therefore, been omitted from this schedule. Certain 2011 and 2010 information has been reclassified to conform to the 2012 presentation.
- (2) See note (2) to Schedule III.

EXHIBIT INDEX

An index of exhibits required by Item 601 of Regulation S-K follows:

- (3) Articles of incorporation and by-laws.
 - (A) * Restated Certificate of Incorporation. (Exhibit 3(A) to Registrant's Annual Report on Form 10-K for 2004).
 - (B) * By-laws, as amended. (Exhibit 99.1 to Form 8-K filed March 1, 2010).
- (4) Instruments defining the rights of security holders, including indentures.
 - (A) * Amended and Restated Rights Agreement dated as of November 19, 2007 between Old Republic International Corporation and Wells Fargo Bank, NA. (Exhibit 4.1 to Registrant's Form 8-A/A filed November 19, 2007).
 - (B) * Agreement to furnish certain long-term debt instruments to the Securities & Exchange Commission upon request. (Exhibit 4(D) to Registrant's Form 8 dated August 28, 1987).
 - (C) * Form of Indenture dated as of August 15, 1992 between Old Republic International Corporation and the Wilmington Trust Company, as Trustee (refiled as Exhibit 4.1 to Registrant's Form 8-K filed April 22, 2009)
 - (D) * Fourth Supplemental Indenture dated as of March 8, 2011 between Old Republic International Corporation and the Wilmington Trust Company, as Trustee. (Exhibit 4.1 to Registrants Form 8-K filed March 8, 2011.)
- (10) Material contracts.
 - ** (A) * Amended and Restated Old Republic International Corporation Key Employees Performance Recognition Plan. (Exhibit 10(A) to Registrant's Annual Report on Form 10-K for 2002).
 - ** (B) * Old Republic International Corporation 2005 Key Employees Performance Recognition Plan. (Exhibit 10(B) to Registrant's Annual Report on Form 10-K for 2006).
 - ** (C) * Amended and Restated 1992 Old Republic International Corporation Non-qualified Stock Option Plan. (Exhibit 10(B) to Registrant's Annual Report on Form 10-K for 2002).
 - ** (D) * Amended and Restated 2002 Old Republic International Corporation Non-qualified Stock Option Plan. (Exhibit 10(C) to Registrant's Annual Report on Form 10-K for 2005).
 - ** (E) Restated Old Republic International Corporation 2006 Incentive Compensation Plan.
 - ** (F) * Amended and Restated Old Republic International Corporation Executives Excess Benefits Pension Plan. (Exhibit 10(F) to Registrant's Annual Report on Form 10-K for 2008).
 - ** (G) * Form of Indemnity Agreement between Old Republic International Corporation and each of its directors and certain officers. (Exhibit 10 to Form S-3 Registration Statement No. 33-16836).
 - ** (H) * RMIC Corporation/Republic Mortgage Insurance Company Amended and Restated Key Employees Performance Recognition Plan. (Exhibit 10(I) to Registrant's Annual Report on Form 10-K for 2000).
 - ** (I) * RMIC/Republic Mortgage Insurance Company 2005 Key Employees Performance Recognition Plan. (Exhibit 10(J) to Registrant's Annual Report on Form 10-K for 2006).
 - ** (J) * Amended and Restated RMIC Corporation/Republic Mortgage Insurance Company Executives Excess Benefits Pension Plan. (Exhibit 10(J) to Registrant's Annual Report on Form 10-K for 2008).
 - ** (K) * Amended and Restated Old Republic Risk Management Key Employees Recognition Plan. (Exhibit 10(J) to Registrant's Annual Report on Form 10-K for 2002).
 - ** (L) * Old Republic Risk Management, Inc. 2005 Key Employees Performance Recognition Plan. (Exhibit 10(M) to Registrant's Annual Report on Form 10-K for 2006).
 - ** (M) * Old Republic National Title Group Incentive Compensation Plan. (Exhibit 10(K) to Registrant's Annual Report on Form 10-K for 2003).

(Exhibit Index, Continued)

- ** (N) * ORI Great West Holdings, Inc. Key Employees Performance Recognition Plan. (Exhibit 10(O) to Registrant's Annual Report on Form 10-K for 2006).
- ** (O) * ORI Great West Holdings, Inc. 2005 Key Employees Performance Recognition Plan. (Exhibit 10(P) to Registrant's Annual Report on Form 10-K for 2006).
- (12) Not applicable
- (13) Not applicable
- (14) * Code of Ethics for the Principal Executive Officer and Senior Financial Officer. (Exhibit 99.1 to Registrant's Form 8-K filed May 19, 2009).
- (21) Subsidiaries of the registrant.
- (23.1) Consent of KPMG LLP.
- (24) Powers of attorney.
- (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 Sarbannes-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 Sarbannes-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 Sarbannes-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 Sarbannes-Oxley Act of 2002.
- (99.1) * Old Republic International Corporation Audit Committee Charter. (Exhibit 99.1 to Registrant's Form 8-K filed June 3, 2010).
- (99.2) * Old Republic International Corporation Governance and Nominating Committee Charter. (Exhibit 99.3 to Registrant's Form 8-K filed June 3, 2010).
- (99.3) Old Republic International Corporation Compensation Committee Charter.
- (99.4) * Code of Business Conduct and Ethics. (Exhibit 99.2 to Registrant's Form 8-K filed May 19, 2009).
- (99.5) Corporate Governance Guidelines.

* Exhibit incorporated herein by reference.

** Denotes a management or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 601 of Regulation S-K.

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TIME AND DATE.....	3:00 P.M., Central Daylight Time, Friday, May 24, 2013
PLACE.....	Old Republic Building 22nd Floor Conference Center 307 N. Michigan Avenue Chicago, Illinois 60601
ITEMS OF BUSINESS	<ul style="list-style-type: none">• To elect three members of the Class 2 Board of Directors, each for a term of three years.• To ratify the selection of KPMG LLP as the Company's independent registered public accounting firm for 2013.• To have an advisory vote concerning the Company's executive compensation.• To transact such other business as may properly come before the meeting and any adjournment or postponement thereof.
RECORD DATE	You can vote if you are a shareholder of record on March 28, 2013.
ANNUAL REPORT TO SHAREHOLDERS.....	Our annual report to shareholders for the year 2012 is printed together with this proxy statement. The Company's Forms 10-K, 10-Q and other reports to shareholders may be accessed through our website at www.oldrepublic.com or by writing to Investor Relations at the Company address.
PROXY VOTING	It is important that your shares be represented and voted at the Meeting. You can vote your shares by completing and returning your proxy card or by voting on the Internet or by telephone.

April 15, 2013

By order of the Board of Directors

Spencer LeRoy III
Senior Vice President, General Counsel
and Secretary

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Proxy Statement

OLD REPUBLIC INTERNATIONAL CORPORATION

ANNUAL MEETING OF SHAREHOLDERS

May 24, 2013

GENERAL INFORMATION

This proxy statement is being furnished to the shareholders of Old Republic International Corporation, a Delaware insurance holding corporation (together with its subsidiaries, the "Company", "Old Republic" or "ORI"), 307 North Michigan Avenue, Chicago, Illinois 60601, in connection with the solicitation of proxies by its Board of Directors for use at the annual meeting of shareholders to be held on May 24, 2013 and any adjournments thereof. The approximate date on which this proxy statement and the accompanying proxy are first being sent to the shareholders is April 15, 2013.

The proxy may be revoked at any time before it is voted by written notification addressed to the persons named therein as proxies, and mailed or delivered to the Company at the above address. All shares represented by effective proxies will be voted at the meeting and at any adjournments thereof.

If the enclosed proxy is properly executed and returned in time for voting, the shares represented thereby will be voted as indicated thereon. If no specification is made, the proxy will be voted by the proxy committee for the election of the director nominees named below (or substitutes thereof if any nominees are unable or refuse to serve); for the selection of the Company's independent registered public accounting firm; for the advisory vote concerning the Company's executive compensation as recommended by the Board of Directors; and in its discretion upon any other matters which may properly come before the meeting.

The Company has one class of voting stock outstanding, Common Stock, \$1.00 par value per share ("Common Stock"). On January 31, 2013 there were 259,490,089 shares of Common Stock outstanding and entitled to one vote each on all matters considered at the meeting. Shareholders of record as of the close of business on March 28, 2013 are entitled to notice of and to vote at the meeting. There are no cumulative voting rights with respect to the election of directors.

VOTING PROCEDURES

The Company's Certificate of Incorporation and By-laws do not proscribe any voting procedures. Therefore, the General Corporation Law of the State of Delaware applies and specifies that unless the corporation's Certificate of Incorporation or By-laws provide otherwise, votes on matters presented at Shareholders' Meetings are decided as follows: (1) directors are elected by a plurality of the shares present in person or by proxy at the meeting and entitled to vote, (2) amendments to the Company's Certificate of Incorporation are determined by the affirmative vote of the majority of shares outstanding and entitled to vote, and (3) all other matters are determined by the affirmative vote of the majority of shares present in person or by proxy at the meeting and entitled to vote. The regulation concerning the frequency of voting on executive compensation matters requires that the shareholders have the ability to select the interval for advisory votes on executive compensation. The shareholders of the Company recommended at its 2012 meeting and the Board of Directors concurred in having annual votes on executive compensation.

Under Delaware law, the votes at the Company's Annual Shareholders' Meeting will be counted by the inspectors of election appointed by the Chairman at the meeting. The inspectors are charged with ascertaining the number of shares outstanding, the number of shares present, whether in person or by proxy, and the validity of all proxies. The inspectors are entitled to rule on any voting challenges and are responsible for the tabulation of the voting results.

A quorum for the Company's Annual Shareholders' Meeting is one third of the shares outstanding and entitled to vote appearing in person or by proxy at the meeting. Under Delaware law, abstentions are counted in determining the quorum of the meeting and as having voted on any proposal on which an abstention is voted. Therefore, on those proposals which require a plurality vote of the shares entitled to vote in person or by proxy at the meeting the vote of an abstention has no effect. However, on those proposals which require an affirmative vote of the majority of shares present in person or by proxy at the meeting the vote of an abstention has the effect of a vote against the proposal.

Shares beneficially owned but registered in the name of a broker or bank will be counted for the determination of a quorum for the meeting if there is a discretionary voting item on the meeting agenda within the meaning of section 402.08 of the New York Stock Exchange ("NYSE") listed company manual. If the broker or bank does not vote these shares (a "non-vote"), they will not be counted as having voted on the proposal. Therefore, on those proposals which require a plurality or a majority vote of the shares at the meeting that are entitled to vote, a non-vote will have no effect. However, on those proposals which require an affirmative vote of the majority of the shares outstanding who

are entitled to vote, a non-vote has the effect of a vote against the proposal. If there are no discretionary voting items on the meeting agenda, shares beneficially held in the name of a broker or bank shall not be counted in determining a quorum. This year Item 2 is a discretionary voting item.

Shareholders can simplify their voting and save Old Republic expense by voting by telephone or by Internet. If you vote by telephone or Internet, you need not mail back your proxy card. Telephone and Internet voting information is provided on your proxy card. A Control Number, located on the proxy card, is designed to verify your identity and allow you to vote your shares and confirm that your voting instructions have been properly recorded. If your shares are held in the name of a bank or broker, follow the voting instructions on the form you receive from that firm. To revoke a proxy given, or change your vote cast, by telephone or Internet, you must do so by following the directions on your proxy card, provided such changes are made by 12:01 AM, Eastern Daylight Time on May 23, 2013.

HOUSEHOLDING OF PROXIES

The Securities and Exchange Commission ("SEC") has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for annual reports and proxy statements with respect to two or more shareholders sharing the same address by delivering a single annual report and/or proxy statement addressed to those shareholders. This process, which is commonly referred to as "householding", potentially provides extra convenience for shareholders and cost savings for companies. The Company and some brokers who distribute annual reports and proxy materials may deliver a single annual report and/or proxy statement to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders.

Once you have received notice from your broker or the Company that your broker or the Company will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. You may request to receive promptly at any time a separate copy of our annual report or proxy statement by sending a written request to the Company at the above address, attention Investor Relations, or by visiting our website, www.oldrepublic.com and downloading this material.

If, at any time, you no longer wish to participate in householding and would prefer to receive a separate annual report and proxy statement in the future, please notify your broker if your shares are held in a brokerage account, or if you hold registered shares, the Company's transfer agent, Wells Fargo Shareholder Services, P.O. Box 64874, St. Paul, MN 55075, phone number 800-468-9716.

SHAREHOLDER PROPOSALS FOR THE 2014 ANNUAL MEETING

In order for a proposal by a shareholder of the Company to be included in the Company's proxy statement and form of proxy for the 2014 Annual Meeting of Shareholders, the proposal must be received by the Company no later than 120 days before the anniversary date of the Company's last proxy statement (December 11).

