



OLD REPUBLIC INTERNATIONAL CORPORATION

Managing for the long run

2007

*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. Its subsidiaries market, underwrite, and provide risk management services for a wide variety of coverages, predominantly in the general (property and liability), mortgage guaranty, and title insurance fields. The Company 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.

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 Old Republic'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 2007, the Company's total market return, with dividends reinvested, has grown at a compounded annual rate of 12.8 percent per share. For the same period, the total market return, with dividends reinvested, for the S&P 500 Index has grown at a 12.7 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 13.5 percent per share, and the regular cash dividend has grown at a 10.2 percent annual compound rate. According to the Winter 2008 edition of *Mergent's Dividend Achievers*, Old Republic is one of just 117 companies, out of 10,000-plus publicly held corporations, that have posted at least 25 consecutive years of annual dividend growth.

Managing for the Long Run.

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Old Republic International Corporation

Financial Highlights (\$ in Millions, Except Per Share Data)

Consolidated Data, Years Ended December 31:

	2007	2006	% Change
Total revenues	\$ 4,091.0	\$ 3,794.2	7.8%
Pretax income	378.4	680.1	-44.4
Net operating income: Total	226.7	452.4	-49.9
Per share-diluted .....	.97	1.94	-50.0
Net Income: Total	272.4	464.8	-41.4
Per share - diluted	1.17	1.99	-41.2
Operating cash flow	862.5	1,004.7	-14.2
Assets, December 31	13,290.6	12,612.2	5.4
Common shareholders' equity, December 31: Total	4,541.6	4,369.2	3.9
Per share	19.71	18.91	4.2
Cash dividends per share	\$.63	\$.59	6.8%

Segments of Business Results:

	Revenues			Pretax Income (Loss)		
Years Ended December 31:	2007	2006	% Change	2007	2006	%Change
General Insurance.....	\$ 2,438.0	\$ 2,138.7	14.0%	\$ 418.0	\$ 401.6	4.1%
Mortgage Guaranty	608.3	529.9	14.8	(110.4)	228.4	-148.3
Title Insurance.....	878.5	1,007.3	-12.8	(14.7)	31.0	-147.4
Corporate & Other.....	95.6	99.2	-3.6	15.1	-	N/M
Realized Gains.....	70.3	19.0	270.4	70.3	19.0	270.4
Consolidated	\$ 4,091.0	\$ 3,794.2	7.8%	\$ 378.4	\$ 680.1	-44.4%

Common Share Statistics

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Net operating income: Basic	\$.98	\$ 1.96	\$ 2.22	\$ 1.77	\$ 1.96	\$ 1.69	\$ 1.47	\$ 1.23	\$.85	\$ 1.12
Diluted .....	.97	1.94	2.19	1.75	1.95	1.68	1.46	1.22	.85	1.11
Net income: Basic	1.18	2.01	2.40	1.91	2.02	1.74	1.55	1.33	.94	1.26
Diluted	1.17	1.99	2.37	1.89	2.01	1.73	1.54	1.32	.94	1.24
Book value	19.71	18.91	17.53	16.94	15.65	13.96	12.48	11.00	9.59	9.21
Cash dividends paid (a) .....	.63	.59	1.31	.40	.89	.34	.31	.29	.26	.21
Closing price	\$ 15.41	\$23.28	\$21.01	\$20.24	\$20.29	\$14.93	\$14.93	\$17.06	\$ 7.27	\$12.00
Ratio of closing price to:										
Book value .....	.8x	1.2x	1.2x	1.2x	1.3x	1.1x	1.2x	1.6x	0.8x	1.3x
Net operating income - Diluted	15.9x	12.0x	9.6x	11.6x	10.4x	8.9x	10.2x	14.0x	8.5x	10.8x
Net return on beginning equity (b).....	6.2%	11.6%	14.3%	12.2%	14.6%	14.1%	14.2%	13.5%	9.8%	15.0%

(a) Special cash dividends of \$.800 and \$.534 per share were paid in December 2005 and 2003, respectively.

(b) Represents net income less preferred dividend requirements as a percentage of common shareholders' equity at the beginning of the year.

Old Republic International Corporation

SENIOR EXECUTIVE MANAGEMENT

Charles S. Boone
Senior Vice President -
Investments
and Treasurer

James A. Kellogg
President and Chief
Operating Officer

Spencer LeRoy III
Senior Vice President,
Secretary and
General Counsel

Karl W. Mueller
Senior Vice President
and Chief Financial
Officer

Christopher Nard
Senior Vice President -
Mortgage Guaranty;
President and Chief
Executive Officer - Republic
Mortgage Insurance
Companies

R. Scott Rager
Senior Vice President -
General Insurance
President and Chief
Operating Officer -
Old Republic General
Insurance Companies

Rande K. Yeager
Senior Vice President -
Title Insurance;
President and Chief
Executive Officer - Old
Republic
Title Insurance
Companies

Aldo C. Zucaro
Chairman of the
Board and
Chief Executive
Officer

BOARD OF DIRECTORS

Harrington Bischof
President
Pandora Capital
Corporation

Jimmy A. Dew
Vice Chairman
Republic Mortgage
Insurance Company

John M. Dixon
Partner (Retired)
Chapman and Cutler
Attorneys, Chicago, IL

Leo E. Knight, Jr.
Chairman and Chief
Executive Officer (Retired)
National City
Mortgage Company

John W. Popp
Partner (Retired)
KPMG LLP
Accountants

William A. Simpson
Chairman
Republic Mortgage
Insurance 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 Mieghem
Partner (Retired)
KPMG LLP
Accountants

Steven Walker
Partner (Retired)
Leland, Parachini, Steinberg,
Matzger & Melnick, LLP
Attorneys, San Francisco, CA

Aldo C. Zucaro
Chairman of the Board and
Chief Executive Officer

Director Emeritus
Wilbur S. Legg
(Director, Retired in 2007)
Former Partner of
Locke, Lord, Bissell & Liddell, LLP
Attorneys, Chicago

Letter To The Shareholders

2007... A Difficult Year

Last year's management letter ended with this outlook for 2007:

As we begin a new year, Old Republic's overall prospects are reasonably positive. Title insurance operating results in particular probably will remain under significant pressure due to the continuing down cycle in housing and related mortgage-lending markets. The remainder of our business, however, should reflect further overall earnings progress. Most of that increase should emerge from the investment side of operations which are apt to benefit from a greater invested asset base and the likelihood of a rising yield environment. ...

As matters turned out, consolidated net investment income made a strong contribution to the Company's bottom line. Our General Insurance Group posted very acceptable earnings in the face of a softening pricing environment for many of its products. Earnings progress, however, eluded Old Republic's Mortgage Guaranty line. Major economic dislocations in the housing and related mortgage lending industries, which emerged in full force around mid-year 2007, erased the relatively positive expectations we had for this important part of our business. Claim costs here rose significantly and pressured operating results to unprofitable levels for the first time in 19 years. Our Title Insurance line also experienced significant downward earnings pressure due to the same economic issues, but posted an operating loss of lesser magnitude.

As we write this letter early in 2008, those dislocations continue to concern us. The financial markets that provide important underpinnings to the housing and mortgage lending sectors remain in disarray, with little sign of imminent resolution. Longer term, however, we are secure in the knowledge that the nation's economic strength and Americans' attachment to the values of home ownership ultimately will lead to re-stabilized conditions.

Strong Balance Sheet

While Old Republic's consolidated operations did not meet our original expectations in 2007, they did reflect progress on several fronts. Here is what we saw in the balance sheet:

- Consolidated assets grew 5.4%, crossing the \$13 billion mark for the first time.
- Consolidated cash and invested assets, benefiting from operating cash flow of \$862.5 million for the year, rose 8.4% to \$8.9 billion, auguring well for future investment income growth.
- Consolidated claim reserves, excluding reinsurance credits, advanced 12.6% to \$6.2 billion, with more than half of the increase stemming from the mortgage guaranty line.
- Debt leverage remained extremely low, which kept capital management flexibility intact.
- Common shareholders' equity, however, increased by an historically low 3.9%, after taking into account cash dividend payments of \$145.4 million for the year. On a pershare basis, 2007's total return on equity—consisting of the sum of the year-over-year increase in book value and the cash dividend yield—was 7.5% compared with 11.3% in 2006.

A Number of Operational Advances

The cyclical issues that penalized last year's mortgage guaranty and title insurance lines notwithstanding, there were some notable achievements in operations:

- Net operating revenues, excluding above average realized investment gains, crossed the \$4 billion line for the first time in Old Republic's 84-year history.
- Net investment income from the Company's high-quality invested asset base rose by 11.2% to a new high of \$379.9 million.
- The consolidated underwriting ratio, slightly above breakeven at 101.5%, reflected the continuing benefits of our very diverse book of insurance coverages.
- The overall strength of our business, and its very fine prospects for long-term growth, enabled us to raise the annual cash dividend rate for the 26th consecutive year.

Old Republic's staying power reflects a business model designed to minimize risks by spreading them across insurance coverages, economic sectors, and asset classes. While the model has served us very well for long periods of time, the unusual stresses of the current market can test its structure. Our business has the ability to meet those tests.

Mixed Results for Operating Segments

In 2007, **Old Republic's General Insurance Group** provided the largest contribution to consolidated revenues and pretax income for the fourth consecutive year. Net premiums earned grew by 13.3%, exceeding \$2 billion for the first time. Most of the increase stemmed from premiums on a new book of contractors' liability insurance we acquired in late 2006. Premiums from all other sources combined were slightly higher, as a moderately declining rate environment for various liability insurance coverages made it more difficult to retain and attract new business.

General insurance underwriting performance remained quite positive in 2007, the sixth consecutive year of underwriting profitability. Among major coverages, only our consumer credit indemnity product—whose performance is usually affected by changes in credit conditions, consumers' spending habits, and employment levels—produced a higher claim ratio of any significance.

For all general insurance coverages combined, the claim ratio was 67.8% in 2007, almost the same as the average for the five prior years. Expense-wise, last year's ratio of 24.1% compared with an average of 25.4% for the same five-year period. In total, the composite ratio of claims and expenses aggregated 91.9% versus the 93.1% average registered in the five years ended in 2006. The composite underwriting ratio is the industry's most widely accepted indicator of underwriting success, and Old Republic usually outperforms industry on this score.

Premiums for **Old Republic's Mortgage Guaranty Group** rebounded throughout the year. This reflected higher persistency of business underwritten in prior years and greater production of traditional insurance products in 2007. Traditional primary insurance persistency improved to 77.6% from 73.1% at the end of 2006, and traditional new insurance written rose by 85.3% year-over-year.

An unprecedented cyclical downturn in housing and related mortgage finance markets contributed to much higher claim costs, however. These costs reflected a continuation of unfavorable loan default trends since 2006, and greater claim severity due to larger insured loan values. Opportunities to mitigate claim costs declined significantly in a market affected by higher mortgage foreclosures and inflated inventories of unsold homes. While the net paid loss ratio was 21.8% higher for all of 2007, much greater claim reserve provisions were required to address a deteriorating claims environment. At December 31, 2007, net claim reserves of \$644.9 million were 158.4% higher than they were 12 months earlier. While production and operating expenses continued to fall in 2007, the beneficial effect of this trend was blunted by the more severe impact of greater claim costs. As a consequence, the composite ratio of claims and expenses was materially unfavorable, reaching levels unseen in 20 years.

These factors notwithstanding, Old Republic's Mortgage Guaranty segment continued to register strong operating cash flows in 2007. This was aided by rising premium volume and paid loss growth lagging that of reserve-impacted incurred claim costs. The positive operating cash flows added to an already liquid invested asset base, and contributed to greater investment income for the year.

The **Old Republic Title Insurance Group** registered a moderate operating loss in 2007. Premium and fee revenues trended down throughout the year amid an intractable downturn in the housing and related mortgage lending industries. Direct title production facilities in the western United States were hit the hardest. In the year's final quarter, we took more aggressive steps to address the imbalance between revenues and operating costs here. The severance, lease termination, and other expenses that resulted, penalized fourth quarter 2007 pretax income by \$6.2 million. Together, these factors led to the highest annual title expense ratio sustained in the past 25 years and, while reasonably contained, to higher claim costs—which tend to increase during periods of serious economic dislocations.

Corporate and Other Operations, consisting of a small life and health business, and the net costs associated with the parent holding company and its corporate services subsidiaries, produced higher income contributions in 2007. Period-to-period variability in the results of these relatively minor elements of the Company's operations usually stems from these factors: 1) the volatility inherent in a small-scale life and health business, 2) fluctuations in the timing of expense recognition related to variables such as the costs of stock options, 3) interest on intercompany financing arrangements, and 4) expenses associated with a relatively small debt level.

Financial Strength for the Long Run

The insurance coverages provided to and the industries served by Old Republic's insurance companies do not respond uniformly to business cycles. In 2007, our results once again showed the value of a well diversified and balanced book of insurance risks. As the fortunes of our mortgage guaranty and title insurance lines waned over the past four years, our general and much smaller life and health businesses provided a strong anchor for the Company's earnings base.

Managing Old Republic's business for the long run takes into account the cyclical vagaries of the insurance industry and the economy in general. In this context, a consistently strong balance sheet is of paramount importance, and in 2007 we remained steadfast in this regard. We avoided illiquid and low quality fixed maturity securities and did not have to face any writedowns of their carrying value. In the stock portion of our investment portfolio, we recalibrated the mix of our holdings in favor of fewer issues, which we anticipate will provide greater total returns over the next several years.

Other assets were managed to assure their ultimate collectibility. We remained conservative in our estimates for reserves covering benefits and claims that will be paid in future years. The combination of lower earnings and the payment of higher cash dividends notwithstanding, shareholders' equity grew moderately and remained largely unaffected by intangible values such as goodwill.

Balance sheet leverage in the form of debt obligations was relatively minor at year end, giving us a great deal of flexibility in managing our capital structure. The independent financial ratings awarded to our key insurance companies and the Corporation continued at consistently high levels during the year.

Old Republic's Stock Market Valuation

Last year's markets were unforgiving in their valuations of most financial institutions' securities. Investors looked twice at any security associated with housing, mortgage lending, and securitizations—however remote the connections. In this climate, Old Republic's shares sold down to some of the lowest levels of the past decade. At the end of 2007, the Company's stock was quoted at a double-digit discount to book value for the first time since 1999. At that price, the annual cash dividend rate of \$.64 per share provided a yield of 4.15%.

In the second half of the year, the Company reacquired \$28.3 million worth of its stock through open market purchases at prices that were below book value. The repurchase program was quickly discontinued, however. In the year's fourth quarter, we concluded that newly emerging opportunities for expanding the business and the shareholders' account were good reasons to retain capital resources.

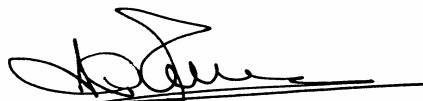
Outlook for Profitable Operations

As 2008 begins, the outlook for Old Republic's portfolio of insurance lines is mixed. Our title business should continue to experience some strains from weakened housing and related mortgage lending industries. Recent downward movements in interest rates, and the positive impact these could have on mortgage finance activity, however, could serve to improve the title segment's prospects earlier than anticipated. On the other hand, our mortgage guaranty line is expected to encounter strong headwinds well into 2009.

We currently believe that market dislocations affecting housing and mortgage lending will diminish very gradually, as supply and demand are rebalanced in the normal course of events. General insurance will likely remain a mainstay of our business for the foreseeable future. While the composite underwriting ratio will probably rise moderately in response to the recently softer pricing environment, overall operating results should remain quite profitable.

Our business model features a credibly strong capital base to sustain the weaker parts of our business and to advance the long-term competitive profitability of our 84-year old enterprise. As always, we are confident in the abilities of our associates and the intellectual capital they bring to the future of our business; these are important assets which ensure that Old Republic's opportunities will be maximized in any type of economic climate.