OTHER MATTERS FOR THE SHAREHOLDER MEETING

The Company knows of no matters, other than those referred to herein, which will be presented at the meeting. If, however, any other appropriate business should properly be presented at the meeting, the proxies named in the enclosed form of proxy will vote the proxies in accordance with their best judgment.

EXPENSES OF SOLICITATION

All expenses incident to the solicitation of proxies by the Company will be paid by the Company. In addition to solicitation by mail, the Company has retained D. F. King & Company of New York City, to assist in the solicitation of proxies. Fees for this solicitation are expected to be approximately \$9,000. The Company intends to reimburse brokerage houses and other custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred in forwarding copies of solicitation material to beneficial owners of Common Stock held of record by such persons. In a limited number of instances, regular employees of the Company may solicit proxies in person or by telephone.

PRINCIPAL HOLDERS OF SECURITIES

The following tabulation shows with respect to (i) each person who is known to be the beneficial owner of more than 5% of the Common Stock of the Company; (ii) each director and Executive Officer of the Company (including nominees); and (iii) all directors and Executive Officers, as a group: (a) the total number of shares of Common Stock beneficially owned as of March 15, 2013, except as otherwise noted, and (b) the percent of the class of stock so owned as of the same date:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent Of Class(*)
Common Stock Shareholders' beneficial ownership of more than 5% of the Common Stock	Loomis Sayles & Co., L.P. One Financial Center Boston, Massachusetts 02111	26,562,637 (1)	9.3
	State Street Corporation State Street Financial Center One Lincoln Street Boston, Massachusetts 02111	19,221,788 (1)	7.4
	Capital Research Global Investors 333 South Hope Street Los Angeles, California 90071	15,805,000 (1)	6.1
	BlackRock, Inc. 40 East 52 nd Street New York, NY 10022	15,114,121 (1)	5.8
	Old Republic International Corporation Employees Savings and Stock Ownership Trust 307 N. Michigan Avenue Chicago, Illinois 60601	14,619,686 (2)	5.6
	Franklin Resources, Inc. One Franklin Parkway San Mateo, California 94403-1906	13,846,567 (1)	5.3
	FMR LLC 82 Devonshire Street Boston, Massachusetts 02109	13,077,157 (1)	5.0

Common Stock	Name of Beneficial Owner	Shares To Stock Options(*)	Shares Held By Employee Plans(*) (2)(3)	Other Shares Beneficially Owned(*)	Total	Percent Of Class(*)
Directors' and Executive Officers' (including nominees) beneficial ownership	Harrington Bischof	-	-	20,239	20,239 (4)	**
	Jimmy A. Dew	-	120,866	737,658	858,524 (5)	0.3
	John M. Dixon	-	-	19,579	19,579	**
	James C. Hellauer	-	-	36,000	36,000	**
	James A. Kellogg	223,500	51,485	385,636	660,621	0.3
	Leo E. Knight, Jr.	-	-	14,500	14,500	**
	Karl W. Mueller	177,125	9,877	8,076	195,078	**
	Christopher S. Nard	440,475	13,650	28,816	482,941	0.2
	R. Scott Rager	219,350	53,448	2,500	275,298	0.1
	Arnold L. Steiner	-	-	826,438	826,438 (6)	0.3
	Fredricka Taubitz	-	-	19,000	19,000	**
	Charles F. Titterton	-	-	21,587	21,587 (7)	**
	Dennis Van Mieghem	-	-	17,050	17,050 (8)	**
	Steven R. Walker	-	-	42,500	42,500 (9)	**
	Rande K. Yeager	112,900	27,568	9,688	150,156	**
	Aldo C. Zucaro	971,375	478,690	1,230,500	2,680,565	1.0
	Directors and Executive Officers, as a group (17)	2,230,201	802,424	3,436,517	6,469,142	2.5

* Calculated pursuant to Rule 13d-3(d) of the Securities Exchange Act of 1934. Unless otherwise stated below, each such person has sole voting and investment power with respect to all such shares. Under Rule 13d-3(d), shares not outstanding which are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person, but are not deemed outstanding for the purpose of calculating the percentage owned by each other person listed. None of the options shown for Executive Officers were exercised prior to the Company's record date and therefore are not eligible to vote at the Annual Shareholders' Meeting. The option shares that lapsed without value on March 19, 2013 are excluded.

** Less than one-tenth of one percent.

(1) Reflects the number of shares shown in the most recent Schedule 13G filings with the SEC through February 15, 2013. Loomis Sayles & Co., L.P. ("Loomis") reports that it would have sole voting power and shared voting power for 26,204,544 and 6,118 shares, respectively, and sole dispositive power for 26,562,637 shares. Loomis filed this report because of its ownership of Old Republic's 3.75% Convertible Senior Notes due March 15, 2018. These Notes are currently not "in the money" and were not converted to Common Stock prior to the Company's record date of March 28, 2013. Therefore, Loomis will not be eligible to vote these shares at the Company's Annual Shareholders' Meeting on May 24, 2013. State Street Corporation reports it has no sole voting or dispositive power but shared voting and dispositive power for 19,221,788 shares; Capital Research Global Investors reports it has sole voting and dispositive power for 15,805,000 shares; BlackRock, Inc. reports sole voting and dispositive power for all shares shown; Franklin Resources, Inc. through Franklin Advisory Services, LLC has sole voting and

sole dispositive power for 13,496,062 and 13,776,062 shares, respectively, and the remaining voting and dispositive powers rests with other Franklin affiliates, there is no shared voting or dispositive power outside the group; and FMR LLC reports it has sole voting power and dispositive powers for 2,000 and 13,077,157 shares and no shared voting or dispositive powers.

- (2) Reflects the number of shares held as of December 31, 2012. Under the terms of the Old Republic International Corporation Employees Savings and Stock Ownership Plan ("ESSOP"), a participant is entitled to vote the Company stock held by the ESSOP, the shares of which have been allocated to the participant's account. The Executive Committee of the Company, pursuant to the ESSOP, is authorized to vote the Company stock held by the ESSOP until such time as the shares of such stock have been allocated to a participant's account or where a participant fails to exercise his or her voting rights. Additionally, the Executive Committee may be deemed to have sole investment power with respect to unallocated stock and shared power for allocated stock held by the ESSOP. The Executive Committee is composed of Messrs. Bischof, Dixon, Knight, Steiner and Zucaro. The Trustees for the Trust established by the ESSOP are Messrs. LeRoy, Mueller, Rager and Zucaro. In addition to the ESSOP, the Old Republic International Employees Retirement Plan and two other retirement plans of subsidiaries hold an aggregate of 2,280,000 shares of the Company's stock, not included in this table, for which the voting of these shares is controlled, directly or indirectly in a fiduciary capacity, by the Executive Committee. American Business & Mercantile Insurance Mutual, Inc. ("AB&M") and its subsidiary Inter Capital Group, Inc. own 1,759,269 shares of the Company's stock, not included in this table. AB&M's directors and senior officers are Executive Officers of the Company. The trustees of the 401k Plan of the PMA Companies, Inc. own 76,613 shares of the Company stock which are not included in this table.
- (3) Includes only the shares that have been allocated to the employer matching and employee savings accounts of the director or Executive Officer as a participant in the ESSOP or other Profit Sharing Plans sponsored by subsidiaries. Excludes those shares for which the director or Executive Officer may be deemed to have investment and voting power as a result of being a member of the Executive Committee. These numbers include shares of the Company's stock held by the RMIC Profit Sharing Plan for Mr. Dew and shares of the Company's stock held by the Great West Casualty Corporation Profit Sharing Plan for Mr. Rager.
- (4) Includes 8,437 shares held in an IRA trust for Mr. Bischof's benefit.
- (5) Includes 209,471 shares owned by Mr. Dew's wife. At year end 2012, all 310,000 shares of Mr. Dew's previously vested but unexercised options lapsed without value. On March 8, 2013, Mr. Dew rolled over all of his Old Republic ESSOP shares (93,682) into an IRA trust.
- (6) Includes 270,237 shares owned by Mr. Steiner directly, 465,000 shares held in trust for Mr. Steiner's children, for which he is a co-trustee, and 91,201 shares held by the Steiner Foundation for which Mr. Steiner disclaims beneficial ownership.
- (7) Includes 5,549 shares held in IRA and SEP-IRA trusts for Mr. Titterton's benefit.
- (8) Includes 1,250 shares owned by Mr. Van Mieghem's wife and 9,125 shares held in an IRA trust for Mr. Van Mieghem's benefit.
- (9) Includes 22,500 shares held in IRA and SEP-IRA trusts for Mr. Walker's benefit and 16,000 shares held by his wife.

ITEM 1

ELECTION OF DIRECTORS

The following table lists all nominees and continuing directors of the Company. Three Class 2 directors are to be elected to hold office for a term of three years and until their successors are elected and qualified. All of the nominees are current directors standing for re-election. It is intended that, in the absence of contrary specifications, votes will be cast pursuant to the enclosed proxies for the election of such nominees. Should any of the nominees become unable or unwilling to accept nomination or election, it is intended, in the absence of contrary specifications, that the proxies will be voted for the balance of those named and for a substitute nominee or nominees. However, the Company does not expect such an occurrence. All of the nominees have consented to be slated and to serve as directors if elected.

Given the reasons and background information cited next to each director's name below, the Board of Directors believes that each of the nominees and its other members are eminently qualified to serve Old Republic's shareholders and other stakeholders.

Name	Age	Positions with Company, Business Experience and Qualifications
<u>Nominees for Election</u>		
CLASS 2 (Term expires 2013)		
Jimmy A. Dew	72	Director since 1980. Formerly Vice Chairman of Old Republic's subsidiary, Republic Mortgage Insurance Company ("RMIC"), of which he was a co-founder in 1973. His knowledge of RMIC gained in an executive capacity since its founding and his long service on Old Republic's board make him fully conversant with the insurance industry and its risk factors.
John M. Dixon	73	Director since 2003. Formerly Chief Executive Partner with the law firm of Chapman and Cutler, Chicago, Illinois until his retirement in 2002. His qualifications include his extensive background as an attorney and his knowledge of corporate law and the risk factors of corporations like the Company.
Dennis P. Van Mieghem	72	Director since 2004. A CPA by training, he was the Partner in charge of the National Insurance Tax Practice of the accounting firm of KPMG LLP until his 1998 retirement. With this background he brings significant experience and knowledge of the insurance industry and its risk factors to service on Old Republic's Board.

Continuing Members

CLASS 3 (Term expires in 2014)

James C. Hellauer	74	Director since 2011. Prior to October 2010, a director since 2005 of PMA Capital Corporation ("PMA"); owner of James C. Hellauer and Associates. From 1997 to 1999, Chief Executive Officer of Environmental Technologies Corporation. From 1994 to 2007, executive director of the Colmen Group. Currently a founder and director of East River Bank. His qualifications include a significant general business background as well as specific experience and knowledge concerning the business of PMA and its risk factors.
Arnold L. Steiner	75	Director since 1974. Retired for more than five years from Steiner Bank, Birmingham, Alabama of which he was President and a substantial owner. He brings long and significant experience in financial businesses and has extensive knowledge of the Company and its risk factors.
Fredricka Taubitz	69	Director since 2003. A CPA by training, she was until 2000 Executive Vice President and Chief Financial Officer of Zenith National Insurance Corp. Until 1985, she was a partner with the accounting firm of Coopers & Lybrand (now PricewaterhouseCoopers LLP). During her long professional career she has gained significant experience in, and knowledge of, the business and the risk factors associated with the insurance industry.
Aldo C. Zucaro	74	Director since 1976. Chairman of the Board and Chief Executive Officer of the Company and various subsidiaries since 1996. A CPA by training, he brings a significant background as a former insurance specialist partner with Coopers & Lybrand (now PricewaterhouseCoopers LLP), and long-term experience with the insurance industry in general, and the Company in particular since 1970.

Continuing Members

CLASS 1 (Term expires in 2015)

Harrington Bischof	78	Director since 1997. President of Pandora Capital Corporation since 1996. Formerly Senior Advisor with Prudential Securities, Inc. and prior to that, a senior investment banker with the firms of Merrill, Lynch & Co. and White, Weld & Co. His experience in business, investment banking, and international finance are of significant value to the Company's Corporate governance.
Leo E. Knight, Jr.	67	Director since 2006, and of several Old Republic subsidiaries since 1999. A CPA by training, he retired in 2006 as Chairman and Chief Executive Officer of National City Mortgage Company, Dayton, Ohio, following a thirty-two year career. He brings significant business experience in mortgage lending and the mortgage insurance industry and their risk factors to Old Republic's Board.
Charles F. Titterton	71	Director since 2004. Formerly Director – Insurance Group with Standard & Poor's Corp. until 2003. He brings significant business experience and knowledge of the risk factors connected with the insurance industry by virtue of a long career as a lending officer with a major banking institution and with the aforementioned rating agency.
Steven R. Walker	68	Director since 2006. Formerly Senior Counsel and Partner with Leland, Parachini, Steinberg, Matzger & Melnick, LLP, attorneys, San Francisco, California. He brings significant experience to Old Republic's Board as both an attorney and a business manager during a long career focused on the title insurance industry.

BOARD OF DIRECTORS' RECOMMENDATION

The Board of Directors recommends a vote FOR the Class 2 directors listed above as nominees. Proxies solicited by the Board of Directors will be voted in favor of the election of these nominees unless shareholders specify to the contrary.

CORPORATE GOVERNANCE

OVERVIEW

Old Republic is organized as an independent, for-profit insurance enterprise managed for the long run. **Our Mission is to provide quality insurance security and related services to businesses, individuals, and public institutions and to be a dependable long-term steward of the trust our policyholders and shareholders place in us.** The Company's governance and operations are guided by this Mission and the inherent public interest vested in the risk taking nature of its business. Its governance endeavors to align this Mission with the substance of its business, giving due appreciation and regard for the Company's most important assets:

- The investors' capital which enables and underpins the insurance risk taking;
- The intellectual capital, know-how, and business relationships possessed by employees at various levels of the enterprise; and
- The Company's good name and reputation, cultivated over its 89-plus year history, and the even longer history of some of its major insurance subsidiaries.

Information appearing on the Company's website is not incorporated by reference in this proxy statement. However the Corporate Governance Guidelines, Code of Ethics for the Principal Executive Officer and Senior Financial Officers, and the Code of Business Conduct and Ethics, are accessible on its website at www.oldrepublic.com. Printed copies of these documents are also available to shareholders upon request to the Investor Relations Department at the Company's office.

LEADERSHIP STRUCTURE AND RISK MANAGEMENT

The Company's leadership structure and its risk management processes are overseen and monitored by the Board of Directors. The details of this leadership structure and the development of management talent have been the primary responsibilities of the Board's Executive Committee for many decades. This six member committee is currently composed of the Company's Chairman of the Board ("Chairman") and Chief Executive Officer ("CEO"), and five independent directors, including the Lead Director. The Board of Directors and its Executive Committee believe that the Company's decades-long joining of the Chairman and CEO positions is best suited to ensuring the long-term value, stability and management of its most important assets necessary for the accomplishment of its Mission. Old Republic's Board holds management singularly accountable for protecting and enhancing the value of these and all other assets. It therefore holds its CEO responsible for setting the proper tone in shaping and nurturing the institution's culture and values not solely in the shareholders' interests, but in those of its important stakeholders as well. Most critically, these include the policyholders to whom long-term promises of financial indemnity and stability are made by the Company's insurance subsidiaries, the employees who possess the intellectual capital and business relationships necessary for the conduct and success of the Company, the debt holders who extend a portion of the capital at risk, and the regulators who are charged with protecting the public interest vested in the Company's insurance enterprises. To meet these responsibilities and objectives, the Board expects the CEO to be a knowledgeable and well rounded leader who, as chief enterprise risk manager, is fully dedicated to Old Republic's overall Mission and is best qualified to address and balance the interests of all major stakeholders.

In the Board's sole discretion, the Chairman and CEO positions may be separated and assigned to two individuals with extensive and complementary operating knowledge of the Company. Under the Board's long-standing corporate governance philosophy, this separation is intended to be temporary and to occur in unusual circumstances or during the transition of management authority.

While the Board has determined that the advantages of a joint Chairman and CEO position outweigh the theoretical benefits of a separated leadership structure, it did establish a Lead Director position over ten years ago. In Old Republic's practice, the Lead Director is appointed from among the independent directors and serves as that group's liaison to the Chairman and CEO, in addition to acting as the liaison to the Executive Committee. In his or her capacity, the Lead Director may preside at Board meetings in the Chairman's absence, provide input to meeting agendas of the full Board or the meetings of independent directors, and act as liaison among various committees' chairmen in the resolution of inter-committee governance issues that may arise from time to time.

Old Republic's multi-faceted business is managed through a relatively flat, non-bureaucratic organizational structure. The CEO has primary responsibility for managing enterprise-wide risk exposures. The Company avoids management by committee and other organizational impediments to the free flow of information and to effective decision making. Long-established control processes are in place, and a variety of other accepted methods are utilized to coordinate system-wide risk taking and risk management objectives. These methods and processes are based on three major functions: lines of business responsibility, enterprise functions, and internal audit and peer reviews.

The lines of business operation managers are responsible for identifying, monitoring, quantifying, and mitigating all insurance underwriting risks falling within their areas of responsibility. These managers use reports covering annual, quarterly or monthly time frames to identify the status and content of insured risk, including pricing or underwriting changes. These management reports ensure the continuity and timeliness of appropriate risk management monitoring, and enterprise-wide oversight of existing or emerging issues.

The enterprise functions incorporate system-wide risk management, including asset/liability and underwriting exposure correlation controls, regulatory and public interest compliance, finance, actuarial, and legal functions. These functions are independent of the lines of business and are coordinated on an enterprise-wide basis by the CEO.

The internal audit, as well as related underwriting and claims management peer review functions and processes, provide reasonably independent assessments of management and internal control systems. Internal audit activities are intended to give reasonable assurance that resources are adequately protected and that significant financial, managerial and operating information is materially complete, accurate and reliable. This process is intended to ensure that associates' actions are in compliance with corporate policies, standards, procedures, internal control guidelines, and applicable laws and regulations.

The corporate culture, the actions of all our associates, and the continuity of their employment are most critical to the Company's risk management processes. The Company's Code of Business Conduct and Ethics provides a framework for all senior managers and employees to conduct themselves with the highest integrity in the delivery of the Company's services to its customers and in connection with all Company relationships and activities.

The Compensation Committee, at the direction of the Board, has reviewed the Company's compensation policies and practices and has concluded that they do not encourage the Company's senior executives or employees to take unnecessary or excessive risks that could adversely affect the Company.

BOARD OF DIRECTORS' RESPONSIBILITIES AND INDEPENDENCE

The Board of Directors' main responsibility is to oversee the Company's operations, directly and through several committees operating cohesively. In exercising this responsibility, each director is expected to utilize his or her business judgment in a manner reasonably believed to be in the best interests of the Company and its shareholders. The Board's oversight duties are to:

- Ascertain that strategies and policies are in place to encourage the growth of consolidated earnings and shareholders equity over the long haul, while increasing the Company's regular dividend payout;
- Ascertain that the Company's business is managed in a sound and conservative manner that takes into account the public interest vested in its insurance subsidiaries;
- Provide advice and counsel to management on business opportunities and strategies;
- Review and approve major corporate transactions;
- Monitor the adequacy of the Company's internal control and financial reporting systems and practices to safeguard assets and to comply with applicable laws and regulations;
- Ascertain that appropriate policies and practices are in place for managing the identified risks faced by the enterprise;
- Evaluate periodically the performance of the Chairman and Chief Executive Officer in the context of the Company's Mission and performance metrics;
- Review and approve senior management's base and incentive compensation taking into account the business' performance gauged by its return on equity and growth of operating earnings;
- Periodically review senior management development and succession plans both at corporate and operating subsidiary levels;
- Select and recommend for shareholder election candidates deemed qualified for Board service;
- Select and retain independent registered public accounting firms for the principal purpose of expressing their opinion on the annual financial statements and internal controls over financial reporting of the Company and its subsidiaries;
- Act as the Board of Directors of the Company's significant insurance company subsidiaries; and
- Monitor, review and approve the operations and major policy decisions of the Company's insurance subsidiaries.

In considering *the qualifications and independence of Board members and candidates*, the Board of Directors, through the Governance and Nominating Committee, seeks to identify individuals who, at a minimum:

- Satisfy the requirements for director independence, as set out in the Company's Corporate Governance Guidelines, in the Listed Company Standards of the NYSE, and in the regulations of the SEC;
- Are, or have been, senior executives of businesses or professional organizations; and
- Have significant business, financial, accounting and/or legal backgrounds useful to the Company's operations, markets and customer services.

Additionally, the Board seeks to retain and attract members possessing certain critical personal characteristics, most importantly, (i) intelligence, honesty, good judgment, high ethics and standards of integrity, fairness and responsibility, (ii) respect within the candidate's social, business and professional community for his or her integrity, ethics, principles and insights; (iii) demonstrated analytic ability; and (iv) ability and initiative to frame insightful questions, to challenge questionable assumptions collegially, and to disagree in a constructive fashion, as appropriate.

The Company's insurance business is conducted through segments which, in the aggregate, are broadly diversified as to types of insurance coverages and services provided. Each of the Company's insurance subsidiaries is highly regulated by state and federal governmental agencies as to its capital requirements, financial leverage, business conduct, and accounting and financial reporting practices. New directors receive a broad array of information upon becoming a member of the Board in order to familiarize themselves with the Company's business, strategic plans, significant financial, accounting and management issues, compliance programs, conflicts policies, Code of Business Conduct and Ethics, Corporate Governance Guidelines, principal officers and independent registered public accounting firm. Further, the Company supports directors taking advantage of and attending director education programs whenever convenient and appropriate. Even with such assistance and in part as the result of the specialized nature of the Company's businesses and their regulation, it is the Company's view that at least two to four years are typically required for a new director to develop sufficient knowledge of the company's business to become a fully productive and effective contributor to the Company's governance. Reflecting this, each director is expected to serve two or more three-year terms on the Company's classified Board, that of one or more of its key insurance subsidiaries, and on one or more Board committees.

The commitment of a substantial amount of time for meetings, preparation thereof, and related travel is essential to the performance of a director's responsibilities. As such, each director is expected to regularly prepare for and attend the meetings of the Board and each committee on which he or she serves. Owing to the risk-taking nature of much of the Company's business, a demonstrated long-term orientation in a Board member's business dealings and thought process is considered very important.

The Company's Board of Directors has been classified into three classes for many decades. Excepting the possibility of uneven distribution among the classes, one-third of the Board is therefore elected annually. This organizational structure is intended to promote continuity and stability of strategy and business direction for the best long-term interests of investors in the Corporation's securities, the confidence of insurance subsidiaries' policyholders, and the long-term expectations of other stakeholders.

Nine of the Company's directors have been affirmatively determined to qualify as "independent" directors in accordance with Section 303A.02 of the Listed Company Standards of the NYSE, Rule 10C-1 and item 407 (a) of Regulation S-K of the SEC. Neither they nor any members of their immediate families had any of the types of disqualifying relationships with the Company or any of its subsidiaries during 2012 or the two years prior to that, as set forth in subsection (b) of Section 303A.02 of the NYSE's Listed Company Standards. The independent directors, who are listed below, selected from among themselves a Lead Director and met on a regular basis during 2012 in executive sessions without management present. The Lead Director is nominated by the Governance and Nominating Committee and elected annually by the independent directors. Arnold L. Steiner was Lead Director for 2012 and continues as such through the date of this proxy statement. The entire Board and each of its standing Committees conduct an annual self-evaluation which includes a determination of each member's independence.

Membership on the Company's Audit, Compensation, and Governance and Nominating Committees consists exclusively of independent directors. The members, chairpersons and vice-chairpersons of these committees are recommended each year to the Board by the Governance and Nominating Committee in consultation with the Executive Committee. Each of the three committees has the authority and funding to retain independent advisors or counsel as necessary and appropriate in the fulfillment of its duties. The chairpersons set the agenda of their respective committees' meetings consulting, as necessary and appropriate, with the Chairman and CEO. All directors have full and free access to the Company's management.

PROCEDURES FOR THE APPROVAL OF RELATED PERSON TRANSACTIONS

In addition to a Code of Business Conduct and Ethics and a Code of Ethics for the Principal Executive Officer and Senior Financial Officers, Old Republic also has a **conflict of interest policy** which is circulated annually and acknowledged by all directors, officers and key employees of the Company and its subsidiaries. This policy states that no director, officer, or employee of the Company or its subsidiaries may acquire or retain any interest that conflicts with the interest of the Company. This includes direct or indirect interests in entities doing business with the Company or its subsidiaries. If such a conflict occurs, the director, officer or employee is required to make a written disclosure of the conflict to the Company.