Respectfully submitted on behalf of the
Company and its Board of Directors,



Aldo C. Zucaro
Chairman and Chief Executive Officer

Chicago, Illinois
January 24, 2008

Old Republic International Corporation

Ten-Year Financial Summary

(All amounts, except common share data, are expressed in millions)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Financial Position										
Cash and Fixed										
Maturity Securities	\$ 7,900.3	\$ 7,397.9	\$ 6,675.3	\$ 6,405.9	\$ 5,745.8	\$ 5,126.3	\$ 4,721.6	\$ 4,438.3	\$ 4,327.7	\$ 4,506.8
Equity Securities	842.1	669.1	552.4	459.0	513.5	513.5	391.6	295.5	160.1	164.8
Other Invested Assets	181.6	163.7	166.3	155.2	143.3	136.8	136.3	127.3	113.1	96.3
Reinsurance Recoverable	2,259.3	2,231.3	2,167.2	1,846.5	1,723.8	1,529.2	1,415.3	1,386.5	1,374.8	1,324.2
Prepaid Federal Income Taxes	536.5	468.4	545.7	499.3	446.5	391.5	337.2	283.1	227.6	180.6
Sundry Assets	1,570.6	1,681.6	1,435.9	1,204.7	1,139.2	1,017.9	918.1	750.5	734.9	746.9
	\$13,290.6	\$12,612.2	\$11,543.2	\$10,570.8	\$ 9,712.3	\$ 8,715.4	\$ 7,920.2	\$ 7,281.4	\$ 6,938.4	\$ 7,019.7
Policy Liabilities	\$ 1,372.4	\$ 1,398.1	\$ 1,228.1	\$ 1,079.1	\$ 987.1	\$ 875.1	\$ 767.8	\$ 563.9	\$ 544.0	\$ 600.3
Benefit and Claim Reserves	6,231.1	5,534.7	4,939.8	4,403.5	4,022.7	3,676.8	3,451.0	3,389.5	3,433.7	3,406.5
Sundry Liabilities	1,145.4	1,310.2	1,351.0	1,222.5	1,148.7	1,007.4	917.2	888.5	761.3	707.3
Preferred Stock	-	-	-	-	-	-	.3	.7	.7	1.2
Common Shareholders' Equity	4,541.6	4,369.2	4,024.0	3,865.6	3,553.6	3,155.8	2,783.7	2,438.7	2,198.4	2,304.2
	\$13,290.6	\$12,612.2	\$11,543.2	\$10,570.8	\$ 9,712.3	\$ 8,715.4	\$ 7,920.2	\$ 7,281.4	\$ 6,938.4	\$ 7,019.7
Total Capitalization	\$ 4,605.7	\$ 4,513.5	\$ 4,166.7	\$ 4,008.6	\$ 3,691.3	\$ 3,297.4	\$ 2,943.1	\$ 2,677.4	\$ 2,407.5	\$ 2,450.6
Book Value Per Share (a)	\$ 19.71	\$ 18.91	\$ 17.53	\$ 16.94	\$ 15.65	\$ 13.96	\$ 12.48	\$ 11.00	\$ 9.59	\$ 9.21
Operating Results										
Net Premiums and Fees	\$ 3,601.2	\$ 3,400.5	\$ 3,386.9	\$ 3,116.1	\$ 2,936.0	\$ 2,423.9	\$ 2,029.5	\$ 1,736.8	\$ 1,781.7	\$ 1,810.6
Net Investment Income	379.9	341.6	310.1	290.8	279.2	272.6	274.7	273.9	263.2	273.1
Realized Gains	70.3	19.0	64.9	47.9	19.3	13.9	29.7	33.6	29.5	53.0
Other Income	39.4	33.0	43.9	36.7	51.2	45.8	39.4	26.1	27.5	34.9
Total Revenues	4,091.0	3,794.2	3,805.9	3,491.6	3,285.8	2,756.4	2,373.4	2,070.6	2,102.1	2,171.7
Benefits and Claims	2,166.2	1,539.6	1,465.4	1,307.9	1,112.8	974.8	860.5	761.2	833.0	782.1
Sales and General Expenses	1,546.3	1,574.3	1,593.0	1,532.7	1,493.2	1,220.8	1,006.2	880.7	949.3	920.1
Total Expenses	3,712.6	3,114.0	3,058.5	2,840.7	2,606.0	2,195.7	1,866.8	1,642.0	1,782.4	1,702.2
Revenues, Net of Expenses	378.4	680.1	747.3	650.9	679.7	560.7	506.6	428.6	319.7	469.4
Income Taxes	105.9	215.2	195.9	215.9	219.9	167.7	159.7	131.0	92.9	145.8
Net Income	\$ 272.4	\$ 464.8	\$ 551.4	\$ 435.0	\$ 459.8	\$ 392.9	\$ 346.9	\$ 297.5	\$ 226.8	\$ 323.7
Net Income Per Share:(a)										
Basic	\$ 1.18	\$ 2.01	\$ 2.40	\$ 1.91	\$ 2.02	\$ 1.74	\$ 1.56	\$ 1.33	\$.94	\$ 1.26
Diluted	\$ 1.17	\$ 1.99	\$ 2.37	\$ 1.89	\$ 2.01	\$ 1.73	\$ 1.54	\$ 1.32	\$.94	\$ 1.24
Operating Cash Flow (c)	\$ 862.5	\$ 1,004.7	\$ 833.6	\$ 775.5	\$ 665.3	\$ 583.8	\$ 436.1	\$ 254.9	\$ 198.0	\$ 234.6
Revenues By Operating Segment										
General Insurance	\$ 2,438.0	\$ 2,138.7	\$ 2,017.6	\$ 1,822.5	\$ 1,572.7	\$ 1,376.7	\$ 1,195.0	\$ 1,057.1	\$ 1,053.2	\$ 1,111.3
Mortgage Guaranty	608.3	529.9	516.0	489.9	498.6	467.1	436.0	395.3	355.9	348.3
Title Insurance	878.5	1,007.3	1,108.6	1,051.8	1,128.0	836.5	648.9	518.7	597.1	578.8
Corporate & Other (b)	95.6	99.2	98.6	79.3	66.9	62.0	63.6	65.6	66.2	80.1
Realized Gains	70.3	19.0	64.9	47.9	19.3	13.9	29.7	33.6	29.5	53.0
Total	\$ 4,091.0	\$ 3,794.2	\$ 3,805.9	\$ 3,491.6	\$ 3,285.8	\$ 2,756.4	\$ 2,373.4	\$ 2,070.6	\$ 2,102.1	\$ 2,171.7
Pretax Income (Loss) By Operating Segment										
General Insurance	\$ 418.0	\$ 401.6	\$ 350.0	\$ 333.0	\$ 258.9	\$ 182.1	\$ 141.5	\$ 117.6	\$ 70.1	\$ 192.4
Mortgage Guaranty	(110.4)	228.4	243.7	224.5	276.4	267.7	261.9	240.1	177.3	155.3
Title Insurance	(14.7)	31.0	88.7	62.5	129.6	97.6	75.0	40.2	44.0	64.4
Corporate & Other (b)	15.1	-	(.1)	(17.2)	(4.5)	(.7)	(1.5)	(3.0)	(1.3)	4.3
Realized Gains	70.3	19.0	64.9	47.9	19.3	13.9	29.7	33.6	29.5	53.0
Total	\$ 378.4	\$ 680.1	\$ 747.3	\$ 650.9	\$ 679.7	\$ 560.7	\$ 506.6	\$ 428.6	\$ 319.7	\$ 469.4

- (a) Retroactive adjustments have been made for all stock dividends and splits declared through December 31, 2007 and for consistent presentation of annual data.
- (b) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, and a small life and health insurance operation.
- (c) 2006 operating cash flow was enhanced by approximately \$198 million 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 million.

Old Republic International Corporation

Corporate and Shareholders' Information

Corporate Governance:

The financial statements and other information included in this 84th 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 five 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 auditors have 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 and external auditors, and the selection of the independent external auditors. The Board of Directors also has Nominating and Compensation Committees consisting solely of independent Directors, and a five member Executive Committee consisting of four independent Directors and the Chief Executive Officer.

During calendar year 2007, 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.

	Price Range of Common Stock	Cash Dividends		Price Range of Common Stock	Cash Dividends
1st Quarter '07	\$21.68 - \$23.51	\$.15	1st Quarter '06	\$20.72 - \$22.35	\$.14
2nd Quarter '07	21.06 - 22.38	.16	2nd Quarter '06	20.20 - 22.35	.15
3rd Quarter '07	17.70 - 21.73	.16	3rd Quarter '06	20.79 - 22.15	.15
4th Quarter '07	\$13.73 - \$19.46	\$.16	4th Quarter '06	\$22.04 - \$23.50	\$.15

Shareholder Purchase & Reinvestment Plan

The Corporation recently adopted a new Shareholder Purchase and Reinvestment Plan ("Plan"). All existing participants in the Corporation's former plan automatically became participants in the new Plan. 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 below.

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
161 North Concord Exchange
South St. Paul, Minnesota 55075

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 23, 2008 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, 2007 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 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 market 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, 2007, the last day of the registrant's most recently completed second fiscal quarter, was \$4,619,137,346.

The registrant had 230,472,231 shares of Common Stock outstanding as of February 1, 2008.

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 2008 Annual Meeting of Shareholders	III, Items 10, 11, 12, 13 and 14
Exhibits as specified in exhibit index (page 79)	IV, Item 15

There are 80 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 (property and liability insurance), Mortgage Guaranty, and Title Insurance Groups. 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 health 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 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 managed without regard to the arbitrary strictures of quarterly or even annual reporting periods that American industry must observe. In Old Republic's view, such short reporting time frames do not comport well with the long-term nature of much of its business. Management believes that the Company's operating results and financial condition can best be evaluated by observing underwriting and overall operating performance trends over succeeding five to ten year intervals. Such extended periods can encompass one or two economic and/or underwriting cycles, and thereby provide appropriate time frames for such cycles to run their course and for reserved claim costs to be quantified with greater finality and effect.

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 (1)

Net Revenues (2)	(\$ in Millions)		
Years Ended December 31:	2007	2006	2005
General	\$ 2,438.0	\$ 2,138.7	\$ 2,017.6
Mortgage Guaranty	608.3	529.9	516.0
Title	878.5	1,007.3	1,108.6
Corporate & Other – net (3)	131.4	127.1	122.5
Consolidated realized investment gains	70.3	19.0	64.9
Consolidation elimination adjustments	(35.8)	(27.9)	(23.9)
Consolidated	<u>\$ 4,091.0</u>	<u>\$ 3,794.2</u>	<u>\$ 3,805.9</u>

Income (Loss) Before Taxes	2007	2006	2005
Years Ended December 31:			
General	\$ 418.0	\$ 401.6	\$ 350.0
Mortgage Guaranty	(110.4)	228.4	243.7
Title	(14.7)	31.0	88.7
Corporate & Other – net (3)	15.1	-	(.1)
Consolidated realized investment gains	70.3	19.0	64.9
Consolidated	<u>\$ 378.4</u>	<u>\$ 680.1</u>	<u>\$ 747.3</u>

	Assets		Shareholders' Equity	
As of December 31:	2007	2006	2007	2006
General	\$ 9,769.9	\$ 9,363.5	\$ 2,536.7	\$ 2,312.8
Mortgage Guaranty	2,523.8	2,189.6	1,237.7	1,292.0
Title	770.4	772.7	334.9	362.3
Corporate & Other – net (3)	437.9	443.4	475.4	439.2
Consolidation elimination adjustments	(211.5)	(157.0)	(43.2)	(37.3)
Consolidated	<u>\$ 13,290.6</u>	<u>\$ 12,612.2</u>	<u>\$ 4,541.6</u>	<u>\$ 4,369.2</u>

- (1) 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.
- (2) Revenues consist of net premiums, fees, net investment and other income earned; realized investment gains are shown in total for all groups combined since the investment portfolio is managed as a whole.
- (3) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, and a small life and health insurance operation.

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, 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 five, are underwritten by Old Republic within this financial indemnity products classification.

Consumer Credit Indemnity ("CCI") (1950's): Policies provide limited indemnity to lenders and other financial intermediaries against the risk of non-payment of consumer loan balances by individual buyers and borrowers arising from unemployment, bankruptcy, and other failures to pay.

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 a primary 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 (1920'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 2007, production of commercial automobile direct insurance premiums accounted for approximately 29.7% of consolidated General Insurance Group direct premiums written, while workers' compensation and general liability direct premium production amounted to approximately 22.3% and 13.8%, respectively, of such consolidated totals.

Approximately 85% of general insurance premiums are produced through independent agency or brokerage channels, while the remaining 15% is obtained through direct production facilities.

Mortgage Guaranty Group

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 Group insures only first mortgage loans, primarily on residential properties incorporating one-to-four family dwelling units.

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 is 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 are 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 adheres to the underwriting guidelines published by the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") or the Federal National Mortgage Association ("FNMA" or "Fannie Mae"), purchasers of many of the loans the Company insures. Delegated underwriting programs allow approved lenders to commit the Company to insure loans provided they adhere to predetermined underwriting guidelines. In 2007, delegated underwriting approvals accounted for approximately 69% of the Company's new traditional primary risk written.

Bulk and other insurance is issued on groups of loans to mortgage banking customers through a centralized risk assessment and underwriting department. These groups of loans are priced in the aggregate, on a bid or negotiated basis. Coverage for insurance issued in this manner can be 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 loan documentation) than those designated as other insurance.

Before insuring any loans, the Company issues to each approved customer a master policy outlining the terms and conditions under which coverage will be provided. Primary business is 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 is issued covering the particular loans applicable to each transaction.

As to all types of mortgage insurance products, the amount of premium charge depends on 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 coverage 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.

Title Insurance Group

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, liens and encumbrances affecting the insured title and not excluded or excepted from the coverage of the policy. For the year ended December 31, 2007, 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 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 onetime 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 and services pertaining to real estate transfers and loan transactions.

Corporate and Other Operations

Corporate and other operations include the accounts of a small life and health 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 Company's small life and health business registered 2007 and 2006 net premium revenues of \$77.0 million and \$74.1 million, 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 \$16.5 million in 2007 and \$18.5 million in 2006, was terminated and placed in run off mode 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.

	(\$ in Millions)		
	Years Ended December 31,		
	2007	2006	2005
General Insurance Group:			
Overall Experience:			
Net Premiums Earned	\$ 2,155.1	\$ 1,902.1	\$ 1,805.2
Claim Ratio	67.4%	65.5%	66.6%
Policyholders' Dividend Benefit .....	.4	.4	.3
Expense Ratio	24.1	24.4	24.6
Composite Ratio	91.9%	90.3%	91.5%
Experience by Major Coverages:			
Commercial Automobile (Principally Trucking):			
Net Premiums Earned	\$ 752.4	\$ 752.4	\$ 706.8
Claim Ratio	73.9%	75.3%	66.8%
Workers' Compensation:			
Net Premiums Earned	\$ 505.6	\$ 412.8	\$ 396.5
Claim Ratio	69.7%	73.6%	78.2%
Policyholders' Dividend Benefit	1.2%	.9%	.7%
General Liability:			
Net Premiums Earned	\$ 168.1	\$ 96.2	\$ 96.8
Claim Ratio	59.8%	57.2%	97.1%
Three Above Coverages Combined:			
Net Premiums Earned	\$ 1,426.2	\$ 1,261.5	\$ 1,200.1
Claim Ratio	70.7%	73.4%	73.0%
Financial Indemnity: (1)			
Net Premiums Earned	\$ 298.0	\$ 209.4	\$ 186.3
Claim Ratio	69.6%	40.6%	48.9%
Inland Marine and CMP: (2)			
Net Premiums Earned	\$ 199.3	\$ 203.1	\$ 198.8
Claim Ratio	54.0%	54.0%	51.4%
Home and Automobile Warranty:			
Net Premiums Earned	\$ 129.8	\$ 133.1	\$ 124.8
Claim Ratio	62.9%	63.8%	59.3%
Other Coverages: (3)			
Net Premiums Earned	\$ 98.9	\$ 94.0	\$ 96.8
Claim Ratio	46.7%	43.8%	59.8%
Mortgage Guaranty Group:			
Net Premiums Earned	\$ 518.2	\$ 444.3	\$ 429.5
Claim Ratio	118.8%	42.8%	37.2%
Expense Ratio	17.7	22.5	22.4
Composite Ratio	136.5%	65.3%	59.6%
Title Insurance Group: (4)			
Net Premiums Earned	\$ 638.5	\$ 733.6	\$ 757.2
Combined Net Premiums & Fees Earned	\$ 850.7	\$ 980.0	\$ 1,081.8
Claim Ratio	6.6%	5.9%	6.0%
Expense Ratio	98.1	93.6	88.2
Composite Ratio	104.7%	99.5%	94.2%
All Coverages Consolidated:			
Net Premiums & Fees Earned	\$ 3,601.2	\$ 3,400.5	\$ 3,386.9
Claim and Benefit Ratio	60.2%	45.3%	43.3%
Expense Ratio	41.3	44.7	45.2
Composite Ratio	101.5%	90.0%	88.5%

Any necessary reclassifications of prior year data are reflected in the above table to conform to current presentation.

(1) Consists principally of fidelity, surety, consumer credit indemnity, executive indemnity (directors & officers and errors & omissions), and guaranteed asset protection (GAP) coverages.

(2) Consists principally of inland marine and commercial multi-peril ("CMP") coverages.

(3) Consists principally of aviation and travel accident coverages.

(4) Title claim, expense, and composite ratios are calculated on the basis of combined net premiums and fees earned.

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. The Company can therefore experience period-to-period volatility in the underwriting results for individual coverages as demonstrated in the above table. As a result of the Company's basic underwriting focus in the management of its business, it has attempted to dampen this volatility and thus ensure a higher degree of overall underwriting stability by diversifying the coverages it offers and 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 general insurance claims ratio reflects reasonably consistent trends for all reporting periods. This major cost factor reflects largely pricing and risk selection improvements that have been applied since 2001, together with elements of reduced loss severity and frequency. General Insurance Group loss ratios for workers' compensation and liability insurance coverages in particular 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. The Company generally underwrites concurrently workers' compensation, commercial automobile (liability and physical damage), and general liability insurance coverages for a large number of customers. Accordingly, an evaluation of trends in premiums, claims and dividend ratios for these individual coverages should be considered in the light of such a concurrent underwriting approach. With respect to commercial automobile coverages, higher claims ratios experienced during the past three years are primarily due to greater claim frequency. Better results in workers' compensation in 2007 and 2006 have been due to improved pricing in general as well as stronger growth of business subject to captive reinsurance, retrospective premium, or self-insured deductible programs that are intended to produce lower net loss ratios. The claims ratio for a relatively small book of general liability coverages has tended to be highly volatile, usually rising due to the impact of higher claims emergence and greater than anticipated severity, mostly from legacy asbestos and environmental claims exposures. The higher claim ratio for financial indemnity coverages in 2007 was driven principally by greater claim frequencies experienced in Old Republic's consumer credit indemnity coverage.

Mortgage guaranty claim ratios have continued to rise in recent years, reflecting modestly higher paid claims, but more significantly, higher reserve provisions necessitated by increasing numbers of loans in default with higher loan balances and the expectation that claim frequency and severity will increase in response to the downturn in housing and related mortgage finance markets over the past year.

The title insurance claim ratio has been in the low single digits in each of the past several years due to favorable trends in claims frequency and severity for business underwritten in the past fifteen years or so. The Company's title business experienced further reductions in premium and fee revenues amid a continuing downturn in the housing and related mortgage lending industries resulting in an increased composite ratio for 2007.

The consolidated claims, 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, 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 \$148.5 million, \$151.0 million and \$138.3 million, as of December 31, 2007, 2006 and 2005, 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 anticipated and now final regulations have increased, though the volume of new claim reports has abated in recent years. 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 as yet 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. In recent times, 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, 2007, 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, 2007, Old Republic's aggregate indemnity and loss adjustment expense reserves specifically identified with A&E exposures amounted to approximately \$190.5 million gross, and \$158.1 million net of reinsurance. Based on average annual claims payments during the five most recent calendar years, such reserves represented 7.7 years (gross) and 10.7 years (net of reinsurance) of average annual claims payments. 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, 2007, incurred A&E claim and related loss settlement costs have averaged 2.8% 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 1997 through 2007. In reviewing this 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-ends 1998 to 2002 and the reduced levels of redundancies shown for year-end 1997, pertain 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).

(\$ in Millions)											
(a) As of December 31:	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
(b) Liability(1) for unpaid claims and claim adjustment expenses(2):	\$ 3,175	\$ 2,924	\$ 2,414	\$ 2,182	\$ 1,964	\$ 1,802	\$ 1,678	\$ 1,661	\$ 1,699	\$ 1,742	\$ 1,846
(c) Paid (cumulative) as of (3):											
One year later	- %	23.2%	14.6%	24.8%	24.6%	23.6%	23.5%	23.4%	22.3%	22.6%	21.2%
Two years later	-	-	30.0	33.1	39.1	38.8	37.6	37.3	37.0	35.8	35.2
Three years later	-	-	-	43.5	44.3	48.6	48.0	46.5	46.2	45.1	43.1
Four years later	-	-	-	-	50.8	51.4	54.4	53.2	52.4	51.2	49.7
Five years later	-	-	-	-	-	55.8	55.6	58.1	57.3	55.9	54.2
Six years later	-	-	-	-	-	-	59.0	58.2	61.3	59.9	57.9
Seven years later	-	-	-	-	-	-	-	61.1	60.9	63.4	61.5
Eight years later	-	-	-	-	-	-	-	-	63.4	62.7	64.8
Nine years later	-	-	-	-	-	-	-	-	-	65.0	64.0
Ten years later	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	66.2%
(d) Liability reestimated (i.e., cumulative payments plus reestimated ending liability) As of (4):											
One year later	- %	96.2%	95.2%	97.6%	97.2%	98.6%	99.6%	97.3%	96.1%	96.2%	93.3%
Two years later	-	-	92.3	94.8	97.0	98.2	101.3	98.1	94.9	93.3	89.2
Three years later	-	-	-	93.3	95.6	99.7	102.7	100.1	96.5	93.0	87.0
Four years later	-	-	-	-	95.7	100.4	105.8	102.2	98.0	95.1	87.1
Five years later	-	-	-	-	-	100.6	106.7	105.6	100.7	96.5	89.2
Six years later	-	-	-	-	-	-	107.3	106.9	104.2	99.4	90.6
Seven years later	-	-	-	-	-	-	-	107.5	105.4	103.0	93.6
Eight years later	-	-	-	-	-	-	-	-	106.1	104.1	97.0
Nine years later	-	-	-	-	-	-	-	-	-	104.7	98.0
Ten years later	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	98.6%
(e) Redundancy (deficiency)(5) for each year-end at (a):	- %	3.8%	7.7%	6.7%	4.3%	-0.6%	-7.3%	-7.5%	-6.1%	-4.7%	1.4%
Average redundancy (deficiency) for all year-ends at (a):	0.5%										

(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).

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:

	(\$ in Millions)										
	Years Ended December 31,										
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
(a) Beginning net reserves	\$ 2,924	\$ 2,414	\$ 2,182	\$ 1,964	\$ 1,802	\$ 1,678	\$ 1,661	\$ 1,699	\$ 1,742	\$ 1,846	\$ 1,829
<u>Incurred claims and claim expenses:</u>											
(b) Current year provision	1,490	1,295	1,191	1,070	893	814	749	690	734	728	713
(c) Change in prior years' provision ...	(110)	(116)	(52)	(55)	(25)	(7)	(44)	(66)	(66)	(123)	(105)
(d) Total incurred	1,379	1,179	1,138	1,014	868	807	704	623	668	604	608
<u>Claim payments on:</u>											
(e) Current years' events	476	342	402	332	277	260	269	258	298	322	275
(f) Prior years' events	652	326	504	463	428	423	418	402	412	385	316
(g) Total payments	1,128	668	907	796	706	683	687	661	710	708	591
(h) Ending net reserves (a + d - g)	3,175	2,924	2,414	2,182	1,964	1,802	1,678	1,661	1,699	1,742	1,846
(i) Unallocated loss adjustment expense reserves	103	97	92	87	83	78	76	73	71	73	73
(j) Reinsurance recoverable on claims reserves	1,976	1,929	1,894	1,632	1,515	1,363	1,261	1,235	1,238	1,190	1,232
(k) Gross claims reserves (h + i + j) ...	\$ 5,256	\$ 4,951	\$ 4,401	\$ 3,902	\$ 3,562	\$ 3,244	\$ 3,016	\$ 2,969	\$ 3,009	\$ 3,005	\$ 3,151

(b) Investments. In common with other insurance organizations, Old Republic invests most funds provided by operations in income-producing investment securities. All 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. Old Republic's investment policies are 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.

For many years, Old Republic's investment policy has been to acquire and retain primarily investment grade, publicly traded, fixed maturity securities. Accordingly, the Company's exposure to so-called "junk bonds", illiquid private equity investments, real estate, mortgage loans, mortgage-backed securities, collateralized debt obligations ("CDO's"), and derivatives is immaterial or non-existent. In a similar vein, the Company does not invest in securities whose values are predicated on non-regulated financial instruments exhibiting amorphous counter-party risk attributes. 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, 2007 and \$4.0 million of such investments at December 31, 2006.

The Company's investment policies are not designed to maximize or emphasize the realization of investment gains. The status and market 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. In management's opinion, the Company's high quality and diversified portfolio, which consists largely of publicly traded securities, has been a basic reason for the absence of major impairment provisions in the periods reported upon. The combination of gains and losses on sales of securities and such provisions or write-downs 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. Substantially all of the Company's invested assets as of December 31, 2007 have been classified as "available for sale" pursuant to the existing investment policy.

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,

	2007	2006
Available for Sale		
Fixed Maturity Securities:		
U.S. & Canadian Governments	\$ 723.0	\$ 714.7
Tax-Exempt.....	2,354.5	2,229.5
Utilities	987.8	923.8
Corporate	3,318.2	2,964.4
	<u>7,383.6</u>	<u>6,832.6</u>
Equity Securities.....	842.1	669.1
Short-term Investments	462.6	493.6
Miscellaneous Investments	64.7	52.7
Total available for sale	<u>8,753.1</u>	<u>8,048.1</u>
Other Investments	8.1	7.9
Total Investments	<u>\$ 8,761.2</u>	<u>\$ 8,056.1</u>

Sources of Consolidated Investment Income

(\$ in Millions)

Years Ended December 31,

	2007	2006	2005
Fixed Maturity Securities:			
Taxable Interest	\$ 247.7	\$ 222.5	\$ 219.4
Tax-Exempt Interest	85.2	75.5	64.7
	<u>332.9</u>	<u>298.0</u>	<u>284.1</u>
Equity Securities Dividends	16.1	13.9	9.4
Other Investment Income:			
Interest on Short-term Investments	28.2	26.6	15.9
Sundry.....	6.4	6.5	5.4
	<u>34.6</u>	<u>33.1</u>	<u>21.3</u>
Gross Investment Income	383.8	345.1	315.0
Less: Investment Expenses (1)	3.8	3.5	4.9
Net Investment Income	<u>\$ 379.9</u>	<u>\$ 341.6</u>	<u>\$ 310.1</u>

(1) Investment expenses consist primarily of personnel costs, investment management and custody service fees, and interest incurred on funds held of \$1.1 million, \$1.0 million, and \$.7 million for the years ended December 31, 2007, 2006, and 2005 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, \$7.3 billion and \$6.8 billion at December 31, 2007 and 2006, respectively, represented approximately 56% and 54%, respectively, of consolidated assets, and 84% and 83%, respectively, of consolidated liabilities as of such dates.

Credit Quality Ratings of Fixed Maturity Securities (1)

	December 31,	December 31,
	2007	2006
	(% of total portfolio)	
Aaa.....	32.9%	32.9%
Aa.....	17.0	19.0
A.....	27.9	26.4
Baa.....	20.2	20.1
Total investment grade	98.0	98.4
All others (2).....	2.0	1.6
Total	<u>100.0%</u>	<u>100.0%</u>

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

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

Age Distribution of Fixed Maturity Securities

	December 31,	
	2007	2006
	(% of total portfolio)	
Maturity Ranges:		
Due in one year or less	11.7%	9.6%
Due after one year through five years	46.8	44.4
Due after five years through ten years	41.1	45.6
Due after ten years through fifteen years .....	.4	.4
Due after fifteen years	-	-
	100.0%	100.0%
Average Maturity in Years	4.4	4.5

(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 2007.

Traditional primary mortgage insurance is marketed primarily through a direct sales force which calls on mortgage bankers, brokers, commercial banks, savings institutions and other mortgage originators. No sales commissions or other forms of remuneration are paid to the lending institutions or others for the procurement or development of business. The Mortgage Guaranty segment's ten largest customers were responsible for 49.5%, 39.7%, and 44.2% of traditional primary new insurance written in 2007, 2006, and 2005, respectively. The largest single customer accounted for 9.8% of traditional primary new insurance written in 2007 compared to 8.8% and 11.5% in 2006 and 2005, respectively.

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 241 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 2007, 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.

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.

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; mortgage insurance subsidiaries are licensed in 50 states and the District of Columbia; title insurance operations are licensed to do business in 50 states, the District of Columbia, Puerto Rico and Guam. 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

	2007	2006	2005
United States:			
Northeast	10.1%	8.4%	9.2%
Mid-Atlantic	8.6	8.8	9.5
Southeast	20.6	21.1	19.8
Southwest	12.2	12.8	11.8
East North Central	12.3	13.3	13.3
West North Central	12.4	13.0	12.7
Mountain	8.2	8.1	7.7
Western	13.0	11.8	13.4
Foreign (Principally Canada)	2.6	2.7	2.6
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(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.

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 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 : \$1.8 million for workers' compensation; \$1.8 million for commercial auto liability; \$1.8 million for general liability; \$5.6 million for executive protection (directors & officers and errors & omissions); \$1.0 million for aviation; and \$1.0 million for property coverages. Roughly 53% 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 net primary

mortgage guaranty exposure is approximately (in whole dollars) \$35,300. Title insurance risk assumptions are currently limited to a maximum of \$100.0 million as to any one policy. The vast majority of title policies issued, however, carry exposures of \$1.0 million or less.

Due to worldwide reinsurance capacity and related cost constraints, effective January 1, 2002, the Company began retaining exposures for all, but most predominantly workers' compensation liability insurance coverages in excess of \$40.0 million that were previously assumed by unaffiliated reinsurers for up to \$100.0 million. Effective January 1, 2003, reinsurance ceded limits were raised once again to the \$100.0 million level, and as of January 1, 2005, they were further increased to \$200.0 million. 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 in the event a catastrophe, such as caused by an earthquake, lead to the death or injury of a large number of employees 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 such as the Company thereby 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 owners 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, but the reinsurance market has not displayed a widespread willingness to accept such risks. To date, coverage for acts of terrorism are excluded from substantially all the Company's reinsurance treaties and are effectively retained by it subject to any recovery that would be collected under the temporary federal reinsurance program.

(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. 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. For certain types of coverages, including loan credit indemnity and mortgage guaranty insurance, the Company also competes in varying degrees with the Federal Housing Administration ("FHA") and the Veterans Administration ("VA"). In these regards, the Company's insurance subsidiaries compete with the FHA and VA by offering different coverages and by establishing different requirements relative to such factors as interest rates, closing costs, and loan processing charges. 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, the Company'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 FNMA and the FHLMC sometimes also referred to as Government Sponsored Enterprises ("GSE's") have various qualifying requirements for private mortgage guaranty insurers which write mortgage insurance on loans ac-

quired by the FNMA and FHLMC from mortgage lenders. These requirements call for compliance with the applicable laws and regulations of the insurer's domiciliary state and those states in which it conducts business and maintenance of contingency reserves in accordance with applicable state laws. The requirements also contain guidelines pertaining to captive reinsurance transactions. The GSE's also place additional restrictions on qualified insurers who fail to maintain the equivalent of a AA financial strength rating from at least two nationally recognized statistical rating agencies.

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 meet or exceed these requirements, which vary from state to state.

(g) Employees. As of December 31, 2007, Old Republic employed approximately 5,700 persons on a full time basis. A majority of eligible full time employees participate in various pension 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 material or relative to which it has no present knowledge, 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. Its principal 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 ability of the insurance subsidiaries to declare and pay dividends is subject to regulations under state laws that limit dividends based on the amount of their adjusted unassigned surplus, and require them 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 debt service and cash dividends on stock, as well as other cash requirements of the Company could result in liquidity issues for Old Republic.

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 market value of fixed-maturity investments and 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 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 liquidity risk that may adversely affect its financial condition or operating results.

Risk Factors Common to All Subsidiaries

Excessive Losses and Loss Expenses

Although the Company's three major 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 incurred, but not yet reported 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 and expectations of future trends in claims frequency, severity, interest rates and other considerations which in turn are affected by a large variety of factors over which insurers have little or no control. Reserve estimates are periodically reviewed in light of known developments and, where necessary, 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 claims 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 and may require time to correct. Inadequate premiums, much like excessive losses, if material, can adversely affect 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 the Company to meet its obligations at a point in time.

Regulatory Environment

The Company's insurance businesses are subject to extensive governmental regulation in all of the state and similar jurisdictions 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, 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, financial services regulation, changes in the Internal Revenue Code and other legislation. All of these regulations raise the costs of conducting an insurance business through increased compliance expenses. Furthermore, as existing regulations evolve through administrative and court interpretations, and as new regulations are adopted, there can be no way of predicting what impact these changes will have on the Company's businesses in the future, and the impact could adversely affect the Company's profitability and limit its growth.

Competition

Each of the Company's lines of insurance business is highly competitive and is likely to remain so for the foreseeable future. Moreover, existing competitors and the capital markets have brought an influx of capital and newly-organized entrants into the industry in recent years, and changes in laws have allowed 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, reduce its growth, reduce its profitability and generally adversely affect its results of operations and financial condition.

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 negatively impact their ability to compete for new business and retain existing business and, as a result, adversely affect their results of operations 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 be adverse to the Company's business, results of operations and financial condition.

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 writes, 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.

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 the 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 second largest line of insurance written within the Company. The frequency and severity of claims under, 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 uses 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 obligations represent credit risks inherent in reinsurance transactions. The Company addresses these risks by limiting its reinsurance to those reinsurers it considers the best credit risks. In recent years, however, there has been an ever-decreasing number of reinsurers considered to be acceptable risks by the Company.

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 reinsurers the Company finds acceptable, there is a risk that too much reinsurance risk may become concentrated in too few reinsurers. Each of these results could adversely affect the Company's business, results of operations and financial condition.

Insureds as Credit Risks

A significant amount of the Company'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 material 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.

Mortgage Guaranty Group

Housing and Mortgage Lending Markets

Any significant development which adversely affects the housing and related mortgage lending markets could be a risk factor for the Company's mortgage insurance subsidiaries. Rising mortgage interest rates, falling home prices, excessive housing supplies, negative employment trends, and unfavorable trends in the general health of the national or regional economies are all factors which may produce lower mortgage loan origination volumes that could result in a decline of new business and/or an increase in mortgage defaults, all of which could in turn lead to an increase in claims.

On the other hand, low interest rates and rising home prices can also be risk factors inasmuch as they can threaten persistency of coverage. Declining rates or rising home prices can encourage mortgage refinance activity. When a mortgage loan insured by the Company is refinanced, there is a risk the lender will replace the Company's coverage with coverage written by another mortgage insurer or, alternatively, that coverage may no longer be necessary in the event that price appreciation of the property has served to reduce the loan-to-value ratio below 80%. Each of these factors, if significant enough, could have a materially adverse affect on the business, results of operations and financial condition of the Company's mortgage guaranty subsidiaries.

Competition

Competition is always a risk factor and comes not only from the six other mortgage insurers which comprise the industry, but also from government-sponsored enterprises ("GSE"), such as Fannie Mae and Freddie Mac, and the insured mortgage lenders themselves. The market for private mortgage insurance exists primarily as a result of restrictions within the federal charters of the GSEs which require an acceptable form of credit enhancement on loans purchased by the GSEs that have loan to value (LTV) ratios in excess of 80%. These institutions establish the levels of required coverage, the underwriting standards for the loans they will purchase and the loss mitigation efforts that must be followed on insured loans. Changes in any of these respects can result in a reduction of the Mortgage Guaranty Group's business or an increase in its claim costs.

Lender consolidation has resulted in fewer lenders originating a greater share of all mortgage loans. In 2007, 53% of all mortgage loans were purchased or originated by the top 5 nationwide lenders. Consequently, mortgage insurance business is increasingly becoming controlled by a small number of nationwide mortgage lenders, some of which have reduced the number of mortgage insurers they do business with, thus increasing competition among the insurers.

Increasingly, mortgage lenders have organized their own captive reinsurers as a means of extending their business to the underwriting of mortgage guaranty risks. Through such captives they provide excess of loss, and in some cases, quota share reinsurance protection to the mortgage guaranty insurers such as the Company's subsidiaries in this segment. This involvement is a competitive risk factor inasmuch as it reduces the amount of business that the Company could otherwise retain. In February 2008, Freddie Mac announced limitations on the percentage of risk that can be ceded to captive reinsurers by its approved private mortgage insurers. This limitation is effective for new risk written subsequent to June 1, 2008. Consequently, over time the Company's Mortgage Guaranty Group will likely increase its net retention on the loans it insures.

Other competitive risk factors faced by the Company's Mortgage Guaranty Group stem from certain credit enhancement alternatives to private mortgage insurance. These include:

- the use of so-called piggy-back or 80-10-10 type mortgage loan extensions whose effect is to eliminate the need for mortgage guaranty insurance by structuring the mortgage note as an 80% loan-to-value first mortgage;
- the retention of mortgage loans on an uninsured basis in the lender's portfolio of assets;
- the use of alternative mortgage insurance programs such as those afforded by the Federal Housing and Veterans Administrations; and
- capital markets utilizing alternative credit enhancements.

Litigation and Regulation

The possibly adverse effect of litigation and regulation are ever present risk factors. Captive reinsurance and other risk-participating structures with mortgage lenders have been challenged in recent years as potential violations of the Real Estate Settlement Procedures Act ("RESPA"). From time to time, the U. S. Department of Housing and Urban Development has considered adopting RESPA regulations which would have adversely impacted mortgage insurance by requiring that the premiums be combined with all other settlement service charges in a single package fee. Adverse litigation or regulatory developments could have a materially adverse effect on the Company's mortgage guaranty business, results of operations and financial condition.

Title Insurance Group

Housing and Mortgage Lending Markets

The fortunes of title insurance are even more directly tied to the level of real estate activity than are those of mortgage insurance. The principal risk factor for title insurance is a decline in residential real estate activity. The major factors that can impact real estate activity adversely include:

- high or rising mortgage interest rates;
- high or rising unemployment;
- any downturn in a regional or the national economy, any reduction in the availability or affordability of housing, as well as, any precipitous decline in housing prices;
- any reduction in mortgage refinancing activity; and
- any reduction in the availability of mortgage funding.

A significant adverse development among any of these risk factors could have a materially adverse effect on the Company's title insurance business, results of operations and financial condition.

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 five title insurance companies account for about 93% 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 almost always competition among the major companies for key employees, especially those who are engaged in the production side of the business.

Regulation and Litigation

Regulation is also a risk factor for title insurers. The title insurance industry has recently been, and continues to be, under intense regulatory scrutiny in a number of states with respect to pricing practices, and possible 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.

As with the Company's other business segments, litigation poses a risk factor. Recent litigation in a number of states seeks class certification in actions against a number of title insurers alleging violations of rate applications in those states with respect to title insurance issued in certain mortgage refinancing transactions.

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.

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, 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 65% is occupied by the Old Republic National Title Insurance Company. The remainder of the building is leased to others. Nine 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, 2007 was \$38.9 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 arise in the normal course of business and usually pertain to claim matters related to insurance policies and contracts issued by its insurance subsidiaries. Other legal proceedings are discussed below.

Purported class action lawsuits are pending against the Company's principal title insurance subsidiary, Old Republic National Title Insurance Company ("ORNTIC") in state and federal courts in Connecticut, New Jersey, Ohio, Pennsylvania and Texas. The plaintiffs allege that, pursuant to rate schedules filed by ORNTIC or by state rating bureaus with the state insurance regulators, ORNTIC was required to, but failed to give consumers reissue and/or refinance credits on the premiums charged for title insurance covering mortgage refinancing transactions. Substantially similar lawsuits are also pending against other unaffiliated title insurance companies in these and other states as well. The actions seek damages and declaratory and injunctive relief. ORNTIC intends to defend vigorously against the actions but, at this stage in the litigation, the Company cannot estimate the ultimate costs it may incur as the actions proceed to their conclusions.