The directors, officers and affected employees are required to notify the Company of the actual or potential existence of a **related party transaction**, as defined by the Listed Company Standards of the NYSE and the SEC rules. Directors are required to notify the Chairman of the Board, unless the Chairman is an affected director, in which case he or she is required to notify the Lead Director. Executive Officers are required to notify the CEO, unless the CEO is the affected executive, in which case he or she is required to notify the Chairman or Lead Director, as appropriate. Under the procedures, the CEO, Chairman or Lead Director, as applicable, must conduct a preliminary inquiry into the facts relating to any existing or potential related party transaction. If, based upon the inquiry and the advice of legal counsel, the CEO, Chairman or Lead Director, as applicable, believes that an actual or potential related party transaction exists, he or she is required to notify the entire Board. In turn, the Board is required to conduct a full inquiry into the facts and circumstances concerning a conflicted transaction and to determine the appropriate actions, if any, for the Company to take. Any director who is the subject of an existing or potential related party transaction will not participate in the decision-making process of the Board relating to what actions, if any, shall be taken by the Company with respect to such transaction.

THE BOARD AND ITS COMMITTEES

The Board of Directors met four times, once each quarter, and participated in four interim telephone meetings in 2012. Each incumbent director attended at least 75% of the aggregate of the meetings of the Board and committees on which each served. The Company does not require its Board of Directors to attend annual meetings of its shareholders, as such meetings are conducted by the Chairman of the Board and Chief Executive Officer who is the designated spokesperson for the Corporation and represents the entire Board of Directors for these and other purposes.

The following table shows the membership in the Board of Directors and its committees at year end 2012 and as of the date of this proxy statement.

BOARD AND COMMITTEE MEMBERSHIP

Director	Independent Directors(a)	Other Directors(b)	Executive	Audit	Committees	
					Governance and Nominating	Compensation
Harrington Bischof	X		X		X	X
Jimmy A. Dew		X				
John M. Dixon	X		X		X	X(c)
James C. Hellauer	X			X(e)	X	
Leo E. Knight, Jr.	X		X	X(d)(e)		X
Arnold L. Steiner	X(f)		X		X	X
Fredricka Taubitz	X			X(c)(e)		X
Charles F. Titterton	X			X(e)	X(c)	
Dennis P. Van Mieghem	X			X(d)(e)		X(d)
Steven R. Walker	X		X	X	X(d)	
Aldo C. Zucaro		X	X(c)			
Number of scheduled and special meetings	5	5	5	5	5	4
Number of written consents and telephone meetings	8	8	2	3	-	-

(a) Independent Director as that term is defined in SEC Rules and the Listed Company Standards of the NYSE. (b) The Other Director classification includes all directors who are members of management, or do not currently meet the standard indicated in (a) above. (c) Chairman. (d) Vice-Chairman. (e) Financial Experts as that term is defined in SEC Regulation S-K. (f) Lead Director.

The **Audit Committee** is organized to assist the Board in monitoring: (1) the integrity of the Company's financial statements and the effectiveness of the Company's internal controls over financial reporting, (2) the Company's compliance with legal and regulatory requirements, (3) the qualifications and independence of the registered public accounting firm, and (4) the qualifications and performance of the Company's internal audit function. Further, it is charged with preparing the annual report required by SEC rules to be included in the Company's proxy statement (which is printed below), and serving as the audit committee of each of the Company's regulated insurance subsidiaries to the extent required by the National Association of Insurance Commissioners' Model Audit Rule. It operates pursuant to a written charter approved each year by the Board of Directors and performs an annual self-evaluation. While information appearing on the Company's website is not incorporated by reference in this proxy statement, the Committee's charter may be viewed at www.oldrepublic.com. Printed copies are available to shareholders upon request.

The Audit Committee held five meetings during 2012. In addition, there were three telephonic conference calls held with the Company's independent registered public accounting firm and management prior to the Company's filing of quarterly reports on SEC Form 10-Q.

Each Audit Committee member has been affirmatively determined to qualify as "independent", in accordance with SEC Rule 10A-3(b)(1) and the NYSE's Listed Company Standards. Five members of the Committee are deemed to qualify as audit committee financial experts, as that term is defined in SEC Regulation S-K. No member served on the audit committees of three or more unrelated publicly held companies. The members of the Audit Committee are as follows:

Audit Committee

James C. Hellauer
Fredricka Taubitz, Chairman
Dennis P. Van Mieghem, Vice-Chairman

Leo E. Knight, Vice-Chairman
Charles F. Titterton
Steven R. Walker

The **Compensation Committee** is responsible for: (1) evaluating the CEO's performance and setting Compensation ("Compensation" meaning annual salary, bonus, incentive and equity compensation), (2) reviewing and approving, with input from the CEO and President of the Company, the evaluation and Compensation of the other Executive Officers and senior executives of the Company and its subsidiaries, (3) reviewing and advising on general levels of Compensation of other employees, (4) reviewing the Company's pension, incentive compensation and stock option plans, (5) preparing the annual report required by SEC rules to be included in the Company's proxy statement (which is printed below), (6) retaining consultants, independent legal counsel or other advisers, and (7) taking any action as necessary to perform its functions. The Committee is also responsible for reviewing directors' compensation and subjects itself to an annual performance self-evaluation.

Each member of the Committee has been affirmatively determined to qualify as "independent" in the judgment of the Company's Board of Directors and according to the Listed Company Standards of the NYSE and the SEC rules. The Board of Directors considered all factors specifically relevant to determining whether Committee members have any relationships which would be material to the member's ability to be independent. The Committee has the sole discretion and adequate funding to retain the services of a compensation consultant, legal counsel and other advisors that will be directly responsible to the Committee. The independence of such consultants, counsels or advisors, which is required by the NYSE's Listed Company Standards and SEC Rule 10C-1, are taken into consideration when they are selected. Inquiries into any possible conflicts of interest are made when such persons are retained and annually thereafter, if their services are continued. As part of its function, the Committee retained an independent compensation consultant, Frederic W. Cook & Co., Inc., to review the Company's compensation programs and its procedures for setting compensation for the Company's Executive Officers. The consultant's review included a comparison of the compensation programs of companies similar in size, operation and organization to the Company, including a review of a peer group of companies determined by the Committee to be appropriate for comparison. The consultant performed no other work for the Company or any of its subsidiaries and played no role in recommending the amount and form of compensation for the Executive Officers or directors of the Company and is considered independent according to SEC Rule 10C-1 and the requirements of the Dodd-Frank Act. All compensation recommendations are made solely by the Compensation Committee following consultation with the CEO and the President regarding the Company's Executive Officers (other than the CEO and the President) and other senior members of the Company's management.

The Committee is composed of six directors and operates pursuant to a written charter approved each year by the Board of Directors. While information appearing on the Company's website is not incorporated by reference in this proxy statement, the Committee's charter may be viewed on the Company's website at www.oldrepublic.com. Printed copies are available to shareholders upon request. The members of the Compensation Committee are as follows:

Compensation Committee

Harrington Bischof
Leo E. Knight, Jr.
Fredricka Taubitz

John M. Dixon, Chairman
Arnold L. Steiner
Dennis P. Van Mieghem, Vice-Chairman

The **Executive Committee** is empowered to exercise the Board of Directors' authority between scheduled meetings, except as provided in the By-laws or otherwise limited by the provisions of the General Corporation Law of the State of Delaware. The Committee operates pursuant to a written charter and performs an annual self-evaluation. It is authorized to: (1) act as the Company's Finance Committee and review and approve the Company's investment policies, (2) review and approve the Company's dividend and capitalization policies, (3) monitor the Company's enterprise risk management, (4) analyze potential acquisitions or divestitures by the Company or its subsidiaries, (5) annually review and evaluate management development and executive succession plans, (6) oversee the Company's pension and ESSOP, and (7) make any necessary and appropriate recommendations to the Governance and Nominating Committee regarding Board and committee membership. While not incorporated by reference in this proxy statement, the Committee's charter may be viewed on the Company's website at www.oldrepublic.com. Printed copies are available to shareholders upon request. The members of the Executive Committee are as follows:

Executive Committee

Harrington Bischof
Leo E. Knight, Jr.
Steven R. Walker

John M. Dixon
Arnold L. Steiner
Aldo C. Zucaro, Chairman

The **Governance and Nominating Committee** is organized to oversee the Company's policies relative to the size, composition and qualifications of the Board of Directors. The Committee is authorized to: (1) establish procedures and qualification criteria to identify and recommend qualified candidates for election to the Board, taking into consideration any recommendations from the Executive Committee, (2) review annually the qualifications and requirements of the member directors, the structure and performance of Board committees and, jointly with the Compensation Committee, the compensation for Board members, (3) develop, recommend and annually reassess the Corporate Governance Guidelines applicable to the Company (4) periodically review, in conjunction with the Executive Committee, the Company's succession plans with respect to the CEO and other senior officers, (5) maintain and recommend changes to the Board-approved Code of Business Conduct and Ethics and the Code of Ethics for the Principal Executive Officer and Senior Financial Officer, and (6) serve in an advisory capacity to the Board and its Chairman on matters of the organizational and governance structure of the Company. The Committee operates pursuant to a written charter approved each year by the Board of Directors, and performs an annual self-evaluation.

The Board of Directors is currently composed of eleven persons of whom nine are classified as independent. It is the Company's longer term objective to keep the size of its Board to between nine and eleven members, and to aim for at least 80% representation by independent directors. One of the goals of the Committee is to have the Board reflect diversity with respect to professional and business experience. Race, gender and national origin are not considered by the Committee when reviewing proposed candidates or the re-nomination of existing directors. The Committee believes the Board is appropriately diverse in the context of the Company's business needs and the Board's responsibilities to shareholders and other stakeholders.

The Committee evaluates and proposes new and continuing candidates to the Board of Directors for approval and slating. The Committee can consider director candidates nominated by shareholders. Any name presented for consideration must be submitted to the Committee's Chairman with a copy to the Secretary no later than 120 days before the anniversary date of the Company's last proxy statement in order to be included in the Company's proxy statement or on its form of proxy. It should be accompanied by a comprehensive description of the person's qualifications plus additional sources of relevant information which will assist the Committee in its review of the person's background and qualifications, so the Committee may make a determination of the candidate's fitness to serve. All candidates nominated by shareholders will be evaluated on the basis of the same minimum criteria and additional background qualifications and experience discussed in this proxy statement. A candidate who does not satisfy the minimum criteria qualifications will not be recommended by the Committee for membership on the Board. Given the long-term, regulated nature of the Company's business, nominees will not be considered if they are regarded simply as representatives of a particular shareholder or group of shareholders with a short-term agenda and not oriented toward the demands of a regulated business vested with the public interest.

While not incorporated by reference in this proxy statement, the Committee's charter may be viewed on the Company's website at www.oldrepublic.com. Printed copies are available to shareholders upon request. In the judgment of the Company's Board of Directors each member of the Committee is considered independent pursuant to the Listed Company Standards of the NYSE and the rules of the SEC. The Committee's current members are as follows:

Governance and Nominating Committee

Harrington Bischof	John M. Dixon
James C. Hellauer	Arnold L. Steiner
Charles F. Titterton, Chairman	Steven R. Walker, Vice-Chairman

SHAREHOLDER COMMUNICATION WITH THE BOARD

Shareholders of the Company and other interested parties may communicate with the Lead Director, the independent directors, the Board of Directors as a whole, or with any individual director. Such communications must be in writing and sent to Old Republic International Corporation, c/o Secretary, 307 N. Michigan Ave, Chicago, IL 60601. The Secretary will promptly forward the communications to the intended recipient.

**ITEM 2
RATIFICATION OF THE SELECTION OF AN INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM**

In accordance with its charter, the Audit Committee has selected the firm of KPMG LLP ("KPMG"), an independent registered public accounting firm, to be the Company's independent registered public accounting firm for the year 2013. The selection has been approved by the Board of Directors, subject to a review of the fee proposal and the proposed scope of the audit. In the ordinary course of corporate governance, the Board of Directors is asking and recommending that the shareholders ratify this selection subject to the Committee's acceptance of KPMG's proposed fee and audit scope. The Company is not required to take any action as a result of the outcome of the vote on this proposal. However, in the event the shareholders fail to ratify this selection, the Board of Directors and the Audit Committee may investigate the reasons for the shareholders' rejection and may consider whether to retain KPMG or to appoint another independent registered public accounting firm. Even if the selection of KPMG is ratified, the Board of Directors and Audit Committee, at their discretion, may direct the appointment of a different independent registered public accounting firm if they believe that such a change would be in the best interests of the Company and its shareholders.

EXTERNAL AUDIT SERVICES

The Audit Committee selected KPMG as the Company's independent registered public accounting firm to examine its consolidated financial statements for the year 2012. A member of KPMG will be invited to attend the Company's Annual Meeting of Shareholders. He or she will be provided with an opportunity to make a statement if so desired, and will be available to respond to appropriate questions.

KPMG's aggregate fees for professional services for 2012 and 2011 are shown below.