During the fourth quarter of 2007, purported class action lawsuits were filed against two of the Company's title agency subsidiaries, Old Republic Title & Escrow, Ltd. and Old Republic Title Company, in the Superior Court of Washington, King County, and the U.S. District Court for the Northern District of California, respectively. The action in Washington alleges that the Company's subsidiary overcharged customers for escrow-related fees and did not

disclose to customers that it would keep interest or credits or benefits in lieu of interest on money deposited into escrow. The action in California is brought by and on behalf of Hispanic home buyers in Monterey County against various real estate developers, brokers, mortgage brokers, mortgage lenders, mortgage loan servicers, as well as the Company's title agency subsidiary, and alleges that the title agency failed to provide adequate disclosures to protect the buyers from the abusive sales and predatory lending practices of the other defendants. Both actions seek damages, declaratory and injunctive relief. The Company's subsidiaries intend to defend vigorously against both actions and are unable at this early stage in the litigation to estimate the costs they may incur in defending these actions to their conclusions.

Item 4 - Submission of Matters to a Vote of Security Holders

None.

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 closing 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:

		Closing Price		Cash
		High	Low	Dividends
1st quarter	2006	\$ 22.35	\$ 20.72	\$.14
2nd quarter	2006	22.35	20.20	.15
3rd quarter	2006	22.15	20.79	.15
4th quarter	2006	<u>\$ 23.50</u>	<u>\$ 22.04</u>	<u>\$.15</u>
1st quarter	2007	\$ 23.51	\$ 21.68	\$.15
2nd quarter	2007	22.38	21.06	.16
3rd quarter	2007	21.73	17.70	.16
4th quarter	2007	<u>\$ 19.46</u>	<u>\$ 13.73</u>	<u>\$.16</u>

As of January 31, 2008, there were 2,831 registered holders of the Company's Common Stock. See Note 3(b) 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. Closing prices have been restated, as necessary, to reflect all stock dividends and splits declared through December 31, 2007.

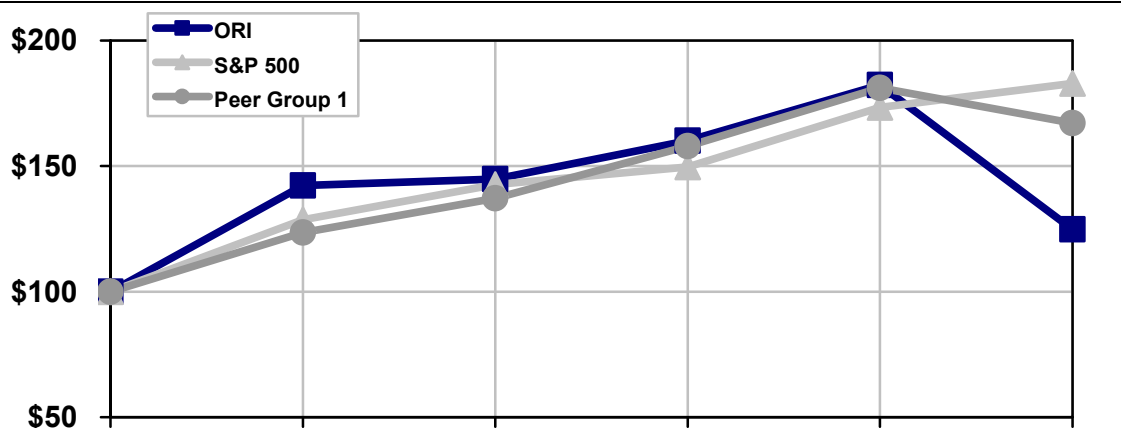
The Company reacquired 1,566,100 shares of its common stock during 2007 for \$28.3 million, or \$18.13 per share.

Comparative Five-Year Performance Graphs for Common Stock

The following tables, 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, 2007. 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. In each instance the cumulative total return assumes reinvestment of cash dividends on a pretax basis.

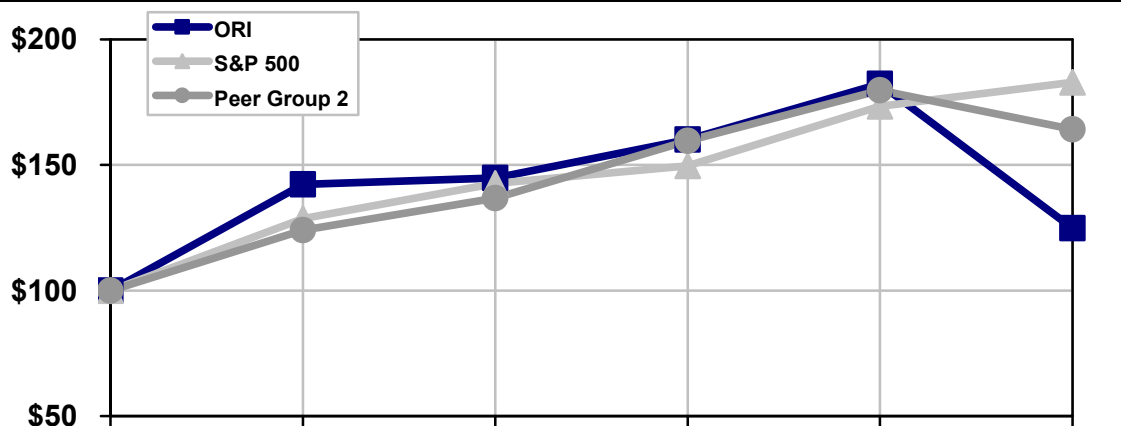
The information utilized to prepare the following tables has been obtained from sources believed to be reliable, but no representation is made that it is accurate or complete in all respects.

**Comparison of Five Year Total Market Return
OLD REPUBLIC INTERNATIONAL CORPORATION vs. S&P 500 vs. Peer Group 1
(For the five years ended December 31, 2007)**



	Dec 02	Dec 03	Dec 04	Dec 05	Dec 06	Dec 07
ORI	\$100.00	\$142.30	\$144.88	\$160.12	\$182.28	\$124.75
S&P 500	100.00	128.68	142.69	149.70	173.34	182.86
Peer Group 1	100.00	123.50	137.22	157.90	181.12	167.06

**Comparison of Five Year Total Market Return
OLD REPUBLIC INTERNATIONAL CORPORATION vs. S&P 500 vs. Peer Group 2
(For the five years ended December 31, 2007)**



	Dec 02	Dec 03	Dec 04	Dec 05	Dec 06	Dec 07
ORI	\$100.00	\$142.30	\$144.88	\$160.12	\$182.28	\$124.75
S&P 500	100.00	128.68	142.69	149.70	173.34	182.86
Peer Group 2	100.00	124.08	136.79	159.57	179.72	164.14

Peer Group 1 consists of the following publicly held corporations selected by the Company for its 2002 to 2007 comparison: Ace Limited, American Financial Group, Inc., The Chubb Corporation, Cincinnati Financial Corporation, First American Corporation, LandAmerica Financial Group, MGIC Investment Corporation, Markel Corporation, PMI Group Inc., SAFECO Corporation, St. Paul Travelers Companies, Inc., and XL Capital Ltd. Peer Group 2 is comprised of the same companies as in Peer Group 1 except for two companies: PMI Group Inc. replaced Radian Group, and Markel Corporation replaced Ohio Casualty Corporation following the latter's acquisition by another insurer, resulting in the absence of Ohio Casualty Corporations' effect on the December 2007 Peer Group 2 data. 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,				
	2007	2006	2005	2004	2003
FINANCIAL POSITION:					
Cash and Invested Assets (1)	\$ 8,924.0	\$ 8,230.8	\$ 7,394.1	\$ 7,020.2	\$ 6,402.6
Other Assets	4,366.5	4,381.4	4,149.0	3,550.6	3,309.6
Total Assets	<u>\$ 13,290.6</u>	<u>\$ 12,612.2</u>	<u>\$ 11,543.2</u>	<u>\$ 10,570.8</u>	<u>\$ 9,712.3</u>
Liabilities, Other than Debt	\$ 8,684.9	\$ 8,098.6	\$ 7,376.4	\$ 6,562.1	\$ 6,020.9
Debt	64.1	144.3	142.7	143.0	137.7
Total Liabilities	<u>8,749.0</u>	<u>8,243.0</u>	<u>7,519.1</u>	<u>6,705.1</u>	<u>6,158.6</u>
Preferred Stock	-	-	-	-	-
Common Shareholders' Equity	4,541.6	4,369.2	4,024.0	3,865.6	3,553.6
Total Liabilities and Shareholders' Equity	<u>\$ 13,290.6</u>	<u>\$ 12,612.2</u>	<u>\$ 11,543.2</u>	<u>\$ 10,570.8</u>	<u>\$ 9,712.3</u>
Total Capitalization (2)	<u>\$ 4,605.7</u>	<u>\$ 4,513.5</u>	<u>\$ 4,166.7</u>	<u>\$ 4,008.6</u>	<u>\$ 3,691.3</u>

	Years Ended December 31,				
	2007	2006	2005	2004	2003
RESULTS OF OPERATIONS:					
Net Premiums and Fees Earned	\$ 3,601.2	\$ 3,400.5	\$ 3,386.9	\$ 3,116.1	\$ 2,936.0
Net Investment and Other Income	419.3	374.6	354.0	327.5	330.5
Realized Investment Gains	70.3	19.0	64.9	47.9	19.3
Net Revenues	<u>4,091.0</u>	<u>3,794.2</u>	<u>3,805.9</u>	<u>3,491.6</u>	<u>3,285.8</u>
Benefits, Claims, and Settlement Expenses	2,166.2	1,539.6	1,465.4	1,307.9	1,112.8
Underwriting and Other Expenses	<u>1,546.3</u>	<u>1,574.3</u>	<u>1,593.0</u>	<u>1,532.7</u>	<u>1,493.2</u>
Pretax Income	<u>378.4</u>	<u>680.1</u>	<u>747.3</u>	<u>650.9</u>	<u>679.7</u>
Income Taxes	105.9	215.2	195.9	215.9	219.9
Net Income	<u>\$ 272.4</u>	<u>\$ 464.8</u>	<u>\$ 551.4</u>	<u>\$ 435.0</u>	<u>\$ 459.8</u>

COMMON SHARE DATA: (3)

Net Income:					
Basic(4)	\$ 1.18	\$ 2.01	\$ 2.40	\$ 1.91	\$ 2.02
Diluted	<u>\$ 1.17</u>	<u>\$ 1.99</u>	<u>\$ 2.37</u>	<u>\$ 1.89</u>	<u>\$ 2.01</u>
Dividends:					
Cash - Regular	\$.630	\$.590	\$.512	\$.402	\$.356
- Special	-	-	.800	-	.534
- Total	<u>\$.630</u>	<u>\$.590</u>	<u>\$ 1.312</u>	<u>\$.402</u>	<u>\$.890</u>
Stock	<u>-%</u>	<u>-%</u>	<u>25%</u>	<u>-%</u>	<u>50%</u>
Book Value	<u>\$ 19.71</u>	<u>\$ 18.91</u>	<u>\$ 17.53</u>	<u>\$ 16.94</u>	<u>\$ 15.65</u>
Common Shares (thousands):					
Outstanding	<u>230,472</u>	<u>231,047</u>	<u>229,575</u>	<u>228,204</u>	<u>227,007</u>
Average: Basic	<u>231,370</u>	<u>231,017</u>	<u>229,487</u>	<u>228,177</u>	<u>226,936</u>
Diluted	<u>232,912</u>	<u>233,034</u>	<u>232,108</u>	<u>230,759</u>	<u>229,128</u>

(1) Consists of cash, investments and accrued investment income.

(2) Total capitalization consists of debt, preferred stock, and common shareholders' equity.

(3) All per share statistics herein have been restated to reflect all stock dividends or splits declared through December 31, 2007.

(4) Calculated after deduction of minor amounts of preferred stock cash dividends.

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), Mortgage Guaranty, and Title insurance segments. A small life and health insurance business, accounting for 2.1% of both consolidated revenues for the year ended December 31, 2007 and consolidated assets as of December 31, 2007, is included within the corporate and other caption of this report. The consolidated accounts are presented on the basis of generally accepted accounting principles ("GAAP"). This management analysis should be read in conjunction with the consolidated financial statements and the footnotes appended to them.

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

In light of the above factors, the Company's affairs are managed without regard to the arbitrary strictures of quarterly or even annual reporting periods that American industry must observe. In Old Republic's view, such short reporting time frames do not comport well with the long-term nature of much of its business. Management believes that the Company's operating results and financial condition can best be evaluated by observing underwriting and overall operating performance trends over succeeding five to ten year intervals. Such extended periods can encompass one or two economic and/or underwriting cycles, and thereby provide appropriate time frames for such cycles to run their course and for reserved claim costs to be quantified with greater finality and effect.

EXECUTIVE SUMMARY

Old Republic's latest consolidated operating results, which exclude realized investment gains, were affected adversely by a continuation of difficult economic environments in the housing and mortgage lending industries. The Company's mortgage guaranty insurance line bore the brunt of these difficulties, posting a substantial 2007 operating loss for both the fourth quarter and full year. The title insurance segment was similarly affected although the operating loss it produced was of lesser magnitude. The combination of these adverse outcomes was offset to a significant degree by the favorable operating performance of the Company's general insurance business.

Consolidated net income benefited from the inclusion of greater realized investment gains for both the final quarter and twelve months ended December 31, 2007. During 2007's fourth quarter, a significant portion of Old Republic's indexed stock portfolio was sold at a gain. The proceeds were redirected to a more concentrated, select list of common stocks expected to provide greater long term total returns.

Consolidated Results – The major components of Old Republic's consolidated results were as follows for the periods being reported on:

Years Ended December 31,	2007	2006	2005
Operating revenues:			
General insurance	\$ 2,438.0	\$ 2,138.7	\$ 2,017.6
Mortgage guaranty	608.3	529.9	516.0
Title insurance	878.5	1,007.3	1,108.6
Corporate and other	95.6	99.2	98.6
Total	<u>\$ 4,020.6</u>	<u>\$ 3,775.2</u>	<u>\$ 3,741.0</u>
Pretax operating income (loss):			
General insurance	\$ 418.0	\$ 401.6	\$ 350.0
Mortgage guaranty	(110.4)	228.4	243.7
Title insurance	(14.7)	31.0	88.7
Corporate and other	15.1	-	(.1)
Sub-total	<u>308.0</u>	<u>661.1</u>	<u>682.4</u>
Realized investment gains (losses):			
From sales	70.3	19.0	74.1
From impairments	-	-	(9.2)
Net realized investment gains	<u>70.3</u>	<u>19.0</u>	<u>64.9</u>
Consolidated pretax income	<u>378.4</u>	<u>680.1</u>	<u>747.3</u>
Income taxes	<u>105.9</u>	<u>215.2</u>	<u>195.9</u>
Net income	<u>\$ 272.4</u>	<u>\$ 464.8</u>	<u>\$ 551.4</u>
Consolidated underwriting ratio:			
Benefits and claims ratio	60.2%	45.3%	43.3%
Expense ratio	41.3	44.7	45.2
Composite ratio	<u>101.5%</u>	<u>90.0%</u>	<u>88.5%</u>
Components of diluted net income per share:			
Net operating income:			
Before non-recurring income tax benefit	\$.97	\$ 1.94	\$ 1.99
2005 non-recurring income tax benefit	-	-	.20
Total	<u>.97</u>	<u>1.94</u>	<u>2.19</u>
Net realized investment gains	<u>.20</u>	<u>.05</u>	<u>.18</u>
Net income	<u>\$ 1.17</u>	<u>\$ 1.99</u>	<u>\$ 2.37</u>

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

The recognition of realized investment gains or losses can be highly discretionary and arbitrary due to such factors as the timing of individual securities sales, recognition of estimated losses from write-downs for impaired securities, tax-planning considerations, and changes in investment management judgments relative to the direction of securities markets or the future prospects of individual investees or industry sectors. Likewise, non-recurring items which may emerge from time to time, can distort the comparability of the Company's results from period to period. Accordingly, management uses net operating income, a non-GAAP financial measure, to evaluate and better explain operating performance, and believes its use enhances an understanding of Old Republic's basic business results.

General Insurance Results – Favorable year-over-year earnings comparisons for the Company's General Insurance Group resulted from positive underwriting performance and continued growth of net investment income. Key indicators of that performance follow:

	General Insurance Group		
Years Ended December 31,	2007	2006	2005
Net premiums earned.....	\$ 2,155.1	\$ 1,902.1	\$ 1,805.2
Net investment income.....	260.8	221.5	197.0
Pretax operating income	<u>\$ 418.0</u>	<u>\$ 401.6</u>	<u>\$ 350.0</u>
Benefits and claims ratio	67.8%	65.9%	66.9%
Expense ratio	24.1	24.4	24.6
Composite ratio	<u>91.9%</u>	<u>90.3%</u>	<u>91.5%</u>

Increases in general insurance premiums for 2007 stemmed mainly from a new book of contractors' liability insurance acquired in late 2006. Premiums from all other sources combined were slightly higher, as a moderately declining rate environment for various liability insurance coverages made it more difficult to retain and attract new business.

The 2007 benefits and claims ratio of 67.8 percent was slightly higher than 2006's, and nearly equal to the average of 67.7 percent registered in the preceding five years. This basic stability reflects the ongoing benefits of Old Republic's widely diversified book of general insurance coverages. The expense ratio of 24.1 percent for 2007 compared favorably with the preceding five years' average of 25.4 percent, and remained aligned with premium revenue levels. In combination, the 2007 composite ratio of claim costs and expenses, the most widely accepted indicator of underwriting performance in the industry, continued at a favorable level for the sixth consecutive year.

General Insurance Group net investment income growth for 2007 and 2006 was aided by positive operating cash flow that led to a greater invested asset base, and by slightly higher investment yields.

Mortgage Guaranty Results – The advance in claim costs which began in earnest in the third quarter of 2006, accelerated at a much faster pace by mid-year 2007. Incurred claims rose to almost 179 percent of fourth quarter 2007 earned premiums, and to nearly 119 percent of such premiums for the entire year. These costs outpaced a substantial increase in premium revenues and pressured operating results to unprofitable levels for the first time in 19 years. Key indicators of this cyclical reversal in the profitability of Old Republic's second largest business segment are shown below.

	Mortgage Guaranty Group		
Years Ended December 31,	2007	2006	2005
Net premiums earned.....	\$ 518.2	\$ 444.3	\$ 429.5
Net investment income.....	79.0	74.3	70.1
Pretax operating income (loss)	<u>\$ (110.4)</u>	<u>\$ 228.4</u>	<u>\$ 243.7</u>
Claims ratio	118.8%	42.8%	37.2%
Expense ratio	17.7	22.5	22.4
Composite ratio	<u>136.5%</u>	<u>65.3%</u>	<u>59.6%</u>

Mortgage Guaranty premiums rebounded throughout 2007 due to higher persistency of business underwritten in prior years, and greater production of traditional insurance products in 2007. Persistency of traditional primary insurance improved to 77.6 percent as of year end 2007 from 73.1 percent at the end of 2006, and traditional new insurance written rose by 85.3 percent year-over-year. As noted above, however, an unprecedented cyclical downturn in housing and related mortgage finance markets contributed to much higher claim costs. Such costs reflect a continuation of unfavorable loan default trends since 2006, and greater claim severity due to larger insured loan values. Opportunities to mitigate such costs have been reduced significantly in a market affected by higher mortgage foreclosures and inflated inventories of unsold homes. While the net paid loss ratio was 21.8 percent higher for all of 2007, much greater claim reserve provisions were required to address a deteriorating claims environment. As of December 31, 2007, net claim reserves of \$644.9 million were 158.4 percent higher than the like amount twelve months earlier. While production and operating expenses continued to fall in 2007, the beneficial effect of this trend was blunted by the more severe impact of greater claim costs. As a consequence, the composite ratio of claims and expenses was materially unfavorable in the latest quarter and year, reaching levels unseen in twenty and more years.

The above factors notwithstanding, Old Republic's Mortgage Guaranty segment continued to register strong operating cash flows in 2007. These were aided by rising premium volume and paid loss growth lagging that of reserve-impacted incurred claim costs. The positive operating cash flows were additive to an already liquid invested asset base, and contributed to greater investment income for the year.

Title Insurance Results – Old Republic's title insurance business registered an operating loss in 2007. Key performance indicators follow:

	Title Insurance Group		
Years Ended December 31,	2007	2006	2005
Net premiums and fees earned.....	\$ 850.7	\$ 980.0	\$ 1,081.8
Net investment income.....	27.3	26.9	26.0
Pretax operating income (loss)	<u>\$ (14.7)</u>	<u>\$ 31.0</u>	<u>\$ 88.7</u>
Claims ratio	6.6%	5.9%	6.0%
Expense ratio	98.1	93.6	88.2
Composite ratio	<u>104.7%</u>	<u>99.5%</u>	<u>94.2%</u>

Near break even title results for the first nine months of 2007 turned into a loss for the fourth quarter and full year. Premium and fee revenues trended down throughout the year amid an intractable downturn in the housing and related mortgage lending industries. Direct title production facilities in the Western United States sustained the greatest adverse effects of this downturn. In the year's final quarter more aggressive steps were taken to redress further the imbalance between revenues and operating costs in that region. Severance, lease termination, and other expenses incurred in these regards penalized 2007 pretax operating results by \$6.2 million. Together, these factors led to the highest annual title expense ratio sustained in the past 25 years, and though still reasonably contained, to higher claim costs as these tend to increase during periods of serious economic dislocations.

Corporate and Other Operations – Old Republic's small life and health business, and the net costs associated with the parent holding company and its corporate services subsidiaries produced higher income contributions in 2007. Period-to-period variability in the results of these relatively minor elements of the Company's operations usually stems from the volatility inherent to the Company's small scaled life and health business, fluctuations in the timing of expense recognition related to such variable costs as stock option expenses, interest on intercompany financing arrangements, and costs associated with a relatively small debt level.

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

As of December 31,	2007	2006	% Change
Cash and invested assets.....	<u>\$ 8,924.0</u>	<u>\$ 8,230.8</u>	<u>8.4%</u>
Shareholders' equity:			
Total.....	\$ 4,541.6	\$ 4,369.2	3.9%
Per share.....	<u>\$ 19.71</u>	<u>\$ 18.91</u>	<u>4.2%</u>
Composition of shareholders' equity per share:			
Equity before items below	\$ 19.31	\$ 18.72	3.2%
Unrealized investment gains or losses and other accumulated comprehensive income.....	.40	.19	
Total.....	<u>\$ 19.71</u>	<u>\$ 18.91</u>	<u>4.2%</u>

Cash flow from operating activities added significantly to the invested asset base, and amounted to \$862.5 million for the year ended 2007 versus \$1,004.7 million for 2006. Operating cash flow in 2006 included approximately \$198 million stemming from the aforementioned acquisition of a book of contractors' liability insurance acquired late in the year.

The investment portfolio reflects a current allocation of approximately 84 percent to fixed-maturity securities and 10 percent to equities. As has been the case for many years, Old Republic's invested assets are managed in consideration of enterprise-wide risk management objectives intended to assure solid funding of its subsidiaries' long-term obligations to insurance policyholders and other beneficiaries. Consequently, it contains little or no insurance risk-correlated exposures to real estate investments, mortgage loans, mortgage-backed securities, collateralized debt obligations ("CDO's"), derivatives, junk bonds, or illiquid private equity investments. In a similar vein, the Company does not invest in securities whose values are predicated on non-regulated financial instruments exhibiting amorphous counter-party risk attributes.

Substantially all of the changes in the shareholders' equity account for the periods reported upon reflect earnings retained in excess of dividend payments. Pursuant to standing authority, the Company reacquired a total of 1,566,100 shares of its common stock during 2007's third quarter for \$28.3 million or \$18.13 per share. A summary of all changes affecting book value per share follows:

Years Ended December 31,	2007	2006
Beginning book value per share.....	\$ 18.91	\$ 17.53
Changes in shareholders' equity for the periods:		
Net operating income.....	.98	1.96
Net realized investment gains (losses) .....	.20	.05
Net unrealized investment gains (losses) .....	.05	.07
Cash dividends	(.63)	(.59)
Treasury stock acquired.....	.01	-
Stock issuance, foreign exchange, and other transactions .....	.19	(.11)
Net change .....	.80	1.38
Ending book value per share	\$ 19.71	\$ 18.91

TECHNICAL MANAGEMENT ANALYSIS

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, and financial condition.

Old Republic believes that its most critical accounting estimates relate to: a) the determination of other-than-temporary impairments in the value of fixed maturity and equity investments; b) the establishment of deferred acquisition costs which vary directly with the production of insurance premiums; c) the recoverability of reinsured paid and/or outstanding losses; and d) the establishment of reserves for losses and loss adjustment expenses. The major assumptions and methods used in setting these estimates are discussed in the pertinent sections of this Management Analysis and are summarized as follows:

(a) Other-than-temporary impairments in the value of investments:

Individual securities are considered for a possible write-down:

- In the event their market value has dropped by 20% or more below their par or amortized cost and/or the security has been in an unrealized loss position for twelve consecutive months;
- In the event of issuer default on significant obligations or emergence of such adverse information as to bring into question the validity of previously reported earnings or financial condition; and
- When the probability of non-recovery of the original investment is established, the foregoing events or occurrences notwithstanding.

For the three years ended December 31, 2007, pretax charges due to other-than-temporary impairments in the value of securities reduced pretax income within a range of 0% and 1.2% and averaged .4% of such income.

(b) Establishment of deferred acquisition costs ("DAC")

The eligibility for deferral and the recoverability of DAC is based on the current terms and estimated profitability of the insurance contracts to which they relate. As of the three most recent year ends, consolidated DAC balances ranged between 1.9% and 2.1% and averaged 2.0% of consolidated assets. The annual change in DAC balances for the three-year period reduced underwriting, acquisition and other expenses within a range of -1.2% and 1.6%, and averaged .3% of such expenses.

(c) 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 32.9% and 39.7% and averaged 36.2% of the related gross reserves.

(d) 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 the three latest accident years, particularly for so-called long-tail coverages as to which information about covered losses emerges and becomes more accurately quantified 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, and title insurance. Gross loss reserves related to such long-tail coverages ranged between 79.1% and 85.1%, and averaged 82.7% of gross consolidated claim reserves as of the three most recent year ends. Net of reinsurance recoverables, such reserves ranged between 75.4% and 84.0% and averaged 80.5% 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 each of the three most recent calendar years, prior accident years' consolidated claim costs have developed favorably and have had the consequent effect of reducing consolidated annual loss costs between 2.9% and 6.9%, or by an average of approximately 4.3% per annum. As a percentage of each of these years' consolidated earned premiums and fees the favorable developments have ranged between 1.3% and 3.4%, and have averaged 2.2%.

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.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123-Revised ("FAS 123R"), "Share-Based Payment" using the modified prospective transition method. The impact of the adoption of FAS 123R is discussed in Note 1(r) of the notes to consolidated financial statements.

On December 31, 2006, the Company adopted the recognition provisions of Statement of Financial Accounting Standards No. 158 ("FAS 158") "Employers Accounting for Defined Benefit Pension and Other Postretirement Plans". Additionally, the measurement date provisions of FAS 158 were adopted by the Company effective December 31, 2007. The impact of the adoption of FAS 158 is discussed in Note 1(n) of the notes to the consolidated financial statements.

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

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 ("FAS 157") "Fair Value Measurements", which establishes a framework for measuring fair value. FAS 157 applies to existing accounting pronouncements that require or permit fair value measurements, and becomes effective for fiscal years beginning after November 15, 2007. Disclosure requirements associated with the standard will be incorporated in the Company's 2008 quarterly and annual reports, and its adoption in the first quarter of 2008 is not expected to have a material impact on the consolidated financial statements or on the conduct of its business.

The above accounting policy changes resulted primarily in additional financial statement disclosures and are not expected to have any effect on management's conduct of the business.

FINANCIAL POSITION

The Company's financial position at December 31, 2007 reflected increases in assets, liabilities and common shareholders' equity of 5.4%, 6.1% and 3.9%, respectively, when compared to the immediately preceding year-end. Cash and invested assets represented 67.1% and 65.3% of consolidated assets as of December 31, 2007 and

December 31, 2006, respectively. Consolidated operating cash flow was positive at \$862.5 million in 2007 compared to \$1,004.7 million in 2006 and \$833.6 in 2005. As of December 31, 2007, the invested asset base increased 8.8% to \$8,761.2 million principally as a result of positive operating cash flows.

Investments - During 2007 and 2006, the Company committed substantially all investable funds to short to intermediate-term fixed maturity securities. At both December 31, 2007 and 2006, 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. Investable funds have not been directed to so-called "junk bonds", illiquid private equity investments, real estate, mortgage loans, mortgage-backed securities, collateralized debt obligations ("CDO's"), or derivatives. In a similar vein, the Company does not invest in securities whose values are predicated on non-regulated financial instruments exhibiting amorphous counter-party risk attributes. At December 31, 2007, 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, 2007. Such positions reflect a large variety of seasonal and intermediate-term factors including current operating needs, expected operating cash flows, quarter-end cash flow seasonality, and investment strategy considerations. Accordingly, the future level of short-term investments will vary and respond to the interplay of these factors and may, as a result, increase or decrease from current levels.

The Company does not own or utilize derivative financial instruments for the purpose of hedging, enhancing the overall return of its investment portfolio, or reducing the cost of its debt obligations. With regard to its equity portfolio, the Company does not own any options nor does it engage in any type of option writing. Traditional investment management tools and techniques are employed to address the yield and valuation exposures of the invested assets base. The long-term fixed maturity investment portfolio is managed so as to limit various risks inherent in the bond market. Credit risk is addressed through asset diversification and the purchase of investment grade securities. Reinvestment rate risk is reduced by concentrating on non-callable issues, and by taking asset-liability matching considerations into account. Purchases of mortgage and asset backed securities, which have variable principal prepayment options, are generally avoided. Market value risk is limited through the purchase of bonds of intermediate maturity. The combination of these investment management practices is expected to produce a more stable long-term fixed maturity investment portfolio that is not subject to extreme interest rate sensitivity and principal deterioration.

The market value of the Company's long-term fixed maturity investment portfolio is sensitive, however, to fluctuations in the level of interest rates, but not materially affected by changes in anticipated cash flows caused by any prepayments. The impact of interest rate movements on the long-term fixed maturity investment portfolio generally affects net unrealized gains or losses. As a general rule, rising interest rates enhance currently available yields but typically lead to a reduction in the fair value of existing fixed maturity investments. By contrast, a decline in such rates reduces currently available yields but usually serves to increase the fair value of the existing fixed maturity investment portfolio. All such changes in fair value are reflected, net of deferred income taxes, directly in the shareholders' equity account, and as a separate component of the statement of comprehensive income. Given the Company's inability to forecast or control the movement of interest rates, Old Republic sets the maturity spectrum of its fixed maturity securities portfolio within parameters of estimated liability payouts, and focuses the overall portfolio on high quality investments. By so doing, Old Republic believes it is reasonably assured of its ability to hold securities to maturity as it may deem necessary in changing environments, and of ultimately recovering their aggregate cost.

Possible future declines in fair values for Old Republic's bond and stock portfolios would affect negatively the common shareholders' equity account at any point in time, but would not necessarily result in the recognition of realized investment losses. The Company reviews the status and market value changes of each of its investments on at least a quarterly basis during the year, and estimates of other-than-temporary impairments in the portfolio's value are evaluated and established at each quarterly balance sheet date. In reviewing investments for other-than-temporary impairment, the Company, in addition to a security's market price history, considers the totality of such factors as the issuer's operating results, financial condition and liquidity, its ability to access capital markets, credit rating trends, most current audit opinion, industry and securities markets conditions, and analyst expectations to reach its conclusions. Sudden market value declines caused by such adverse developments as newly emerged or imminent bankruptcy filings, issuer default on significant obligations, or reports of financial accounting developments that bring into question the validity of previously reported earnings or financial condition, are recognized as realized losses as soon as credible publicly available information emerges to confirm such developments. Accordingly, the recognition of losses from other-than-temporary value impairments is subject to a great deal of judgment as well as turns of events over which the Company can exercise little or no control. In the event the Company's estimate of other-than-temporary impairments is insufficient at any point in time, future periods' net income would be affected adversely by the recognition of additional realized or impairment losses, but its financial condition would not necessarily be affected adversely inasmuch as such losses, or a portion of them, could have been recognized previously as unrealized losses.

The following tables show certain information relating to the Company's fixed maturity and equity portfolios as of the dates shown:

Credit Quality Ratings of Fixed Maturity Securities (1)

	December 31,	
	2007	2006
Aaa	32.9%	32.9%
Aa	17.0	19.0
A	27.9	26.4
Baa	20.2	20.1
Total investment grade	98.0	98.4
All other (2)	2.0	1.6
Total	100.0%	100.0%

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

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

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

	December 31, 2007	
	Amortized Cost	Gross Unrealized Losses
Fixed Maturity Securities by Industry Concentration:		
Consumer Durables	\$ 40.2	\$ 3.9
Service	34.7	3.6
Financial	13.9	1.3
Retail	19.1	.7
Other (includes 5 industry groups)	17.3	.5
Total	<u>\$ 125.3</u> (3)	<u>\$ 10.2</u>

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

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

	December 31, 2007	
	Amortized Cost	Gross Unrealized Losses
Fixed Maturity Securities by Industry Concentration:		
Utilities	\$ 362.1	\$ 5.3
Financial	144.2	3.3
Service	120.4	2.7
Banking	157.5	2.2
Other (includes 16 industry groups)	1,317.6	11.6
Total	<u>\$ 2,102.0</u> (4)	<u>\$ 25.3</u>

(4) Represents 28.7% of the total fixed maturity securities portfolio.

Gross Unrealized Losses Stratified by Industry Concentration for Equity Securities

	December 31, 2007	
	Cost	Gross Unrealized Losses
Equity Securities by Industry Concentration:		
Insurance	\$ 237.4	\$ 66.8
Banking	102.0	10.8
Health Care	22.4	2.7
Natural Gas .....	.4	-
Total	<u>\$ 362.3</u> (5)	<u>\$ 80.4</u> (6)

(5) Represents 44.9% of the total equity securities portfolio.

(6) Represents 10.0% of the cost of the total equity securities portfolio, while gross unrealized gains represent 14.3% of the portfolio.

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

December 31, 2007				
Maturity Ranges:	Amortized Cost of Fixed Maturity Securities		Gross Unrealized Losses	
	All	Non- Investment Grade Only	All	Non- Investment Grade Only
Due in one year or less.....	\$ 438.5	\$ 33.9	\$ 2.3	\$ 1.0
Due after one year through five years	1,026.9	78.5	15.7	6.6
Due after five years through ten years	758.3	12.8	17.4	2.6
Due after ten years	3.6	-	-	-
Total	<u>\$ 2,227.4</u>	<u>\$ 125.3</u>	<u>\$ 35.6</u>	<u>\$ 10.2</u>

Gross Unrealized Losses Stratified by Duration and Amount of Unrealized Losses

December 31, 2007				
Number of Months in Loss Position:	Amount of Gross Unrealized Losses			
	Less than 20% of Cost	20% to 50% of Cost	More than 50% of Cost	Total Gross Unrealized Loss
Fixed Maturity Securities:				
One to six months.....	\$ 3.2	\$ -	\$ -	\$ 3.2
Seven to twelve months	1.9	-	-	1.9
More than twelve months	25.8	4.5	-	30.4
Total	<u>\$ 31.0</u>	<u>\$ 4.5</u>	<u>\$ -</u>	<u>\$ 35.6</u>
Equity Securities:				
One to six months.....	\$ 12.2	\$ 68.1	\$ -	\$ 80.4
Seven to twelve months.....	-	-	-	-
More than twelve months.....	-	-	-	-
Total	<u>\$ 12.2</u>	<u>\$ 68.2</u>	<u>\$ -</u>	<u>\$ 80.4</u>
Number of Issues in Loss Position:				
Fixed Maturity Securities:				
One to six months.....	71	-	-	71
Seven to twelve months.....	43	-	-	43
More than twelve months.....	424	4	-	428
Total	<u>538</u>	<u>4</u>	<u>-</u>	<u>542 (7)</u>
Equity Securities:				
One to six months.....	11	2	-	13
Seven to twelve months.....	-	-	-	-
More than twelve months.....	-	1	-	1
Total	<u>11</u>	<u>3</u>	<u>-</u>	<u>14 (7)</u>

(7) At December 31, 2007 the number of issues in an unrealized loss position represent 27.6% as to fixed maturities, and 56.0% as to equity securities of the total number of such issues held by the Company.

The aging of issues with unrealized losses employs closing market price comparisons with an issue's original cost. The percentage reduction from original cost reflects the decline as of a specific point in time (December 31, 2007 in the above table) and, accordingly, is not indicative of a security's value having been consistently below its cost at the percentages and throughout the periods shown.

Age Distribution of Fixed Maturity Securities

	December 31,	
	2007	2006
Maturity Ranges:		
Due in one year or less	11.7%	9.6%
Due after one year through five years	46.8	44.4
Due after five years through ten years	41.1	45.6
Due after ten years through fifteen years .....	.4	.4
Due after fifteen years	-	-
Total	<u>100.0%</u>	<u>100.0%</u>
Average Maturity in Years	<u>4.4</u>	<u>4.5</u>
Duration (8)	<u>3.8</u>	<u>3.9</u>

(8) Duration is used as a measure of bond price sensitivity to interest rate changes. A duration of 3.8 as of December 31, 2007 implies that a 100 basis point parallel increase in interest rates from current levels would result in a possible decline in the market value of the long-term fixed maturity investment portfolio of approximately 3.8%.