Type of Fees	2012	2011 (a)
Audit Fees	\$3,274,436	\$3,695,671
Audit Related Fees	69,350	318,075
Tax Fees	-	-
All Other Fees	260,296	136,301
Total	<u>\$3,604,082</u>	<u>\$4,150,047</u>

(a) The total fees shown above for 2011 are \$629,706 higher than previously reported, and reflect 1) final fee adjustments that occurred subsequent to the preparation of the 2012 proxy statement and 2) the completion of the stand-alone audit of Republic Financial Indemnity Group, Inc. ("RFIG") in anticipation of the Company's planned spin-off of this run-off business, which was subsequently withdrawn.

The term "Audit Fees" refers to expenses covering: (a) professional services rendered by the auditors for the audit of the Company's consolidated annual financial statements included in the Company's Form 10-K, (b) reviews without audit of financial statements included in the Company's Forms 10-Q, (c) services normally provided by the auditors in connection with mandated audits of statutory financial statements and filings, and (d) during 2011, comfort letters provided in connection with the issuance of the Company's 3.75% Convertible Senior Notes. "Audit Related Fees" refers to charges for assurance and related services by the auditors that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees", including for 2011, the stand-alone audit of RFIG. Audits of most employee benefit plans are performed by an independent audit firm other than KPMG. "Tax Fees" refers to fees for professional services rendered by the auditors for tax compliance. The term "All Other Fees" refers to fees for products and services provided by the auditors, other

than those reported under the preceding categories, and consisted of fees for security assessment of the Company's various information technology operations.

The charter of the Audit Committee requires that it pre-approve all non-audit work by the Company's independent registered public accounting firm. In determining whether to approve non-audit services, the Committee considers whether the services in question facilitate the performance of the audit, improve the Company's financial reporting process or are otherwise in the Company's and its shareholders' interests. All of the Audit-Related Fees, Tax Fees and All Other Fees billed to the Company in 2012 and 2011 were approved by the Audit Committee pursuant to the pre-approval waiver requirements of SEC Regulation S-X. The Audit Committee has determined that the other services and products provided in 2012 and 2011 by KPMG were not incompatible with KPMG's independence as the Company's independent registered public accounting firm.

KPMG has advised the Committee that all of their employees engaged in the Company's audits were independent of the Company.

BOARD OF DIRECTORS' RECOMMENDATION

The Board of Directors recommends a vote FOR the selection of KPMG as the company's independent registered public accounting firm, subject to the Audit Committee's approval of that firm's fee and audit scope proposal for 2013. Proxies solicited by the Board of Directors will be voted in favor of the selection of this firm unless shareholders specify to the contrary.

AUDIT COMMITTEE REPORT FOR 2012

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

In accordance with its written charter, the Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities. As part of its function, the Audit Committee appointed KPMG as the Company's independent registered public accounting firm for 2012.

The Audit Committee met with its internal auditors and independent registered public accounting firm (KPMG), with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. During 2012, the Audit Committee reviewed the interim financial and other information contained in each quarterly report on Form 10-Q filed with the Securities and Exchange Commission with the Chief Executive Officer, Chief Financial Officer, and KPMG prior to its filing. The Annual Report on Form 10-K was similarly reviewed. In addition, the Audit Committee discussed with KPMG matters required to be discussed by the Statement on Auditing Standards No. 61, as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T. In addition, the Audit Committee received the written disclosures and the letter from KPMG required by applicable requirements of the PCAOB regarding KPMG's communications with the Audit Committee concerning independence, and discussed with KPMG its independence. The Audit Committee met regularly with the Company's legal counsel to review the status of litigation involving the Company or its subsidiaries and to ascertain that the Company complied with applicable laws and regulations.

Following all of these discussions and reviews, the Audit Committee recommended to the Board of Directors and the Board approved the inclusion of the audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

James C. Hellauer
Fredricka Taubitz, Chairman
Dennis P. Van Mieghem, Vice-Chairman

Leo E. Knight, Vice-Chairman
Charles F. Titterton
Steven R. Walker

COMPENSATION MATTERS

COMPENSATION COMMITTEE REPORT FOR 2012

The following Report of the Compensation Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

The Compensation Committee met its oversight responsibilities for the year 2012 by reviewing and discussing with the Company's management the Compensation Discussion and Analysis ("CD&A") contained in this proxy statement. Based upon this review, its discussions and its activities, the Compensation Committee recommended that the CD&A be included in this proxy statement.

Harrington Bischof
Leo E. Knight, Jr.
Fredricka Taubitz

John M. Dixon, Chairman
Arnold L. Steiner
Dennis P. Van Miegheem, Vice-Chairman

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee has served as an officer or employee of the Company or any of its subsidiaries, nor has any Executive Officer of the Company served as a director or member of a compensation committee for any company that employs any director of the Company or member of the Compensation Committee.

Directors' Compensation

Independent directors received an annual retainer of \$90,000 (\$110,000 effective January 2013) plus an additional annual fee of \$10,000 for each committee on which they serve. The Lead Director, Mr. Steiner, and the chairmen of the Governance and Nominating and Compensation Committees, Messrs. Titterton and Dixon, respectively, each receive an additional annual retainer of \$10,000. Ms. Taubitz as Chairman of the Audit Committee is paid an additional annual retainer of \$15,000. Each of the Committees' Vice-Chairmen receives an additional retainer of \$5,000. Independent directors also serve as directors of regulated subsidiaries of the Company and these fees cover service on such subsidiary boards and related committees. Directors' compensation is reviewed annually, and any changes are recommended by the Compensation Committee, in consultation with the CEO and any independent consultant retained by the Compensation Committee for that purpose. The Compensation Committee's recommendations are, in turn, voted upon by the full Board. Directors who are employees of the Company or its subsidiaries receive no compensation for their services as directors or committee members.

Non-employee directors are not currently eligible for stock awards, stock options, incentive compensation awards, deferred compensation awards, pensions, or any other compensation programs or arrangements which the Company might offer to its employees or those of its subsidiaries. Independent directors may not receive any form of compensation from the Company other than director's fees in order to remain qualified as independent in the Company's judgment. As a result, the fees shown below are the total fees paid to directors. Mr. Zucaro, as an employee and Chief Executive Officer of the Company, has his compensation reported in the Summary Compensation Table shown elsewhere in this proxy statement. Mr. Dew, who is retired from Republic Mortgage Insurance Company ("RMIC"), a subsidiary of the Company, formerly had a consulting arrangement with RMIC, but this arrangement terminated in December 2011 and he no longer receives any compensation from RMIC or the Company other than the annual retainer that other directors receive.

The table below lists the compensation paid to each director of the Company. In addition to director fees, the Company and its subsidiaries either directly pay or reimburse directors for travel, lodging and related expenses incurred in attending director or committee meetings.

2012 Directors' Compensation

Name	Fees Earned Or Paid in Cash
Harrington Bischof.....	\$120,000
Jimmy A. Dew	90,000(*)
John M. Dixon	130,000
James C. Hellauer.....	110,000
Leo E. Knight, Jr.....	125,000
Arnold L. Steiner	130,000
Fredricka Taubitz	125,000
Charles F. Titterton	120,000
Dennis Van Miegheem.....	120,000
Steven R. Walker	125,000

(*) Mr. Dew's compensation reflects the fact that he has no committee responsibilities.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy and Objectives

Compensation levels are set to enable the Company to attract, reward and retain key executives and other associates critical to its long-term success. The Company believes that compensation paid to Executive Officers with major policy setting responsibilities should be closely aligned with the performance of the Company on both a short-term and long-term basis. In this regard, performance is evaluated principally on the basis of achieved returns on equity and growth in operating earnings over multi-year periods. For all other Executive Officers and senior members of the Company's management and key employees, compensation is based in part on the foregoing financial factors, as well as on their individual performances.

Neither the CEO, Chief Financial Officer ("CFO"), nor any other Executive Officer of the Company have employment contracts. They and all other associates of the Company and its subsidiaries are employees "at-will". Compensation for most senior members of the Company's management is set annually by the Compensation Committee of the Board of Directors based either on its sole determination or in consultation with the CEO and the President. The Company does not set any salary, incentive award or stock option targets or conditions for its Executive Officers which will automatically result in salary increases or awards based solely on the achievement of such targets or conditions. Rather, the Company attempts to make the total compensation paid to Executive Officers, the most senior members of the Company's management and its other employees reflective of the financial performance achieved by the Company and the individual divisions or units for which they work. In certain cases, employees' individual performance is subjectively evaluated and their incentive compensation is set at levels reasonably competitive with other companies in the insurance industry. In reaching compensation decisions, the Company does not measure each individual element of compensation against similar elements paid by other companies or its peer group, nor is any compensation element or the total compensation paid to any executive based solely on comparisons with those of other companies or their executives.

The Company's Board of Directors and Compensation Committee reviewed last year's shareholder vote concerning Executive Compensation and considered that vote when reviewing and determining compensation amounts and when making incentive awards for Executive Officers and other senior members of the Company's management for the current year. Further, that vote and future votes concerning Executive Compensation will be considered if any future changes in compensation programs occur.

The companies Old Republic selected as members of its peer group for 2012 are: Ace Limited, American Financial Group, Inc., The Chubb Corporation, Cincinnati Financial Corporation, First American Financial Corporation, MGIC Investment Corporation, Markel Corporation, Stewart Information Services Corporation, Travelers Companies, Inc. and XL Group Plc. A comparison of the aggregate stock performance of this peer group and Old Republic appears in the chart in Part II of the Company Annual Report on Form 10K.

Executive Performance Considered in Reaching Compensation Decisions

The Company rewards performance which the Compensation Committee believes will lead to both short-term and long-term success. The Committee evaluates the Company's CEO performance and compensation primarily in the context of the following factors.

- Vision and planning for the Company's future, principally on a long-term basis;
- Strategies established and implemented to realize these plans;
- Leadership qualities;
- Judgment in making decisions regarding plans and general management of the Company's affairs;
- Commitment to achieving goals, especially when faced with adversity;
- Ability in setting objectives and promoting the best interests of the Company's shareholders, the beneficiaries of its subsidiaries' insurance policies, and those of other stakeholders; and
- Adherence to high ethical standards that promote and protect the Company's good name and reputation.

No particular component is given any greater weight than another. Rather, each Compensation Committee member subjectively reviews these characteristics in the aggregate and exercises his or her best business judgment in reaching conclusions. The Committee evaluates the CEO's performance and compensation itself and the other Executive Officers' performance and compensation in consultation with the CEO and other members of the Office of the Chief Executive in the context of the above noted factors. The performance of non-policy-making senior members of the Company's management is likewise reviewed by the Committee in consultation with the CEO.

Elements of Compensation and the Factors and Rationale in Determining Compensation Amounts

The compensation paid by the Company to its CEO, other Executive Officers and senior members of the Company's management is usually composed of the following basic elements:

- Annual Salary;
- Incentive awards, including both cash and deferred amounts, based on earnings and return on equity achieved by the Company and its subsidiaries over multi-year periods and, in certain cases, bonuses based upon their individual performances;
- Stock option awards; and
- Miscellaneous other benefits such as pensions and health insurance programs.

The following table shows the segmented sources of Old Republic's pretax and post-tax operating income. The level and trends in earnings of such segments and their past and most recent contributions to the Company's growth in the shareholders' equity account are important considerations in the determination of cash and stock option incentive compensation for certain Executive Officers and other senior members of the Company's management.

	Segmented Operating Results (\$ in Millions)				
	2012	2011	2010	2009	2008
Pretax operating income (loss) (a):					
General insurance (c)	\$ 261.0	\$ 353.9	\$ 316.7	\$ 311.4	\$ 363.0
Title insurance	73.8	36.2	9.4	2.1	(46.3)
Corporate and other (b)	(2.7)	(14.6)	(2.8)	4.0	13.5
Subtotal	332.1	375.5	323.2	317.7	330.2
RFIG run-off business (c)	(508.6)	(727.8)	(404.8)	(597.7)	(663.0)
Total	(176.4)	(352.2)	(81.5)	(279.9)	(332.7)
Income taxes (credits) on operating income (loss)	(76.6)	(133.7)	(40.9)	(122.7)	(144.6)
Net operating income (loss) (a)	<u>\$ (99.7)</u>	<u>\$ (218.5)</u>	<u>\$ (40.6)</u>	<u>\$ (157.2)</u>	<u>\$ (188.1)</u>

- (a) Operating income is a non-GAAP reflection of the Company's business results inasmuch as it excludes investment gains or losses from sales of securities or impairments in the value of portfolio securities.
- (b) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, and a small life and accident insurance operation.
- (c) Certain 2008 to 2011 segment information for general insurance and RFIG run-off business has been reclassified to conform to the 2012 presentation. Such reclassification of segment results has no effect on the basic consolidated financial statements of the Company.