Composition of Unrealized Gains (Losses)

	December 31,	
	2007	2006
Fixed Maturity Securities:		
Amortized cost	\$ 7,312.2	\$ 6,873.8
Estimated fair value	<u>7,383.6</u>	<u>6,832.6</u>
Gross unrealized gains	106.9	46.6
Gross unrealized losses	(35.6)	(87.8)
Net unrealized gains (losses)	<u>\$ 71.3</u>	<u>\$ (41.2)</u>
Equity Securities:		
Cost	\$ 807.3	\$ 534.7
Estimated fair value	<u>842.1</u>	<u>669.1</u>
Gross unrealized gains	115.1	136.1
Gross unrealized losses	(80.4)	(1.8)
Net unrealized gains	<u>\$ 34.7</u>	<u>\$ 134.3</u>

Other Assets - Among other major assets, substantially all of the Company's receivables are not past due. Reinsurance recoverable balances on paid or estimated unpaid losses are deemed recoverable from solvent reinsurers or have otherwise been reduced by allowances for estimated amounts unrecoverable. Deferred policy acquisition costs are estimated by taking into account the variable costs of producing specific types of insurance policies, and evaluating their recoverability on the basis of recent trends in claims costs. The Company's deferred policy acquisition cost balances have not fluctuated substantially from period-to-period and do not represent significant percentages of assets or shareholders' equity.

Liquidity - The parent holding company meets its liquidity and capital needs principally through dividends paid by its subsidiaries. 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 \$414.7 million in dividends from its subsidiaries in 2008 without the prior approval of regulatory authorities. The liquidity achievable through such permitted dividend payments is more than adequate to cover the parent holding company's currently expected cash outflows represented mostly by interest on outstanding debt and quarterly cash dividend payments to shareholders. In addition, Old Republic can access the commercial paper market for up to \$300.0 million to meet short-term liquidity needs of which \$60.0 million was outstanding at December 31, 2007.

Capitalization - Old Republic's total capitalization of \$4,605.7 million at December 31, 2007 consisted of debt of \$64.1 million and common shareholders' equity of \$4,541.6 million. Changes in the common shareholders' equity account for the three most recent years reflect primarily the retention of earnings in excess of dividend requirements. Old Republic has paid cash dividends to its shareholders without interruption since 1942, and has increased the annual rate in each of the past 26 years. The annual dividend rate is typically reviewed and approved by the Board of Directors during the first quarter of 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 six most recent calendar years, and management's long-term expectations for the Company's consolidated business. At its February 22, 2007 meeting, the Board of

Directors approved a new quarterly cash dividend rate of 16 cents per share effective in the second quarter of 2007, up from 15 cents per share, subject to the usual quarterly authorizations.

At its May, 2006 meeting, the Company's Board of Directors authorized the reacquisition of up to \$500.0 million of common shares as market conditions warrant during the two year period from that date. The Company reacquired 1,566,100 shares of its common stock during 2007 for \$28.3 million or \$18.13 per share. As of December 31, 2007, a total of \$471.6 million of this authorization remains unutilized.

Contractual Obligations - The following table shows certain information relating to the Company's contractual obligations as of December 31, 2007:

	Payments Due in the Following Years				
	Total	2008	2009 and 2010	2011 and 2012	2013 and after
Contractual Obligations:					
Debt.....	\$ 64.1	\$ 61.0	\$ 1.7	\$ 1.2	\$ -
Interest on Debt.....	.6	.2	.2	-	-
Operating Leases.....	166.9	39.0	52.3	26.8	48.5
Pension Benefits Contributions (1)	45.8	5.0	12.8	19.4	8.6
Claim & Claim Expense Reserves (2).....	6,231.1	1,554.4	1,374.9	606.4	2,695.2
Total.....	<u>\$ 6,508.5</u>	<u>\$ 1,659.8</u>	<u>\$ 1,442.2</u>	<u>\$ 653.9</u>	<u>\$ 2,752.4</u>

(1) Represents estimated minimum funding of contributions for the Old Republic International Salaried Employees Restated Retirement Plan (the Old Republic Plan), the Bituminous Casualty Corporation Retirement Income Plan (the Bitco Plan), and the Old Republic National Title Group Pension Plan (the Title 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.

(2) 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.

RESULTS OF OPERATIONS

Revenues: Premiums & Fees

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

Substantially all general insurance premiums are reflected in income on a pro-rata basis. Earned but unbilled premiums are generally taken into income on the billing date, while adjustments for retrospective premiums, commissions and similar charges or credits are accrued on the basis of periodic evaluations of current underwriting experience and contractual obligations.

The Company's mortgage guaranty premiums primarily stem from monthly installment policies. Accordingly, substantially all such premiums are generally written and earned in the month coverage is effective. With respect to annual or single premium policies, earned premiums are largely recognized on a pro-rata basis over the terms of the policies.

Title premium and fee revenues stemming from the Company's direct operations (which include branch offices of its title insurers and wholly owned agency subsidiaries) represent approximately 32% of 2007 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 major sources of Old Republic's earned premiums and fees for the periods shown were as follows:

	Earned Premiums and Fees					% Change from prior period
	General	Mortgage	Title	Other	Total	
Years Ended December 31:						
2005.....	\$ 1,805.2	\$ 429.5	\$ 1,081.8	\$ 70.3	\$ 3,386.9	8.7%
2006.....	1,902.1	444.3	980.0	74.1	3,400.5	.4
2007.....	<u>\$ 2,155.1</u>	<u>\$ 518.2</u>	<u>\$ 850.7</u>	<u>\$ 77.0</u>	<u>\$ 3,601.2</u>	<u>5.9%</u>

Earned premiums in the General Insurance Group grew by 13.3%, 5.4%, and 11.2% in 2007, 2006, and 2005, respectively, as a result of additional business produced in a reasonably stable underwriting environment and the year-end 2006 acquisition of a liability insurance book of business. 2007 mortgage guaranty premium revenue trends reflect greater business persistency and increased demand for traditional insurance products. Although overall mortgage originations were lower for 2006, mortgage guaranty premium production was affected favorably by improved business persistency and higher bulk insurance production. Title Group premium and fee revenues decreased by 13.2% and 9.4% in 2007 and 2006 respectively. The decline was particularly accentuated in the segment's direct operations, most of which are concentrated in the Western United States, and all of which reflected a downturn in home sales and resales.

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					
	Commercial Automobile (mostly trucking)	Workers' Compensation	Financial Indemnity	Inland Marine and Property	General Liability	Other
Years Ended December 31:						
2005.....	39.1%	21.9%	10.3%	11.0%	5.4%	12.3%
2006.....	39.6	21.7	11.0	10.7	5.1	11.9
2007.....	<u>35.0%</u>	<u>23.5%</u>	<u>13.8%</u>	<u>9.3%</u>	<u>7.8%</u>	<u>10.6%</u>

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

Mortgage Guaranty Production by Type				
New Insurance Written: Years Ended December 31:	Traditional Primary	Bulk	Other	Total
2005.....	\$ 20,554.5	\$ 9,944.3	\$ 498.2	\$ 30,997.1
2006.....	17,187.0	13,716.7	583.7	31,487.5
2007.....	<u>\$ 31,841.7</u>	<u>\$ 10,800.3</u>	<u>\$ 901.6</u>	<u>\$ 43,543.7</u>

New Risk Written by Type: Years Ended December 31:	Traditional Primary	Bulk	Other	Total
2005.....	\$ 5,112.4	\$ 1,053.1	\$ 11.7	\$ 6,177.4
2006.....	4,246.8	1,146.6	12.2	5,405.7
2007.....	<u>\$ 7,844.5</u>	<u>\$ 724.5</u>	<u>\$ 15.2</u>	<u>\$ 8,584.4</u>

Premium and Persistency Trends by Type:	Earned Premiums		Persistency	
	Direct	Net	Traditional Primary	Bulk
2005.....	\$ 508.0	\$ 429.5	65.5%	59.5%
2006.....	524.7	444.3	73.1	70.5
2007.....	<u>\$ 612.7</u>	<u>\$ 518.2</u>	<u>77.6%</u>	<u>73.7%</u>

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 11.6% of total net risk in force, are frequently subject to deductibles and aggregate stop losses which serve to limit the overall risk on a pool of insured loans. As the decline in the housing markets has accelerated and mortgage lending standards have tightened, rising defaults and the

attendant increases in reserves and paid claims on higher risk loans have become more significant drivers of increased claim costs.

Risk in Force

<u>Net Risk in Force:</u>	<u>Traditional Primary</u>	<u>Bulk</u>	<u>Other</u>	<u>Total</u>
As of December 31:				
2005	\$ 14,711.2	\$ 1,758.8	\$ 586.1	\$ 17,056.2
2006	14,582.1	2,471.1	578.9	17,632.2
2007	<u>\$ 18,808.5</u>	<u>\$ 2,539.9</u>	<u>\$ 511.1</u>	<u>\$ 21,859.5</u>

Analysis of Risk in Force

<u>Risk in Force By Fair Issac & Company ("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:				
2005	8.3%	31.8%	53.1%	6.8%
2006	8.5	32.6	54.6	4.3
2007	<u>8.5%</u>	<u>33.6%</u>	<u>55.1%</u>	<u>2.8%</u>

<u>Bulk(1):</u>				
As of December 31:				
2005	21.2%	38.7%	38.7%	1.4%
2006	24.1	35.7	39.8	.4
2007	<u>19.4%</u>	<u>34.9%</u>	<u>45.4%</u>	<u>.3%</u>

<u>Risk in Force By Loan to Value ("LTV") Ratio:</u>	<u>LTV less than 85</u>	<u>LTV 85 to 90</u>	<u>LTV 90 to 95</u>	<u>LTV Greater than 95</u>
<u>Traditional Primary:</u>				
As of December 31:				
2005	5.4%	37.7%	39.1%	17.8%
2006	5.0	37.4	36.0	21.6
2007	<u>4.7%</u>	<u>34.4%</u>	<u>32.0%</u>	<u>28.9%</u>

<u>Bulk(1):</u>				
As of December 31:				
2005	57.3%	27.4%	11.6%	3.7%
2006	63.4	23.1	9.0	4.5
2007	<u>62.0%</u>	<u>20.9%</u>	<u>9.3%</u>	<u>7.8%</u>

Risk in Force Distribution By Top Ten States:

	<u>Traditional Primary</u>									
As of December 31:	<u>FL</u>	<u>TX</u>	<u>GA</u>	<u>IL</u>	<u>OH</u>	<u>CA</u>	<u>NJ</u>	<u>MI</u>	<u>NC</u>	<u>PA</u>
2005	9.0%	7.1%	6.3%	5.4%	3.7%	3.6%	3.1%	3.1%	4.7%	3.8%
2006	9.0	7.5	5.8	5.4	3.7	3.1	3.1	3.1	4.8	4.0
2007	<u>8.9%</u>	<u>7.7%</u>	<u>5.3%</u>	<u>5.2%</u>	<u>3.4%</u>	<u>4.5%</u>	<u>3.1%</u>	<u>2.9%</u>	<u>4.5%</u>	<u>3.8%</u>

	<u>Bulk (1)</u>									
As of December 31:	<u>FL</u>	<u>TX</u>	<u>GA</u>	<u>IL</u>	<u>OH</u>	<u>CA</u>	<u>NJ</u>	<u>AZ</u>	<u>CO</u>	<u>NY</u>
2005	8.3%	4.5%	3.3%	4.9%	3.6%	19.0%	3.8%	4.0%	2.7%	6.3%
2006	9.4	4.8	3.6	4.5	3.4	17.7	3.2	4.4	2.8	4.6
2007	<u>9.3%</u>	<u>4.8%</u>	<u>4.2%</u>	<u>4.1%</u>	<u>3.1%</u>	<u>17.5%</u>	<u>3.4%</u>	<u>4.2%</u>	<u>3.0%</u>	<u>5.5%</u>

<u>Risk in Force By Level of Documentation:</u>		<u>Full Docu- mentation</u>	<u>Reduced Docu- mentation</u>
<u>Traditional Primary:</u>			
As of December 31:			
2005		90.6%	9.4%
2006		89.4	10.6
2007		<u>88.0%</u>	<u>12.0%</u>
<u>Bulk (1):</u>			
As of December 31:			
2005		51.9%	48.1%
2006		51.9	48.1
2007		<u>49.6%</u>	<u>50.4%</u>
<u>Risk in Force By Loan Type:</u>		<u>Fixed Rate</u>	<u>Adjustable Rate</u>
<u>Traditional Primary:</u>			
As of December 31:			
2005		90.9%	9.1%
2006		92.3	7.7
2007		<u>94.4%</u>	<u>5.6%</u>
<u>Bulk (1):</u>			
As of December 31:			
2005		64.6%	35.4%
2006		65.7	34.3
2007		<u>70.9%</u>	<u>29.1%</u>

(1) Bulk pool risk in-force, which represented 43.0% of total bulk risk in-force at December 31, 2007, has been allocated pro-rata based on insurance in-force.

The following table shows the percentage distribution of Title Group premium and fee revenues by production sources:

<u>Title Production</u>			
		<u>Direct Operations</u>	<u>Independent Title Agents & Other</u>
Years Ended December 31:			
2005		37.1%	62.9%
2006		32.3	67.7
2007		<u>32.1%</u>	<u>67.9%</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 market values, yields are evaluated on the basis of investment income earned in relation to the amortized cost of the underlying invested assets, though yields based on the market values of such assets are also shown in the statistics below.

	<u>Invested Assets at Cost</u>					<u>Market Value Adjust- ment</u>	<u>Invested Assets at Market Value</u>
	<u>General</u>	<u>Mortgage</u>	<u>Title</u>	<u>Corporate and Other</u>	<u>Total</u>		
As of December 31:							
2006	\$ 5,524.8	\$ 1,571.6	\$ 611.1	\$ 246.6	\$ 7,954.3	\$ 101.8	\$ 8,056.1
2007	<u>\$ 5,984.9</u>	<u>\$ 1,795.8</u>	<u>\$ 606.0</u>	<u>\$ 252.9</u>	<u>\$ 8,639.7</u>	<u>\$ 121.4</u>	<u>\$ 8,761.2</u>

Years Ended December 31:	Net Investment Income					Yield at	
	General	Mortgage	Title	Corporate and Other	Total	Cost	Market
2005	\$ 197.0	\$ 70.1	\$ 26.0	\$ 16.9	\$ 310.1	4.51%	4.40%
2006	221.5	74.3	26.9	18.7	341.6	4.52	4.47
2007	<u>\$ 260.8</u>	<u>\$ 79.0</u>	<u>\$ 27.3</u>	<u>\$ 12.7</u>	<u>\$ 379.9</u>	<u>4.58%</u>	<u>4.52%</u>

Consolidated net investment income grew by 11.2%, 10.2% and 6.6% in 2007, 2006 and 2005, respectively. This revenue source was affected by a rising invested asset base caused by positive 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.

Revenues: Net Realized Gains

The Company's investment policies have not been designed to maximize or emphasize the realization of investment gains. Rather, these policies aim for a stable source of income from interest and dividends, protection of capital, and the providing of sufficient liquidity to meet insurance underwriting and other obligations as they become payable in the future. Dispositions of fixed maturity securities arise mostly from scheduled maturities and early calls; in 2007, 2006 and 2005, 85.1%, 77.2% and 67.9%, respectively, of all such dispositions resulted from these occurrences. Sales of equity securities at a realized gain or loss reflect such factors as ongoing assessments of issuers' business prospects, rotation among industry sectors, 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. As previously noted, a significant portion of Old Republic's indexed stock portfolio was sold at a gain, with proceeds redirected to a more concentrated, select list of common stocks expected to provide greater long-term total returns. Relatively greater realized gains in equity securities in 2005 resulted largely from sales of substantial portions of actively managed equity holdings and reinvestment of proceeds in index-style investment portfolios.

Years Ended December 31:	Realized Gains on Disposition of:			Impairment Losses on:			Net realized gains
	Fixed maturity securities	Equity securities and miscell- aneous investments	Total	Fixed maturity securities	Equity securities and miscell- aneous investments	Total	
2005	\$ 4.5	\$ 69.6	\$ 74.1	\$ (2.7)	\$ (6.5)	\$ (9.2)	\$ 64.9
2006	2.0	16.9	19.0	-	-	-	19.0
2007	<u>\$ 2.2</u>	<u>\$ 68.1</u>	<u>\$ 70.3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70.3</u>

Expenses: Benefits and Claims

In order to achieve a necessary matching of premium and fee revenues and expenses, the Company records the benefits, claims and related settlement costs that have been incurred during each accounting period. Total claim costs are affected by the amount of paid claims and the adequacy of reserve estimates established for current and prior years' claim occurrences at each balance sheet date.

The following table shows a breakdown of gross and net of reinsurance claim reserve estimates for major types of insurance coverages as of December 31, 2007 and 2006:

	December 31,			
	2007		2006	
	Gross	Net	Gross	Net
Claim and Loss Adjustment Expense Reserves:				
Commercial automobile (mostly trucking).....	\$ 1,041.6	\$ 845.6	\$ 977.7	\$ 810.9
Workers' compensation.....	2,195.5	1,265.8	2,093.2	1,175.7
General liability.....	1,173.2	587.1	1,123.8	537.3
Other coverages.....	691.2	476.9	610.0	400.7
Unallocated loss adjustment expense reserves.....	154.8	104.0	147.0	97.8
Total general insurance reserves.....	<u>5,256.5</u>	<u>3,279.7</u>	<u>4,951.8</u>	<u>3,022.6</u>
Mortgage guaranty.....	645.2	642.9	248.6	247.9
Title.....	273.5	273.5	278.4	278.4
Life and health.....	30.3	24.7	28.4	21.6
Unallocated loss adjustment expense reserves – other coverages.....	25.4	25.4	27.2	27.2
Total claim and loss adjustment expense reserves.....	<u>\$ 6,231.1</u>	<u>\$ 4,246.3</u>	<u>\$ 5,534.7</u>	<u>\$ 3,598.0</u>
Asbestosis and environmental claim reserves included in the above general insurance reserves:				
Amount.....	<u>\$ 190.5</u>	<u>\$ 158.1</u>	<u>\$ 194.9</u>	<u>\$ 157.8</u>
% of total general insurance reserves.....	<u>3.6%</u>	<u>4.8%</u>	<u>3.9%</u>	<u>5.2%</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, 2007, such reserves accounted for 84.4% and 77.2% of consolidated gross and net of reinsurance reserves, respectively, while similar reserves at December 31, 2006 represented 89.5% and 84.0% 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 86% of the *general insurance* group's claim reserves stem from liability insurance coverages for commercial customers which typically require more extended periods of investigation and at times protracted litigation before they are finally settled. As a consequence of these and other factors, Old Republic does not utilize a single, overarching loss reserving approach.