The following table shows the compensation summary for the Chairman of the Board and Chief Executive Officer, the Chief Financial Officer and the Executive Officers responsible for the operations of the Company and its major segments. Bonus and stock option awards for Messrs. Zucaro and Kellogg, and for Mr. Nard, for the period of July 1, 2010 to June 1, 2012, have been based to a significant degree on the Corporation's consolidated results; those of Messrs. Rager and Yeager were based primarily on the results of the General and Title Insurance segments, respectively; those for Mr. Nard, for the years other than 2010 and 2011, were based primarily on the mortgage guaranty operations. The compensation of Mr. Mueller, non-policy-making Executive Officers and the other senior members of the Company's management were based on a composite of Old Republic's segmented and consolidated results, as well as on subjective individual performance evaluations.

Summary Compensation Table

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Name and Principal Positions	Year	Salary	Bonus (1)	Value of Stock Option Awards (2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (3)	All Other (4) Compensation	Total (\$)
Aldo C. Zucaro	2012	\$ 810,000	\$ 155,197	\$ 89,654	\$ 224,997	\$ 13,544	\$ 1,293,392
Chairman and	2011	792,049	138,146	189,500	228,242	12,415	1,360,352
Chief Executive Officer	2010	776,146	237,780	-	195,168	22,003	1,231,097
	2009	776,146	40,748	-	183,129	22,577	1,022,600
	2008	776,146	37,513	-	50,547	16,320	880,526
Karl W. Mueller	2012	421,667	152,045	41,625	56,292	7,984	679,613
Senior Vice President and	2011	411,667	138,026	56,850	53,376	7,386	667,505
Chief Financial Officer	2010	400,000	183,000	31,325	37,677	6,797	658,799
	2009	385,000	113,446	13,116	24,886	7,216	543,664
	2008	370,833	103,724	38,000	15,876	7,807	536,240
James A. Kellogg	2012	491,539	57,000	44,827	200,148	16,892	810,406
Executive Vice Chairman	2011	485,000	68,342	94,750	230,096	19,768	897,956
	2010	472,400	118,374	-	194,119	26,538	811,431
	2009	476,034	18,821	-	156,585	23,031	674,471
	2008	472,400	18,273	-	79,904	20,246	590,823
Christopher S. Nard (5)	2012	513,333	53,950	44,827	-	18,803 (6)(7)	630,913
President and	2011	560,000	81,324	94,750	-	191,870 (6)(7)	927,944
Chief Executive Officer of	2010	475,000	81,201	76,970	-	864,922 (7)(8)	1,498,093
Republic Financial	2009	395,000	31,916	52,464	-	13,365 (7)	492,745
Insurance Group, Inc.	2008	375,333	31,209	152,000	-	17,106 (7)	575,648
R. Scott Rager (5)	2012	466,667	336,115	41,625	-	21,547	865,954
President and	2011	456,667	429,988	56,850	-	33,685	977,190
Chief Operating Officer -	2010	446,000	419,267	23,270	-	13,060	901,597
ORI & General Insurance	2009	433,667	386,152	8,744	-	5,364	833,927
	2008	420,000	498,629	57,000	-	5,364	980,993
Rande K. Yeager	2012	455,833	250,000	27,537	175,807	13,053	922,230
Senior Vice President -	2011	439,583	140,000	39,785	207,486	13,053	839,907
Title Insurance	2010	404,167	-	35,800	169,870	10,195	620,032
	2009	357,167	-	17,488	107,229	10,951	492,835
	2008	316,063	-	45,600	96,186	10,967	468,816

(1) In this table, the awards are attributed to the year on which the award was based, even though the award was granted in the following calendar year. The table includes the combined cash and deferred incentive compensation awards granted under the Company's performance recognition plans or similar plans maintained by subsidiaries of the Company. For Messrs. Rager and Yeager, the first \$25,000 of an award is paid in cash and the balance is split with 50% being paid in cash and the balance being deferred. The deferred amounts included in this column are usually not payable before the person retires at 55 years of age or later. The deferred amounts accrue interest for awards made in 2005 and subsequent. No incentive compensation awards were granted between 2008 and 2012 under the Company's Key Employee Performance Recognition Plan as this plan has been suspended due to poor consolidated results. However, certain subsidiary plans have remained in place and certain Executive Officers and other employees have been granted bonus awards based on segmented results or on the basis of a subjective evaluation of their individual performance. The bonus awards shown for Messrs. Mueller, Rager and Yeager represent such awards, and in the cases of Messrs. Mueller and Rager, the award includes interest on their deferred balances for prior years. For the years 2008 and 2009, Messrs. Zucaro, Kellogg and Nard were credited only with interest on their deferred balances; for 2010 to 2012, any of their other awards represent a subjectively determined bonus and interest on their deferred balances. No interest was accrued for Mr. Yeager since his earlier awards were paid 100% in cash.

(2) The value of options is calculated pursuant to the Black-Scholes model. The option values represent the estimated present value as of the date options were granted. Accordingly, the option awards included under this column were granted in the years shown and reflect, among other factors previously noted, an evaluation of earnings trends and returns on equity for prior years. The significant facts and assumptions incorporated in the Black-Scholes model used to estimate the value of the options include the following:

a) Options are issued with an exercise price equal to 100% of the per share value at the close of trading (the "Fair Market Value") of Common Stock on the business day immediately preceding the date of grant (the "Grant Date").

- b) The term of each option is 10 years (unless such terms are otherwise shortened or forfeited due to termination of employment) but it is assumed that these executives will hold these options for an average of 8 years.
 - c) Specific interest rates are used for valuing the awards. Such rates are predicated on the interest rate on U.S. Treasury securities on the date of grant with a maturity date corresponding to that of the expected option life.
 - d) A stock price volatility factor is utilized in valuing the option awards. This factor is calculated using daily stock prices for the period prior to the grant date corresponding with the expected option life.
 - e) Expected annual dividend yields ranging between 6.0% and 8.0% are used in the calculation of the awards.
- The ultimate value of the options will depend on the future market price of the Company's Common Stock which cannot be forecasted with reasonable accuracy. The actual value that an optionee may realize upon exercise of an option, if any, will depend on the excess of the market value over the exercise price on the date the option is exercised.
- (3) Represents the aggregate change in the actuarial present value of the accumulated benefits under all defined benefit and actuarial pension plans, including supplemental plans. The Company does not have any non-qualified deferred compensation plans that credit above market or preferential earnings to participants.
 - (4) Includes all minor amounts covering the Company's matching contribution to the Executive Officers' ESSOP accounts; the value of the Company's group term life insurance plan treated as income; the value of the personal use of any vehicle supplied for Company business; and the personal value of meals and club dues incurred for Company business.
 - (5) Mr. Nard served as President of the Company from July 1, 2010 to May 31, 2012. Mr. Rager became President of the Company effective June 1, 2012.
 - (6) Includes approximately \$11,194 in club dues paid in 2012, \$105,000 paid to Mr. Nard in 2011 for benefits accrued and due him upon his transfer from RMIC to the Company in 2010 and \$80,890 paid for club initiation dues incurred in 2011.
 - (7) Includes the vested interest accrued under the RMIC Profit Sharing Plan. No company contributions were made between 2008 and 2012. Also includes a minor amount attributed to a health program available to all RMIC employees prior to 2010.
 - (8) Includes \$500,000 paid in recognition of Mr. Nard's ascendancy to the position of ORI's President and the attendant requirement to relocate, grossed up by \$218,103 to cover federal and state income tax liability thereon, and \$139,617 in expenses paid to him in connection with his relocation to the Company's Chicago executive offices in 2010.

Annual Salary

The Company's objective for all of its employees is to set annual salaries at amounts which:

- Are reasonably competitive in the context of prevailing salary scales in the insurance industry; and
- Provide a fixed, reasonable source of annual income.

The primary factors which are considered in varying degrees when establishing annual salaries for certain Executive Officers and other senior members of the Company's management are:

- Business size and complexity of the operations with which the person is associated;
- The person's level of responsibility and experience; and
- The success of the business unit to which the person is assigned and the evaluation of his or her contribution to that success.

When making these evaluations, prevailing salary scales in the insurance industry, the annual consumer price index, trends in salary levels in published or private compilations and reports, and data contained in the proxy statements of publicly held insurance organizations are taken into account. No formula, set benchmark or matrix is used in determining annual salary adjustments. The decision regarding each Executive Officer is subjectively based upon all of the above factors, with the Compensation Committee members exercising their business judgment in consultation with the CEO, as to Executive Officers other than the CEO himself.

The salaries of the Executive Officers are reviewed on an annual basis during the first quarter of the year, and concurrently with a promotion or other significant change in responsibilities. Prior compensation, prior cash and/or deferred incentive awards, bonuses and prior gains from the exercise of stock options are not taken into account when setting current annual salaries for the CEO and other Executive Officers of the Company.

Incentive Awards and Bonuses

The Company uses incentive awards, comprised of cash and deferred amounts, as well as bonuses. Incentive awards and bonuses are intended to reward and retain eligible Executive Officers, other senior members of the Company's management and certain key employees. They are also intended to provide an opportunity and incentive to increase compensation based on management's and the Compensation Committee's review of their performance.

Performance Recognition Plans

Under the Company's Key Employee Performance Recognition Plan ("KEPRP"), prior to its suspension in 2007, a performance recognition pool had been calculated each year for allocation among eligible key employees of the Company and its participating subsidiaries, including the CEO, CFO, Executive Officers and other senior members of the Company's management. Employees eligible to share in this pool had been selected by the Compensation Committee in consultation with the CEO. The CEO recommended the total amount of the pool for participants in the plan and the Compensation Committee made the sole determination with regard to the total amount of the pool; and the award thereunder, if any, granted to the CEO. The Committee also approved the award recommendations for the CFO, the other Executive Officers and senior members of management based upon their performance and the CEO's recommendation. The eligibility and awards of other key employees was also approved by the Compensation Committee following the recommendations made by the CEO. All awards have been based on the positions and

responsibilities of the key employees, the perceived value of their accomplishments to the Company, their expected future contributions to Old Republic, and other relevant factors. The Compensation Committee's evaluation of all such factors has been subjective and based on the business judgment of its members.

Each year's pool amount took into account pre-established objectives approved by the Compensation Committee for return on equity and year-over-year growth in earnings. Calculation of the pool was made in accordance with a detailed formula affected by: (a) the eligible participating employees' annual salaries, (b) the current year's earnings in excess of the prior year's earnings (excluding income from realized investment gains or losses), multiplied by a factor determined by the increase in the Company's earnings per share, and (c) the latest year's return on equity in excess of a minimum target return on equity equal to two times the mean of the five-year average post-tax yield on 10-year and 20-year U.S. Treasury Securities. The pool was limited to a percentage of plan participants' aggregate annual base salaries, ranging from 10% to 150%, depending upon the amount by which the current year's actual return on equity exceeded the minimum target return on equity for the year. Up to 50% of any one year's pool amount was carried forward for up to three years for later allocation. There was no prescribed guarantee or limit as to how much of the year's available pool would be awarded to each participant.

Under the KEPRP as created, the first \$25,000 of any award, including any multiplier applied to a deferred balance, was paid in cash. For awards in excess of that amount, 50% of the excess was paid in cash and 50% was deferred. The deferred balance of the award vests at the rate of 10% per year of participation. The deferred balance, if any, is credited with interest at a rate approved annually by the Compensation Committee. Pursuant to the terms of the plan, participants become vested in their deferred account balances upon total and permanent disability, death, upon the earlier of attaining age 55 or being employed for 10 years after first becoming eligible or upon a change of control of the Company. Benefits are payable in a set number of equal installments, beginning no earlier than age 55, following termination of employment, death, disability, retirement or a change in control of the Company. Distributions for Executive Officers can begin no earlier than six months following their termination from service.

In addition to the KEPRP, the Company also maintains a number of separate plans for several individual subsidiaries, or segments of business. Such plans provide for the achievement of certain financial results and objectives as to each such entity. Each of these plans has operated in the same basic fashion as the Company's Plan. The award pools for each plan are also established according to detailed formulas that take into account the increases in earnings, returns on equity in excess of a minimum target percentage, and other factors pertinent to each operating entity. Each separate subsidiary's or operating center's plan has a similar cash and deferred element. Mr. Yeager's awards have been based on such a plan since 2011.

Incentive awards are typically granted annually during the first quarter of the year to eligible employees who are employed as of the award date. This follows the receipt of the independent registered public accounting firms' reports on the financial statements of the preceding year, and an evaluation of any pertinent and significant post balance sheet events and business trends.