The Company prepares periodic analyses of its loss reserve estimates for its significant insurance coverages. It establishes point estimates for most losses on an insurance coverage line-by-line basis for individual subsidiaries, sub-classes, individual accounts, blocks of business or other unique concentrations of insurance risks such as directors and officers' liability, that have similar attributes. Actuarially or otherwise derived ranges of reserve levels are not utilized as such in setting these reserves. Instead the reported reserves encompass the Company's best point estimates at each reporting date and the overall reserve level at any point in time therefore represents the compilation of a very large number of reported reserve estimates and the results of a variety of formula calculations

largely driven by statistical analysis of historical data. Reserve releases or additions are implicitly covered by the point estimates incorporated in total reserves at each balance sheet date. The Company does not project future variability or make an explicit provision for uncertainty when determining its best estimate of loss reserves, although, as discussed below, over the most recent ten-year period management's estimates have developed slightly favorably on an overall basis.

Aggregate loss reserves consist of liability estimates for claims that have been reported ("case") to the Company's insurance subsidiaries and reserves for claims that have been incurred but not yet reported ("IBNR") or whose ultimate costs may not become fully apparent until a future time. Additionally, the Company establishes unallocated loss adjustment expense reserves for loss settlement costs that are not directly related to individual claims. Such reserves are based on prior years' cost experience and trends, and are intended to cover the unallocated costs of claim departments' administration of case and IBNR claims over time. Long-term, disability-type workers' compensation reserves are discounted to present value based on interest rates that range from 3.5% to 4.0%. The amount of discount reflected in the year end net reserves totaled \$148.5 million, \$151.0 million and \$138.3 million as of December 31, 2007, 2006, and 2005, 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.

Mortgage guaranty insurance loss reserves are based on statistical calculations that take into account the number of reported insured mortgage loan defaults as of each balance sheet date, as well as experience-based estimates of IBNR. Further, the loss reserve estimating process also takes into account a large number of variables including trends in claim severity, potential salvage recoveries, expected cure rates for reported loan delinquencies at various stages of default, and judgments relative to future employment levels, housing market activity, and mortgage loan interest costs, demand, and availability.

Title insurance and related escrow services loss and loss adjustment expense reserves are established as point estimates to cover the projected settlement costs of known as well as IBNR losses related to premium and escrow service revenues of each reporting period. Reserves for known claims are based on an assessment of the facts available to the Company during the settlement process. The point estimates covering all claim reserves take into account IBNR claims based on past experience and evaluations of such variables as changing trends in the types of policies issued, changes in real estate markets and interest rate environments, and changing levels of loan refinancing, all of which can have a bearing on the emergence, number, and ultimate costs of claims.

Incurred Loss Experience

Management is of the opinion that the Company's overall reserving practices have been consistently applied over many years. For at least the past ten years, previously established aggregate reserves have produced reasonable estimates of the cumulative ultimate net costs of claims incurred. However, there are no guarantees that such outcomes will continue, and accordingly, no representation is made that ultimate net claim and related costs will not develop in future years to be greater or lower than currently established reserve estimates. In management's opinion, however, such potential development is not likely to have a material effect on the Company's consolidated financial position, although it could affect materially its consolidated results of operations for any one annual or interim reporting period. See further discussion in 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:

Years Ended December 31:	2007	2006	2005
Gross reserves at beginning of year.....	\$ 5,534.7	\$ 4,939.8	\$ 4,403.5
Less: reinsurance losses recoverable	1,936.6	1,902.1	1,639.6
Net reserves at beginning of year	3,598.0	3,037.6	2,763.8
Incurred claims and claim adjustment expenses:			
Provisions for insured events of the current year	2,224.2	1,646.4	1,504.5
Change in provision for insured events of prior years	(66.1)	(114.0)	(43.9)
Total incurred claims and claim adjustment expenses.....	2,158.1	1,532.5	1,460.7
Payments:			
Claims and claim adjustment expenses attributable to insured events of the current year	579.7	432.4	484.6
Claims and claim adjustment expenses attributable to insured events of prior years	930.0	539.6	702.1
Total payments	1,509.8	972.1	1,186.8
Amount of reserves for unpaid claims and claim adjustment expenses at the end of each year, net of reinsurance losses recoverable.....	4,246.3	3,598.0	3,037.6
Reinsurance losses recoverable	1,984.7	1,936.6	1,902.1
Gross reserves at end of year	\$ 6,231.1	\$ 5,534.7	\$ 4,939.8

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:	2007	2006	2005
General.....	67.8%	65.9%	66.9%
Mortgage.....	118.8	42.8	37.2
Title.....	6.6	5.9	6.0
Consolidated benefits and claims ratio.....	60.2%	45.3%	43.3%
Reconciliation of consolidated ratio:			
Provision for insured events of the current year	62.0%	48.7%	44.6%
Change in provision for insured events of prior years:			
Due to asbestos and environmental .....	.1	1.1	1.5
Due to all other coverages.....	(1.9)	(4.5)	(2.8)
Net (favorable) unfavorable development	(1.8)	(3.4)	(1.3)
Consolidated benefits and claims ratio.....	60.2%	45.3%	43.3%

The consolidated benefits and claims 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 average favorable developments that reduced the consolidated loss ratio by 2.2%.

The percentage of net claims, benefits and related settlement expenses measured against premiums earned by major types of *general insurance* coverage were as follows:

Years Ended December 31:	General Insurance Claims Ratios by Type of Coverage					
	Commercial Automobile (mostly trucking)	Workers' Compensation	Financial Indemnity	Inland Marine and Property	General Liability	Other
2005.....	66.9%	78.9%	48.9%	52.1%	97.4%	59.5%
2006.....	75.4	74.5	40.6	55.0	57.5	55.6
2007.....	74.0%	70.9%	69.6%	54.9%	59.9%	55.9%

The *general insurance* portion of the claims ratio reflects reasonably consistent trends for all reporting periods. To a large extent this major cost factor reflects pricing and risk selection improvements that have been applied since 2001, together with elements of reduced loss severity and frequency. The higher claim ratio for financial indemnity coverages in 2007 was driven principally by greater claim frequencies experienced in Old Republic's consumer credit indemnity coverage. During the three most recent calendar years, the *general insurance* group experienced favorable development of prior year loss reserves primarily due to the commercial automobile and the E&O/D&O (financial indemnity) lines of business; these were partially offset by unfavorable development in excess workers compensation coverages and for ongoing development of asbestos and environmental ("A&E") exposures (general liability). Unfavorable developments attributable to A&E claim reserves are due to periodic re-evaluations of such

reserves as well as reclassifications of other coverages' reserves, typically workers compensation, deemed assignable to A&E types of losses.

Except for a small portion that emanates from ongoing primary insurance operations, a large majority of the A&E claim reserves posted by Old Republic stem mainly from its participations in assumed reinsurance treaties and insurance pools which were discontinued fifteen or more years ago and have since been in run-off status. With respect to the primary portion of gross A&E reserves, Old Republic administers the related claims through its claims personnel as well as outside attorneys, and posted reserves reflect its best estimates of ultimate claim costs. Claims administration for the assumed portion of the Company's A&E exposures is handled by the claims departments of unrelated primary or ceding reinsurance companies. While the Company performs periodic reviews of certain claim files managed by third parties, the overall A&E reserves it establishes respond to the paid claim and case reserve activity reported to the Company as well as available industry statistical data such as so-called survival ratios. Such ratios represent the number of years' average paid losses for the three or five most recent calendar years that are encompassed by an insurer's A&E reserve level at any point in time. According to this simplistic appraisal of an insurer's A&E loss reserve level, Old Republic's average five year survival ratios stood at 7.7 years (gross) and 10.7 years (net of reinsurance) as of December 31, 2007 and 7.6 years (gross) and 10.9 years (net of reinsurance) as of December 31, 2006. Fluctuations in this ratio between years can be caused by the inconsistent pay out patterns associated with these types of claims. Incurred net losses for A&E claims have averaged 2.8% of *general insurance* group net incurred losses for the five years ended December 31, 2007.

A summary of reserve activity, including estimates for IBNR, relating to A&E claims at December 31, 2007 and 2006 is as follows:

	December 31,			
	2007		2006	
	Gross	Net	Gross	Net
<i>Asbestos:</i>				
Reserves at beginning of year	\$ 151.8	\$ 117.3	\$ 141.1	\$ 108.9
Loss and loss expenses incurred.....	10.4	9.8	29.6	18.1
Claims and claim adjustment expenses paid.....	(12.8)	(5.3)	(18.9)	(9.6)
Reserves at end of year	<u>149.4</u>	<u>121.9</u>	<u>151.8</u>	<u>117.3</u>
<i>Environmental:</i>				
Reserves at beginning of year	43.1	40.4	29.6	23.2
Loss and loss expenses incurred.....	(3.1)	(7.1)	20.1	19.9
Claims and claim adjustment expenses paid.....	1.1	2.8	(6.7)	(2.7)
Reserves at end of year	<u>41.1</u>	<u>36.1</u>	<u>43.1</u>	<u>40.4</u>
Total asbestos and environmental reserves	<u>\$ 190.5</u>	<u>\$ 158.1</u>	<u>\$ 194.9</u>	<u>\$ 157.8</u>

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

	Average Paid Claim Amount (1)		Delinquency Ratio	
	Traditional Primary	Bulk	Traditional Primary	Bulk
Years Ended December 31:				
2005.....	\$ 24,255	\$ 20,639	4.67%	3.67%
2006.....	25,989	21,846	4.41	3.29
2007.....	<u>\$ 32,214</u>	<u>\$ 34,951</u>	<u>5.47%</u>	<u>6.85%</u>

(1) Amounts are in whole dollars.

Traditional Primary Delinquency Ratios for Top Ten States (2):

	FL	TX	GA	IL	OH	CA	NJ	MI	NC	PA
As of December 31:										
2005.....	3.1%	5.7%	5.9%	4.2%	8.3%	1.8%	4.1%	7.3%	4.9%	4.7%
2006.....	2.7	4.5	6.1	4.5	7.8	2.9	4.1	8.2	4.6	4.8
2007.....	<u>7.7%</u>	<u>4.5%</u>	<u>7.2%</u>	<u>5.4%</u>	<u>8.1%</u>	<u>6.7%</u>	<u>5.4%</u>	<u>9.8%</u>	<u>4.8%</u>	<u>5.2%</u>

Bulk Delinquency Ratios for Top Ten States (2):

	FL	TX	GA	IL	OH	CA	NJ	AZ	CO	NY
As of December 31:										
2005.....	1.9%	5.5%	5.8%	3.0%	8.4%	.9%	3.7%	.9%	3.0%	4.3%
2006.....	1.6	4.0	4.4	4.2	9.3	1.6	3.5	1.0	3.3	4.4
2007.....	<u>7.8%</u>	<u>5.4%</u>	<u>7.3%</u>	<u>8.6%</u>	<u>10.6%</u>	<u>7.0%</u>	<u>6.6%</u>	<u>5.1%</u>	<u>5.8%</u>	<u>6.6%</u>

Total Delinquency Ratios for Top Ten States (includes "other" business) (2):

	FL	TX	GA	IL	OH	CA	NJ	AZ	NC	PA
As of December 31:										
2005.....	2.4%	5.3%	5.3%	2.8%	7.5%	.9%	3.7%	1.6%	3.8%	4.3%
2006.....	2.0	4.1	5.2	3.1	7.3	1.4	3.6	1.5	3.3	4.3
2007.....	<u>6.9%</u>	<u>4.5%</u>	<u>6.7%</u>	<u>5.0%</u>	<u>8.0%</u>	<u>5.5%</u>	<u>5.5%</u>	<u>4.4%</u>	<u>4.1%</u>	<u>5.1%</u>

(2) As determined by risk in force as of December 31, 2007, these 10 states represent approximately 49%, 59%, and 50%, of traditional primary, bulk, and total risk in force, respectively.

The *title insurance* loss ratios remain in the low single digits due to favorable trends in claims frequency and severity for business underwritten since 1992 in particular. Though still reasonably contained, the moderate increase in claim costs in 2007 is reflective of the continuing downturn in the housing and related mortgage lending industries.

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.

Mortgage guaranty net claim reserve levels can be affected adversely by several factors, including a change in the mix of insured business toward loans that have a higher probability of default, an increase in the average risk per insured loan, a deterioration of regional or national economic conditions leading to a reduction in borrowers' income and thus their ability to make mortgage payments, and a drop in housing values and/or an increase in housing supply that can increase the rate at which defaults evolve into claim and the overall severity of such claims.

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, or 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.

With respect to Old Republic's small *life and health 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, 2007 for the *general insurance* business which comprises the largest portion of Old Republic's loss and loss adjustment expense reserves at 77.2% of the total. For each of these ten calendar years, prior accident years' *general insurance* claim reserves have developed, as a percentage of the original estimates, within a range of 7.5% unfavorable in 2000 to a 7.7% favorable development in 2005. For the ten year period the net development has averaged .5% favorable.

On a consolidated basis, which includes all coverages provided by the Company, the annual favorable development on prior year loss reserves over the same ten year period has ranged from 1.6% to 7.4% and averaged 4.1%. 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 the reasonable likelihood that 2007 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. Consequently, management believes that using a 5% potential range of reserve development provides a reasonable benchmark for a sensitivity analysis of the Company's reserves as of December 31, 2007.

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 losses exceeding contractually agreed-upon levels. During the three year period ended December 31, 2007, the Company's net retention has been increasing gradually within the general insurance segment; however, such changes have not had a material impact on the Company's consolidated financial statements.

Generally, *mortgage guaranty* insurance risk is 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. Except for minor amounts of facultative reinsurance covering large risks, the *title insurance* segment does not utilize reinsurance in managing its insurance risk.

The Company does not anticipate any significant changes to its reinsurance programs during 2008.

Expenses: Underwriting Acquisition and Other Expenses

The following table sets forth the expense ratios registered by each major business segment and in consolidation for the periods shown:

	General	Mortgage	Title	Consolidated
Years Ended December 31:				
2005.....	24.6%	22.4%	88.2%	45.2%
2006.....	24.4	22.5	93.6	44.7
2007.....	24.1%	17.7%	98.1%	41.3%

Variations in the Company's consolidated expense ratios reflect a continually changing mix of coverages sold and attendant costs of producing business in the Company's three largest business segments. To a significant degree, expense ratios for both the general and title insurance segments are mostly reflective of variable costs, such as commissions or similar charges, that rise or decline along with corresponding changes in premium and fee income, as well as changes in general operating expenses which can contract or expand in differing proportions due to varying levels of operating efficiencies and expense management opportunities in the face of changing market conditions.

The decline in the Mortgage Guaranty segment's 2007 ratio is reflective of the growth in net earned premium coupled with continued emphasis on operating efficiency; the slight increase in the 2006 expense ratio in comparison to 2005 reflects higher stock option compensation costs. The increase in the Title segment's 2007 and 2006 expense ratios result from a decline in revenues from direct operations during these periods, most of which are concentrated in the Western United States, to a level lower than necessary to support the fixed portion of the operating expense structure.

Expenses: Total

The composite ratios of the above summarized net claims, benefits and underwriting expenses that reflect the sum total of all the factors enumerated above have been as follows:

	General	Mortgage	Title	Consolidated
Years Ended December 31:				
2005.....	91.5%	59.6%	94.2%	88.5%
2006.....	90.3	65.3	99.5	90.0
2007.....	91.9%	136.5%	104.7%	101.5%

Expenses: Income Taxes

The effective consolidated income tax rates were 28.0% in 2007, 31.7% in 2006 and 26.2% in 2005. The 2005 effective tax rate was reduced and net earnings enhanced by tax and related interest recoveries of \$57.9 million (\$45.9 million net of tax, or 20 cents per share) due to the favorable resolution of tax issues applicable to the three years ended December 31, 1990. Excluding the effects of these tax and related interest recoveries, the effective tax rates remained consistent with those of the corresponding prior periods. The rates for each year reflect primarily the varying proportions of pretax operating income derived from partially tax-sheltered investment income (principally state and municipal tax-exempt interest) on the one hand, and the combination of fully taxable investment income, realized investment gains or losses, and underwriting and service income, on the other hand.

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 statements made in this report and other Company-published reports, as well as oral statements or commentaries made by the Company's management in 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, commentaries, or inferences, involve assumptions, uncertainties, and risks that may affect the Company's future performance. With regard to Old Republic's General Insurance segment, its results can be affected, in particular, by the level of market competition, which is typically a function of available capital and expected returns on such capital among competitors, the levels of interest and inflation rates, and periodic changes in claim frequency and severity patterns caused by natural disasters, weather conditions, accidents, illnesses, work-related injuries, and unanticipated external events. Mortgage Guaranty and Title Insurance results can be affected by similar factors and, most particularly, by changes in national and regional housing demand and values, the availability and cost of mortgage loans, employment trends, and default rates on mortgage loans. Mortgage Guaranty results, in particular, may also be affected by various risk-sharing arrangements with business producers as well as the risk management and pricing policies of government sponsored enterprises. Life and health insurance earnings can be affected by the levels of employment and consumer spending, variations in mortality and health trends, and changes in policy lapsation rates. At the parent holding company level, operating earnings or losses are generally reflective of the amount of debt outstanding and its cost, interest income on temporary holdings of short-term investments, and period-to-period variations in the costs of administering the Company's widespread operations. A more detailed discussion of all the foregoing risks appears in Part I, Item 1A – Risk Factors, of this Annual Report, which is specifically incorporated herein by reference.

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

Item 7A - Quantitative and Qualitative Disclosure About Market Risk

Market risk represents the potential for loss due to adverse changes in the fair value of financial instruments as a result of changes in interest rates, equity prices, foreign exchange rates and commodity prices. Old Republic's primary market risks consist of interest rate risk associated with investments in fixed maturities and equity price risk associated with investments in equity securities. The Company has no material foreign exchange or commodity risk.

The Company does not own or utilize derivative financial instruments for the purpose of hedging, enhancing the overall return of its investment portfolio, or reducing the cost of its debt obligations. With regard to its equity portfolio, the Company does not own any options nor does it engage in any type of option writing. Traditional investment management tools and techniques are employed to address the yield and valuation exposures of the invested assets base. The long-term fixed maturity investment portfolio is managed so as to limit various risks inherent in the bond market. Credit risk is addressed through asset diversification and the purchase of investment grade securities. Reinvestment rate risk is reduced by concentrating on non-callable issues, and by taking asset-liability matching considerations into account. Purchases of mortgage and asset backed securities, which have variable principal prepayment options, are generally avoided. Market value risk is limited through the purchase of bonds of intermediate maturity. The combination of these investment management practices is expected to produce a more stable long-term fixed maturity investment portfolio that is not subject to extreme interest rate sensitivity and principal deterioration.