The awards shown in the "Bonus" column of the preceding Summary Compensation Table were approved by the Compensation Committee. As a result of the substantial decline in the earnings between 2008 and 2012 of the Company's consolidated business and of Republic Financial Insurance Group's run-off Mortgage Guaranty business, in particular, no incentive awards were made under the KEPRP for those years. In light of current business and financial conditions, the Compensation Committee, in consultation with the Chairman and CEO, suspended the Company's KEPRP. However, certain purely subjective awards were made to policy-making Executive Officers responsible for the operations of the Company and its subsidiaries. The Compensation Committee also granted bonus awards to non-policy-making Executive Officers, senior members of the Company's management and other employees based upon a composite of the Company's segmented and consolidated results as well as those employees' individual performance evaluations. The manner of deciding who shall receive these bonuses and the amounts of such bonuses is the same as outlined in the first paragraph of this section.

The following table sets forth certain information regarding non-qualified deferred compensation awards made to the persons listed in the Summary Compensation Table and shows the pro forma balances of such accounts as of December 31, 2012. The individuals listed had no discretion as to whether they wished to defer any awards made to them by the Company and were not permitted to voluntarily make contributions of their own to the Company's KEPRP. The amounts shown as contributed to the named persons' accounts were based upon their performance for that year even though the award itself was made after year end following the receipt of the independent registered public accounting firm's reports on the financial statements of the Company, review of any significant post-balance sheet events, and their continued employment. Similarly, the amount earned on prior year balances and the aggregate balances for these persons are presented as of the date coincident with the calculation and the making of awards in mid-March 2013.

Nonqualified Deferred Compensation			
Name	Company's Contributions 2012	Aggregate Earnings 2012	Aggregate Deferred Balance as of December 31, 2012
Aldo C. Zucaro	-	\$35,197	\$6,730,438
Karl W. Mueller	-	12,045	503,005
James A. Kellogg	-	14,178	1,523,828
Christopher S. Nard	-	28,950	2,292,749
R. Scott Rager	\$137,500	36,115	2,548,893
Rande K. Yeager	112,500	-	141,250

Stock Option Awards

The Company believes that its CEO, Executive Officers, other senior members of the Company's management and other key employees who make a substantial contribution to long-term performance should have an equity interest in the Company. The Company's current Incentive Plan was approved by shareholders in 2006 and replaced a similar non-qualified stock option plan that had been in place for more than twenty-five years. Pursuant to the existing Plan, as amended, a set number of shares (originally 14,500,000) are available for award until the Incentive Plan terminates in 2016. At year end 2012, 11,769,498 shares were available for future awards pursuant to this Plan.

The objective of the Plan is to encourage:

- An alignment of stockholder and employee interests;
- Employee efforts to grow shareholder value; and
- A long-term commitment to the Company by participating employees.

Accordingly, stock option grants have not been limited solely to the CEO and Executive Officers but have been available to a number of Company employees. The factors considered when making stock option awards include:

- The achievements of the individual;
- The overall performance of the Company or, in certain cases, segmented results; and
- The anticipated contributions of the individual to the Company's future success.

No formula, set benchmark or matrix is used in determining stock option awards. The relative significance of the above factors with respect to awards granted to the CEO, other Executive Officers and all other employees is determined subjectively by the Compensation Committee taking into consideration the segmented and consolidated results of the Company, with each member using their business judgment, and following consultation with the CEO for awards other than his own. The aggregate number of option shares granted over the past three years to all employees, including the CEO, the Executive Officers of the Company and all senior members of the Company has been less than 0.5% of the then outstanding Common Stock of the Company.

Option awards are made once a year, usually during the first quarter following receipt of the independent registered public accounting firm's report on the financial statements for the preceding year. The Compensation Committee approves the total pool of option shares and the options granted to the CEO, the President, the other Executive Officers, and a number of the senior members of the Company's management and its subsidiaries. The options' exercise price is the fair market value of the Company's Common Stock on the Grant Date. When making these awards, the other sources of compensation for the participant, such as base salary and any other incentive awards, are taken into account so as to achieve a reasonable balance of cash and future income or value. The grant of options and their strike price are not linked to any Company action such as the release of earnings and have typically occurred during March of each year.

STOCK OPTION GRANTS AND EXERCISES

The following table sets forth certain information regarding options to purchase shares of Common Stock granted in 2012 to the Executive Officers listed in the Summary Compensation Table:

Stock Option Grants				
Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price Of Option Awards	Grant Date Fair Value of Option Award
Aldo C. Zucaro	3/21/12	70,000	\$10.80	\$89,654
Karl W. Mueller	3/21/12	32,500	10.80	41,625
James A. Kellogg	3/21/12	35,000	10.80	44,827
Christopher S. Nard	3/21/12	35,000	10.80	44,827
R. Scott Rager	3/21/12	32,500	10.80	41,625
Rande K. Yeager	3/21/12	21,500	10.80	27,537

The purchase price per share of Common Stock subject to an option was fixed by the Compensation Committee. Such purchase price was the fair market value of the Company's Common Stock on the Grant Date.

The term of each option was 10 years from the Grant Date. Options are exercisable in accordance with the following vesting schedule: 10% at the end of the year of grant, and thereafter, annually at the rates of 15%, 20%, 25% and 30% so that at the end of the 5th fiscal year after the grant they are 100% vested. If the optionee dies, retires in good standing after age 57, or becomes disabled, vesting acceleration occurs. In such cases and if a change in control of the Company occurs, vesting accelerates to the extent of the higher of 10% of the shares covered for each year of service by the optionee or the actual vested percentage plus 50% of the unvested remaining shares. All option shares granted prior to 2009 are now fully vested; however, none of these options are currently "in the money".

Exercises of Stock Options

None of the Executive Officers named in the Summary Compensation Table exercised any stock options during 2012.

Equity Compensation Plan Information

The following table sets forth certain information regarding securities authorized for issuance under equity compensation plans as of year-end 2012. The Company only has equity compensation plans that have been approved by the Company's shareholders.

Equity Compensation Plan Status as of Year End 2012			
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	14,293,149	\$ 16.75	11,769,498
Equity compensation plans not approved by security holders	-	-	-
Total	14,293,149	\$ 16.75	11,769,498

The following table sets forth information regarding the unexercised options held by the persons listed in the Summary Compensation Table. This table shows the option exercise price for each exercisable and unexercisable option held by each individual and the date upon which each option expires.

Outstanding Equity Awards at Year End 2012				
Name	Number of Securities		Option Exercise Price	Option Expiration Date
	Underlying Unexercised Options Exercisable	Underlying Unexercised Options Unexercisable		
Aldo C. Zucaro	346,875	-	\$ 14.37	03/19/13(*)
	346,875	-	19.32	03/09/14
	112,500	-	18.41	04/11/15
	280,000	-	21.48	05/26/16
	200,000	-	21.77	03/13/17
	25,000	75,000	12.33	03/23/21
	7,000	63,000	10.80	03/21/22
Karl W. Mueller	37,500	-	20.02	10/01/14
	12,500	-	18.41	04/11/15
	35,000	-	21.48	05/26/16
	38,000	-	21.77	03/13/17
	25,000	-	12.95	03/18/18
	10,500	4,500	10.48	03/25/19
	7,875	9,625	12.08	03/25/20
	7,500	22,500	12.33	03/23/21
	3,250	29,250	10.80	03/21/22
James A. Kellogg	9,375	-	14.37	03/19/13(*)
	25,000	-	19.32	03/09/14
	37,500	-	18.41	04/11/15
	60,000	-	21.48	05/26/16
	85,000	-	21.77	03/13/17
	12,500	37,500	12.33	03/23/21
	3,500	31,500	10.80	03/21/22
Christopher S. Nard	75,000	-	14.37	03/19/13(*)
	75,000	-	19.32	03/09/14
	53,125	-	18.41	04/11/15
	75,000	-	21.48	05/26/16
	60,000	-	21.77	03/13/17
	100,000	-	12.95	03/18/18
	42,000	18,000	10.48	03/25/19
	19,350	23,650	12.08	03/25/20
	12,500	37,500	12.33	03/23/21
	3,500	31,500	10.80	03/21/22
R. Scott Rager	27,500	-	19.32	03/09/14
	28,750	-	18.41	04/11/15
	47,000	-	21.48	05/26/16
	55,000	-	21.77	03/13/17
	37,500	-	12.95	03/18/18
	7,000	3,000	10.48	03/25/19
	5,850	7,150	12.08	03/25/20
	7,500	22,500	12.33	03/23/21
	3,250	29,250	10.80	03/21/22
Rande K. Yeager	18,750	-	19.32	03/09/14
	13,750	-	18.41	04/11/15
	15,000	-	21.48	05/26/16
	5,000	-	21.77	03/13/17
	30,000	-	12.95	03/18/18
	14,000	6,000	10.48	03/25/19
	9,000	11,000	12.08	03/25/20
	5,250	19,500	12.33	03/23/21
	2,150	19,350	10.80	03/21/22

(*) These options expired on March 19, 2013 without being exercised.

The following table sets forth a summary of all stock options that have been granted to Company employees, including those persons listed in the Summary Compensation Table, as of December 31, 2012. This table is intended to highlight that the compensation of employees, in the form of stock options, has suffered due to the decline in price of the Company's Common Stock since 2007. Note that the options granted prior to 2008 are currently "out of the money", and that the options granted in 2003 expired without value to the employees holding them on March 19, 2013.

Ranges of Exercise Prices	Year(s) Of Grant	Options Outstanding			Options Exercisable	
		Number Out- Standing	Weighted - Average		Number Exercisable	Weighted Average Exercise Price
			Remaining Contractual Life	Exercise Price		
\$14.37	2003 (a)	1,198,402	0.25	\$ 14.37	1,198,402	\$ 14.37
\$19.32 to \$20.02	2004	1,887,198	1.25	19.33	1,887,198	19.33
\$18.41 to \$20.87	2005	1,609,747	2.25	18.45	1,609,747	18.45
\$21.36 to \$22.35	2006	2,139,275	3.25	22.01	2,139,275	22.01
\$21.78 to \$23.16	2007	2,022,275	4.25	21.78	2,022,275	21.78
\$7.73 to \$12.95	2008	1,380,420	5.25	12.94	1,380,420	12.94
\$10.48	2009	910,043	6.25	10.48	646,856	10.48
\$12.08	2010	751,415	7.25	12.08	357,996	12.08
\$10.51 to \$36.36	2010 (b)	416,874	1.25	13.12	416,874	13.12
\$12.33	2011	1,003,000	8.25	12.33	277,731	12.33
\$10.80	2012	974,500	9.25	10.80	95,850	10.80
Total		14,293,149		\$ 16.75	12,032,624	\$ 17.74

(a) These options expired on March 19, 2013 without being exercised.

(b) Represents the replacement options issued pursuant to the PMA merger in October, 2010.

Pension Plans

The Company maintains the Old Republic International Corporation Salaried Employees Restated Retirement Plan ("ORI Employees Retirement Plan" or "Company Plan") for eligible employees and those of participating subsidiaries who had been employed through year end 2004. Persons whose employment commenced on or after January 1, 2005 are not eligible to participate in the Company Plan but may participate in the Company's 401(k) ESSOP. The Company Plan, which is noncontributory, provides for benefits based upon 1.5% of the participant's "Final Average Monthly Earnings" (1/60th of the aggregate earnings of the employee during the period of the five consecutive years of service out of the last ten consecutive years of service which results in the highest "Final Average Monthly Earnings") multiplied by the participant's years of service. Earnings include base salary and commissions, but exclude bonuses and cash and deferred incentive compensation awards granted under the Company's current Incentive Award Plan or KEPRP. Early retirement benefits are available under the Company Plan for persons who are eligible and elect to retire after attaining age 55 provided they have at least five years of vested service with the Company. In this case, early retirement benefits are adjusted based upon the participant's age at retirement. The adjustment begins at 50% of normal benefits at age 55. For participants age 55 to 60 the early retirement benefits increase by 3.33% per year. Between ages 60 and 65, they increase by 6.66% per year until they reach 100%. None of the Executive Officers listed in the Summary Compensation Table are currently eligible for early retirement benefits under the Company Plan.

The Company also maintains the Old Republic International Corporation Executives Excess Benefit Plan ("ORI Excess Benefit Plan") to provide certain key executives with pension benefits in excess of those provided by the Company Plan because of legal limitations that cap benefit payments. The ORI Excess Benefit Plan is administered by the Compensation Committee of the Board of Directors, which selected the employees to participate in this plan from those who are participants in the Company Plan. Mr. Zucaro is the only listed Executive Officer who qualified for participation under the ORI Excess Benefit Plan, as this plan was closed to any additional participants as of December 31, 2004.

Employees of the Old Republic National Title Group ("ORNTG") who had been employed through year end 2003 participate in the Old Republic National Title Group Pension Plan ("ORNTG Plan") instead of the Company Plan. The ORNTG Plan operates in the same basic fashion as the Company's Plan except that benefits are calculated differently. The monthly benefit is 1.20% of the participants Final Average Monthly Earnings up to the Social Security Integration Level, and 1.75% of the amount in excess of that level, times the participant's years of credited service limited to a maximum of 30 years. Early retirement benefits are available under the ORNTG Plan for persons who are eligible and elect to retire after attaining age 55 and completing 10 years of vesting service, or after attaining age 60. In the case of early retirement, benefits are reduced by .458% for each month preceding the participant attaining age 65. Mr. Yeager is eligible for early retirement benefits under the ORNTG Plan. Employees who joined ORNTG on or

after January 1, 2004 are ineligible to participate in the ORNTG's Plan but may be eligible to participate in the Company's 401(k) ESSOP.

Mr. Nard does not participate in the Company Plan, but participates in the Company's ESSOP. Likewise, Mr. Rager does not participate in the Company Plan, but participates in the Company's ESSOP.

The following table sets forth the present value of the estimated benefits payable to an employee:

Pension Benefits				
Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit (1)	Payments During Last Fiscal Year
Aldo C. Zucaro	ORI Employees Retirement Plan	35.4	\$1,954,595	-
	ORI Excess Benefit Plan	35.4	4,285,628	-
Karl W. Mueller	ORI Employees Retirement Plan	7.3	217,831	-
James A. Kellogg	ORI Employees Retirement Plan	35.8	1,490,381	-
Christopher S. Nard	None	-	-	-
R. Scott Rager	None	-	-	-
Rande K. Yeager	ORNTG Pension Plan	25.6	1,263,768	-

(1) The present value of accumulated benefits payable following assumed retirement is calculated using interest and mortality assumptions consistent with those used for financial reporting purposes with respect to the companies' audited financial statements. No discount is assumed for separation prior to retirement due to death, disability or termination of employment. The amount shown is based upon accrued service through year end 2012.

Employees Savings and Stock Ownership Plan

Under the Company's 401(k) qualified ESSOP, employees' savings, up to a maximum of 6%, are matched by employer contributions ranging from 20% to 140% of such savings in accordance with a formula based upon the percentages saved and the increase in the Company's average net operating earnings per share for the five years ending with the calendar year immediately prior to the year for which the contribution is made. The Company's matching contribution applies to annual compensation up to a maximum of \$150,000. Employees' contributions are invested, at the employees' direction, in a number of publicly-traded mutual funds, and employees may elect to purchase the Company's Common Stock as an investment option. Employer contributions are invested exclusively in the stock of the Company. Employees with three or more years of service as of the prior years' end may diversify the annual contribution of Company stock into alternative investments. Further, such employees may also diversify all of the prior contributions of Company stock, at any time. The alternative investment choices include a number of publicly-traded stock and bond mutual funds. Employees may also change their investments from the alternate investments permitted into investments in the Company's stock. However, the number of times an employee may change their investments into or out of the Company's stock is annually limited. A participant becomes vested in the account balance allocated from employer contributions upon being totally and permanently disabled, dying, or upon the earlier of attaining age 65 or being employed for 6 years. Vesting also occurs in increments of 20% a year, beginning after one year of service. Benefits are payable upon termination of service, death or disability, or following retirement and are subject to minimum distribution requirements set forth in Treasury regulations under the Internal Revenue Code. At the election of the participant, benefits derived from employer contributions are payable either in cash or the Company's Common Stock.

Mr. Nard participates in the Company's ESSOP as well as in the RMIC Profit Sharing Plan ("RMIC Plan"), a 401(k) qualified plan. However, he has not received nor made any contributions to the RMIC Plan since his position with the Company changed in 2010, but he does retain a balance in the RMIC Plan. The RMIC Plan covers substantially all employees of RMIC and its affiliates. Contributions to the plan are determined annually by RMIC's Board of Directors, and voluntary contributions of up to 10% of an individual's RMIC annual income are permitted. There were no contributions made by RMIC between 2008 and 2012 based upon RMIC's performance for that period. Employees' contributions are invested, at the employees' direction, in a number of publicly-traded mutual funds and employees may elect to purchase the Company's Common Stock as an investment option. RMIC Plan participants' interests, other than their voluntary contributions, vest in increments of 10% of contributed amounts beginning with 40% after one year and extending to 100% after seven years. Account balances are payable upon death or permanent disability. Normal retirement is at age 65 and the plan provides for early retirement at age 50 with ten years of service. Benefits upon retirement may be received as a monthly annuity, periodic cash payments, or in a lump-sum distribution, at the participant's election.

Mr. Rager participates in the Company's ESSOP as well as in the GWC Profit Sharing Plan ("GWC Plan"). However, he has not received nor made any contributions to the GWC Plan since joining the Company's Senior Management in late 2007, but he does retain a balance in the GWC Plan. The GWC Plan is a 401(k) qualified plan that covers substantially all employees of GWC and its affiliates. Under the terms of the Plan, employees may contribute up to 15% of their GWC pay on a pretax basis. Contributions are subject to an annual maximum which

increases annually to reflect changes in the cost of living. GWC matches 25% of the employees' first 6% of contributions and, at the discretion of GWC's Board of Directors, may make additional contributions as determined annually. Employees share in discretionary contributions on a proportional basis according to their earnings. Employees' contributions are invested, at the employees' direction, in a number of publicly-traded mutual funds and employees may elect to purchase the Company's Common Stock as an investment option. GWC Plan participants' interest vests in increments of 20% of the Company's contributions after two years of service and are 100% vested after six years of service. Benefits are payable upon normal retirement at age 65 and earlier upon death or permanent disability. Upon retirement, a participant may elect a lump sum distribution or a direct rollover into an Individual Retirement Account.

Other Benefits

The Company's philosophy on compensation does not encompass the disbursement of significant values by way of perquisites or personal benefits to its Executive Officers and other employees. Such benefits, as are in fact provided, include the personal value attributed to the use of Company-supplied automobiles, the personal value of club memberships, and the value of personal meals. The value of these benefits to the CEO, CFO and other listed Executive Officers are shown in the "All Other Compensation" column of the Summary Compensation Table shown elsewhere in this proxy statement. The Company and most of its subsidiaries provide other employment benefits that are generally available to most other employees and include: 401(k) and profit sharing plans based on each subsidiary's or operating unit's profitability; group life insurance plans; group health insurance plans; paid holidays and vacations.

ITEM 3 VOTE ON EXECUTIVE COMPENSATION

Background

The Company is committed to full disclosure concerning compensation, transparent corporate governance and the interest that shareholders have in knowing the compensation philosophy of the Company. At the Company's 2012 Shareholder Meeting, more than 98.5% of the shares voted to approve the Company's executive compensation. However, in accordance with the Company's desire to fully inform shareholders about the methods and amounts of executive compensation, and as prescribed by law and regulation, shareholders are again asked to endorse the Company's handling of these matters by adopting the following resolution that is commonly called a "Say-on-Pay" proposal.

The Board of Directors and the Compensation Committee, in particular, review the elements of Company compensation each year. Special attention is devoted to the compensation of the Executive Officers and other senior members of the Company's management. In general, the Company seeks to align executive compensation with shareholder value on an annual and long-term basis through a combination of base pay, annual incentives and long-term incentives. The Company believes that its history of long-term growth over the last several decades is, in part, a result of its compensation programs that encourage a longer-term pursuit of growth goals, rather than short-term results. A more detailed review of those programs and the awards made during 2012 to the Executive Officers of the Company are reported elsewhere in this proxy statement. The Board of Directors and Compensation Committee believe the Company's performance and executive compensation have been aligned and balanced with shareholder returns in recent years. Annual incentive or bonus compensation and stock option awards made to several Executive Officers and other senior members of management have been eliminated or reduced during several of those years in conformity with the Company's financial results. This vote is not intended to address any one specific element of compensation or the compensation paid to any one individual. Rather, the resolution concerns the overall philosophy, makeup and amounts of compensation paid to Executive Officers as a group.

2012 Executive Compensation Vote

At the Company's 2012 Annual Shareholder Meeting more than 98.5% of shares present voted to approve the Company's executive compensation for 2011. The Compensation Committee and Board of Directors considered this vote when it reviewed executive compensation for 2012.

Proposed Resolution

Resolved, that the shareholders of the Company approve the compensation policies, practices and procedures as set forth in the Compensation Discussion and Analysis section of this proxy statement for its Executive Officers for the year 2012.

Vote Required

This vote is advisory and is not binding upon the Board of Directors. The vote is intended to be a measure of the shareholders' overall approval of the handling of the Company's Executive Compensation matters. Therefore, the vote will not result in a change or clawback of any existing or future compensation of any individual. Nor will this vote necessarily result in a change in the elements or compensation programs of the Company, as those decisions remain vested in the Board of Directors. However, if the shareholders fail to give this proposal a favorable vote, the Board of Directors and Compensation Committee shall investigate the reasons the resolution did not receive a majority vote. Further, this vote will be taken into consideration when future changes are considered in the elements of compensation, when compensation programs are adopted or changed, and when compensation amounts or incentive awards are approved for Executive Officers and the other senior members of the Company's management. The results of this vote shall be disclosed in a filing made with the SEC shortly after the Annual Shareholders' Meeting and will be available for review on the Company's website, www.oldrepublic.com.

BOARD OF DIRECTORS' RECOMMENDATION

The Board of Directors recommends a vote FOR this proposal. Proxies solicited by the Board of Directors shall be voted in favor of this proposal unless shareholders specify to the contrary in their proxies.

OTHER INFORMATION

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's Executive Officers and directors, and persons who own more than ten percent of the Company's Common Stock, to file reports of ownership and changes in ownership with the SEC. Based solely on reports and other information submitted by Executive Officers, directors and such other persons required to file, the Company believes that during the year ended December 31, 2012 all reports required by Section 16(a) have been properly filed.

Change of Control, Severance or Retirement

None of the Executive Officers have employment contracts, and all are considered "at-will" employees of the Company. Further, the Company has no change of control or severance agreements such as "golden parachutes" in place for any of its Executive Officers. However, the benefit plans referred to above would be affected, in limited ways, by a change of control of the Company. Such an event would not result in additional compensation or benefits being paid to any Executive Officer or employee for the Company. Rather, the effect would be to accelerate the vesting of benefits under these plans and require the immediate payment of all deferred balances under the Company's Performance Recognition Plans.

The above notwithstanding, the Company and its Board of Directors retain the right to enter into employment contracts or institute "golden parachutes" and similar benefits for its Executive Officers and other key employees immediately, and at any time as circumstances may warrant, to protect the Company's business interests. There is no assurance, however, that any of the selected executives would agree to such contracts.

Financial Restatement

The Company has adopted a policy that if it is ever required to prepare an accounting restatement due to a material noncompliance with any financial reporting requirement under the securities laws, it will attempt, to the extent permitted by law, to recover or clawback the excess incentive-based compensation received by each current or former Executive Officer during the three years preceding the required restatement, over what, if any, incentive compensation such officers would have received based on the accounting restatement.

Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, places a limit of \$1,000,000 on the amount of compensation that the Company may deduct in any one year with respect to each of its five most highly paid Executive Officers. There is an exception to the \$1,000,000 limitation for performance-based compensation meeting certain requirements. Annual cash incentive compensation and stock option awards generally are performance-based compensation meeting those requirements and, as such, are fully deductible. In light of the above rule, the Company has not adopted any policy with respect to compensation in excess of \$1,000,000 being paid to Executive Officers.

Stock Ownership Guidelines

The Company encourages all of its employees to own Company stock directly or through employee benefit plans such as its 401(k) ESSOP. All of its Executive Officers and directors own shares of the Company's stock. The Table on page 3 shows the nature and amount of such holdings.

The Company has an equity ownership policy for its directors and senior officers. Pursuant to this policy, directors are required to acquire holdings in the Company's Common Stock with a value of at least \$250,000. This policy allows new directors three years during which to acquire such ownership, with the valuation of such stock based upon the greater of current market value attained at any point in time, or the original acquisition cost. All of the Company's directors currently hold in excess of this requirement. For the most senior officers of the Company, the recommended value of Common Stock ownership is based upon the following multiples of the officer's base salary:

CEO of the Company	6 times
President of the Company	4 times
Certain other senior officers of the Company and its subsidiaries	<u>1.5 times</u>

The value of all shares of Company Common Stock owned directly or held in employee benefit accounts by such officers, together with the value of deferred compensation accounts, are considered in meeting these objectives. Newly elected senior officers have five years to meet the pertinent requirement. Senior officers who are promoted to a position that suggests additional ownership of the Company's Common Stock have three years from such promotion to meet the applicable requirement.

This proxy statement is filed by order of the Board of Directors.

Spencer LeRoy III
Senior Vice President,
General Counsel, and
Secretary

Chicago, Illinois
April 15, 2013