The market value of the Company's long-term fixed maturity investment portfolio is sensitive, however, to fluctuations in the level of interest rates, but not materially affected by changes in anticipated cash flows caused by any prepayments. The impact of interest rate movements on the long-term fixed maturity investment portfolio generally affects net unrealized gains or losses. As a general rule, rising interest rates enhance currently available yields but typically lead to a reduction in the fair value of existing fixed maturity investments. By contrast, a decline in such rates reduces currently available yields but usually serves to increase the fair value of the existing fixed maturity investment portfolio. All such changes in fair value are reflected, net of deferred income taxes, directly in the shareholders' equity account, and as a separate component of the statement of comprehensive income. Given the Company's inability to forecast or control the movement of interest rates, Old Republic sets the maturity spectrum of its fixed maturity securities portfolio within parameters of estimated liability payouts, and focuses the overall portfolio on high quality investments. By so doing, Old Republic believes it is reasonably assured of its ability to hold securities to maturity as it may deem necessary in changing environments, and of ultimately recovering their aggregate cost.

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, 2007:

	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	\$ 7,383.6	100 basis point rate increase	\$ 7,103.8
		200 basis point rate increase	6,823.9
		100 basis point rate decrease	7,663.4
		200 basis point rate decrease	\$ 7,943.3
Equity Price Risk:			
Equity Securities	\$ 842.1	10% increase in the S&P 500	\$ 954.9
		20% increase in the S&P 500	1,067.8
		10% decline in the S&P 500	729.3
		20% decline in the S&P 500	\$ 616.4

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,	
	2007	2006
Assets		
Investments:		
Available for sale:		
Fixed maturity securities (at fair value) (cost: \$7,312.2 and \$6,873.8).....	\$ 7,383.6	\$ 6,832.6
Equity securities (at fair value) (cost: \$807.3 and \$534.7)	842.1	669.1
Short-term investments (at fair value which approximates cost)	462.6	493.6
Miscellaneous investments	64.7	52.7
Total	8,753.1	8,048.1
Other investments	8.1	7.9
Total investments	8,761.2	8,056.1
Other Assets:		
Cash	54.0	71.6
Securities and indebtedness of related parties	15.3	21.8
Accrued investment income	108.7	102.9
Accounts and notes receivable	880.3	962.1
Federal income tax recoverable: Current	6.2	15.5
Prepaid federal income taxes	536.5	468.4
Reinsurance balances and funds held	69.9	74.2
Reinsurance recoverable: Paid losses	65.8	58.6
Policy and claim reserves	2,193.4	2,172.7
Deferred policy acquisition costs	246.5	264.9
Sundry assets	352.3	342.9
	4,529.3	4,556.1
Total Assets	\$ 13,290.6	\$ 12,612.2
Liabilities, Preferred Stock, and Common Shareholders' Equity		
Liabilities:		
Losses, claims, and settlement expenses	\$ 6,231.1	\$ 5,534.7
Unearned premiums	1,182.2	1,209.4
Other policyholders' benefits and funds	190.2	188.6
Total policy liabilities and accruals	7,603.5	6,932.8
Commissions, expenses, fees, and taxes	225.9	243.5
Reinsurance balances and funds	288.7	314.4
Federal income tax payable: Deferred	417.7	469.4
Debt	64.1	144.3
Sundry liabilities	148.8	138.4
Commitments and contingent liabilities		
Total Liabilities	8,749.0	8,243.0
Preferred Stock:		
Convertible preferred stock (1)	-	-
Common Shareholders' Equity:		
Common stock (1)	232.0	231.0
Additional paid-in capital	344.4	319.5
Retained earnings	3,900.1	3,773.9
Accumulated other comprehensive income	93.3	44.6
Treasury stock (at cost)(1)	(28.3)	-
Total Common Shareholders' Equity	4,541.6	4,369.2
Total Liabilities, Preferred Stock and Common Shareholders' Equity	\$ 13,290.6	\$ 12,612.2

- (1) At December 31, 2007 and 2006, 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 232,038,331 in 2007 and 231,047,890 in 2006 were issued. At December 31, 2007 and 2006, there were 100,000,000 shares of Class B Common Stock, \$1.00 par value, authorized, of which no shares were issued. Common shares classified as treasury stock were 1,566,100 and 0 as of December 31, 2007 and 2006, respectively.

See accompanying Notes to Consolidated Financial Statements.

Old Republic International Corporation and Subsidiaries
Consolidated Statements of Income
(\$ in Millions, Except Share Data)

	Years Ended December 31,		
	2007	2006	2005
Revenues:			
Net premiums earned	\$ 3,389.0	\$ 3,154.1	\$ 3,062.3
Title, escrow, and other fees	212.1	246.3	324.6
Total premiums and fees	3,601.2	3,400.5	3,386.9
Net investment income	379.9	341.6	310.1
Other income	39.4	33.0	43.9
Total operating revenues	4,020.6	3,775.2	3,741.0
Realized investment gains	70.3	19.0	64.9
Total revenues	4,091.0	3,794.2	3,805.9
Benefits, Claims and Expenses:			
Benefits, claims, and settlement expenses	2,156.9	1,532.3	1,460.1
Dividends to policyholders	9.3	7.3	5.3
Underwriting, acquisition, and other expenses	1,538.9	1,564.4	1,583.4
Interest and other charges	7.3	9.9	9.5
Total expenses	3,712.6	3,114.0	3,058.5
Income before income taxes	378.4	680.1	747.3
Income Taxes (Credits):			
Current	172.5	158.8	263.0
Deferred	(66.5)	56.4	(67.1)
Total	105.9	215.2	195.9
Net Income	\$ 272.4	\$ 464.8	\$ 551.4
Net Income Per Share:			
Basic:	\$ 1.18	\$ 2.01	\$ 2.40
Diluted:	\$ 1.17	\$ 1.99	\$ 2.37
Average shares outstanding: Basic	231,370,242	231,017,947	229,487,273
Diluted.....	232,912,728	233,034,986	232,108,491
Dividends Per Common Share:			
Cash: Regular	\$.630	\$.590	\$.512
Special	-	-	.800
Total	\$.630	\$.590	\$ 1.312
Stock	-%	-%	25%

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31,		
	2007	2006	2005
Net income as reported	\$ 272.4	\$ 464.8	\$ 551.4
Other comprehensive income (loss):			
Foreign currency translation adjustment	20.7	(1.4)	2.9
Unrealized gains (losses) on securities:			
Unrealized gains (losses) arising during period	89.5	44.2	(120.5)
Less: elimination of pretax realized gains included in income as reported	70.3	19.0	64.9
Pretax unrealized gains (losses) on securities carried at market value	19.1	25.2	(185.4)
Deferred income taxes (credits)	6.6	8.7	(64.9)
Net unrealized gains (losses) on securities	12.4	16.4	(120.5)
Defined benefit pension plans:			
Minimum pension liability, net of tax	-	(11.1)	(1.1)
Net pension gain, net of tax	15.0	-	-
Net impact of defined benefit pension plans	15.0	(11.1)	(1.1)
Net adjustments	48.3	3.8	(118.7)
Comprehensive income	\$ 320.8	\$ 468.7	\$ 432.6

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,		
	2007	2006	2005
Convertible Preferred Stock:			
Balance, end of year	\$ -	\$ -	\$ -
Common Stock:			
Balance, beginning of year	\$ 231.0	\$ 229.5	\$ 185.4
Stock dividend	-	-	45.9
Dividend reinvestment plan	-	-	-
Exercise of stock options .....	.9	1.4	.9
Stock awards	-	-	-
Treasury stock restored to unissued status	-	-	(2.8)
Balance, end of year	\$ 232.0	\$ 231.0	\$ 229.5
Additional Paid-in Capital:			
Balance, beginning of year	\$ 319.5	\$ 288.6	\$ 270.4
Dividend reinvestment plan	1.0	1.1	2.0
Exercise of stock options	13.0	16.4	18.1
Stock option compensation	10.8	13.3	4.8
Stock awards	-	-	.2
Treasury stock restored to unissued status	-	-	(7.1)
Balance, end of year	\$ 344.4	\$ 319.5	\$ 288.6
Retained Earnings:			
Balance, beginning of year	\$ 3,773.9	\$ 3,444.9	\$ 3,240.1
Net income	272.4	464.8	551.4
Dividends on common stock: cash	(145.4)	(135.8)	(300.7)
stock	-	-	(45.9)
Effects of changing pension plan measurement date pursuant to FAS 158, net of tax	(.8)	-	-
Balance, end of year	\$ 3,900.1	\$ 3,773.9	\$ 3,444.9
Accumulated Other Comprehensive Income:			
Balance, beginning of year	\$ 44.6	\$ 60.8	\$ 179.5
Foreign currency translation adjustments	20.7	(1.4)	2.9
Net unrealized gains (losses) on securities, net of tax	12.4	16.4	(120.5)
Minimum pension liability, net of tax credits	-	(11.1)	(1.1)
Adjustment to apply FAS 158, net of tax .....	.3	(20.0)	-
Net pension gain, net of tax	15.0	-	-
Balance, end of year	\$ 93.3	\$ 44.6	\$ 60.8
Treasury Stock:			
Balance, beginning of year	\$ -	\$ -	\$ (10.0)
Acquired during the year	(28.3)	-	-
Restored to unissued status	-	-	10.0
Balance, end of year	\$ (28.3)	\$ -	\$ -

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31,		
	2007	2006	2005
Cash flows from operating activities:			
Net income	\$ 272.4	\$ 464.8	\$ 551.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred policy acquisition costs	21.2	(24.6)	(7.2)
Premiums and other receivables	82.2	(85.5)	(212.7)
Unpaid claims and related items	646.4	560.2	273.9
Other policyholders' benefits and funds	(1.3)	138.9	96.2
Income taxes	(57.1)	(89.1)	53.9
Prepaid federal income taxes	(68.1)	77.3	(46.4)
Reinsurance balances and funds	(29.3)	(77.7)	154.3
Realized investment gains	(70.3)	(19.0)	(64.9)
Accounts payable, accrued expenses and other	66.5	59.6	34.9
Total	<u>862.5</u>	<u>1,004.7</u>	<u>833.6</u>
Cash flows from investing activities:			
Fixed maturity securities:			
Maturities and early calls	692.0	729.1	794.7
Sales	120.9	215.3	375.2
Sales of:			
Equity securities	393.3	21.7	325.8
Other investments	10.6	21.2	12.9
Fixed assets for company use	4.9	.8	5.7
Investment in subsidiary	-	7.7	-
Cash and short-term investments of subsidiaries acquired .....	.5	17.6	1.2
Purchases of:			
Fixed maturity securities	(1,257.8)	(1,517.5)	(1,748.4)
Equity securities	(604.6)	(50.7)	(380.8)
Other investments	(10.0)	(9.2)	(5.2)
Fixed assets for company use	(20.3)	(19.6)	(37.6)
Investments in subsidiaries	(4.9)	(71.3)	(10.1)
Cash and short-term investments of subsidiaries sold	-	(5.5)	-
Net decrease (increase) in short-term investments	32.4	(218.2)	118.9
Other-net	-	(8.9)	4.0
Total	<u>(643.0)</u>	<u>(887.4)</u>	<u>(543.5)</u>
Cash flows from financing activities:			
Issuance of debentures and notes	121.3	3.2	1.0
Issuance of common shares	15.0	18.9	18.4
Redemption of debentures and notes	(201.6)	(1.5)	(1.4)
Dividends on common shares	(145.4)	(135.8)	(300.7)
Purchase of treasury stock	(28.3)	-	-
Other-net	1.8	1.2	.2
Total	<u>(237.1)</u>	<u>(113.9)</u>	<u>(282.4)</u>
Increase (decrease) in cash:	<u>(17.6)</u>	<u>3.3</u>	<u>7.7</u>
Cash, beginning of year	71.6	68.3	60.5
Cash, end of year	<u>\$ 54.0</u>	<u>\$ 71.6</u>	<u>\$ 68.3</u>
Supplemental cash flow information:			
Cash paid during the year for: Interest	\$ 7.1	\$ 9.7	\$ 9.4
Income taxes	<u>\$ 162.5</u>	<u>\$ 302.0</u>	<u>\$ 138.4</u>

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), mortgage guaranty and title insurance businesses. In this report, "Old Republic", or "the Company" refers to Old Republic International Corporation and its subsidiaries as the context requires. The aforementioned insurance segments are organized as the Old Republic General Insurance, Mortgage Guaranty and Title Insurance Groups, and references herein to such groups apply to the Company's subsidiaries engaged in the respective segments of business. Results of a small life and health insurance business are included in the corporate and other caption of this report.

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 maintain their accounts in conformity with accounting practices 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 generally accepted accounting principles ("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; (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) the effect of discounting the medical and loss adjustment expense portion of workers compensation reserves is excluded from losses incurred; and (8) certain required formula-derived liabilities 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. 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,		
	2007	2006	2007	2006	2005
Statutory totals of insurance company subsidiaries:					
General	\$ 2,378.3	\$ 2,239.0	\$ 329.2	\$ 240.3	\$ 312.4
Mortgage Guaranty.....	236.2	231.2	(99.6)	226.7	93.4
Title	173.6	182.1	21.5	34.9	43.3
Life & Health	70.6	54.7	7.2	5.3	3.0
Sub-total	2,858.7	2,707.0	258.3	507.2	452.1
GAAP totals of non-insurance company subsidiaries and consolidation adjustments ..	261.4	261.9	(32.3)	(20.9)	(6.1)
Unadjusted totals.....	3,120.3	2,969.0	226.1	486.3	446.1
Adjustments to conform to GAAP:					
Deferred policy acquisition costs	240.7	260.6	(21.4)	26.3	7.8
Fair value of fixed maturity securities	73.9	(39.7)	-	-	-
Non-admitted assets.....	48.2	58.2	-	-	-
Deferred income taxes	(539.7)	(574.0)	63.7	(62.0)	73.9
Mortgage contingency reserves	1,429.7	1,545.0	-	-	-
Title unearned premiums.....	356.1	363.0	(6.8)	3.8	13.6
Loss reserves	(254.1)	(264.8)	10.6	6.6	(3.9)
Sundry adjustments.....	66.2	52.0	.2	3.8	14.2
Total adjustments	1,421.0	1,399.8	46.4	(21.5)	105.0
Consolidated GAAP totals	\$ 4,541.6	\$ 4,369.2	\$ 272.4	\$ 464.8	\$ 551.4

The preparation of financial statements in conformity with either statutory practices or generally accepted accounting principles 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.

(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, 2007 and 2006, 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 market value changes of each of its investments on at least a quarterly basis during the year, and estimates of other-than-temporary impairments in the portfolio's value are evaluated and established at each quarterly balance sheet date. In reviewing investments for other-than-temporary impairment, the Company, in addition to a security's market price history, considers the totality of such factors as the issuer's operating results, financial condition and liquidity, its ability to access capital markets, credit rating trends, most current audit opinion, industry and securities markets conditions, and analyst expectations to reach its conclusions. Sudden market value declines caused by such adverse developments as newly emerged or imminent bankruptcy filings, issuer default on significant obligations, or reports of financial accounting developments that bring into question the validity of previously reported earnings or financial condition, are recognized as realized losses as soon as credible publicly available information emerges to confirm such developments. Accordingly, the recognition of losses from other-than-temporary value impairments is subject to a great deal of judgment as well as turns of events over which the Company can exercise little or no control. In the event the Company's estimate of other-than-temporary impairments is insufficient at any point in time, future periods' net income would be 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. The Company recognized no other-than-temporary impairments of investments for the years ended December 31, 2007 and 2006 while recognizing \$9.2 million for the year ended December 31, 2005.

The amortized cost and estimated fair values of fixed maturity securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed Maturity Securities:				
December 31, 2007:				
U.S. & Canadian Governments.....	\$ 696.8	\$ 26.6	\$.3	\$ 723.0
Tax-exempt	2,328.7	27.4	1.6	2,354.5
Utilities.....	985.2	10.2	7.5	987.8
Corporate	3,301.5	42.7	26.0	3,318.2
	<u>\$ 7,312.2</u>	<u>\$ 106.9</u>	<u>\$ 35.6</u>	<u>\$ 7,383.6</u>
December 31, 2006:				
U.S. & Canadian Governments.....	\$ 708.7	\$ 11.6	\$ 5.6	\$ 714.7
Tax-exempt	2,234.1	10.1	14.7	2,229.5
Utilities.....	936.5	7.2	19.8	923.8
Corporate	2,994.4	17.6	47.6	2,964.4
	<u>\$ 6,873.8</u>	<u>\$ 46.6</u>	<u>\$ 87.8</u>	<u>\$ 6,832.6</u>

The amortized cost and estimated fair value of fixed maturity securities at December 31, 2007, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Fixed Maturity Securities:		
Due in one year or less	\$ 856.9	\$ 858.3
Due after one year through five years	3,422.8	3,460.7
Due after five years through ten years	3,007.9	3,039.6
Due after ten years	24.5	24.8
	<u>\$ 7,312.2</u>	<u>\$ 7,383.6</u>

Bonds and other investments with a statutory carrying value of \$356.1 million as of December 31, 2007 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 follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2007:				
Equity securities	<u>\$ 807.3</u>	<u>\$ 115.1</u>	<u>\$ 80.4</u>	<u>\$ 842.1</u>
December 31, 2006:				
Equity securities	<u>\$ 534.7</u>	<u>\$ 136.1</u>	<u>\$ 1.8</u>	<u>\$ 669.1</u>

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 are comprised of sales of securities and provisions 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.

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 employing closing market price comparisons with an issuer's original cost at December 31, 2007 and 2006:

	12 Months or Less		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2007:						
Fixed Maturity Securities:						
U.S. & Canadian Governments..	\$ 16.2	\$ -	\$ 75.1	\$.3	\$ 91.4	\$.3
Tax-exempt.....	30.3	.1	347.0	1.4	377.3	1.6
Corporates.....	317.1	4.9	1,405.8	28.6	1,722.9	33.6
	<u>363.7</u>	<u>5.2</u>	<u>1,828.0</u>	<u>30.4</u>	<u>2,191.8</u>	<u>35.6</u>
Equity Securities.....	281.8	80.4	-	-	281.9	80.4
Total.....	<u>\$ 645.6</u>	<u>\$ 85.6</u>	<u>\$ 1,828.0</u>	<u>\$ 30.4</u>	<u>\$ 2,473.7</u>	<u>\$ 116.0</u>
December 31, 2006:						
Fixed Maturity Securities:						
U.S. & Canadian Governments..	\$ 210.6	\$ 2.0	\$ 229.5	\$ 3.5	\$ 440.2	\$ 5.6
Tax-exempt.....	402.9	1.7	925.7	13.0	1,328.7	14.7
Corporates.....	1,047.5	11.7	1,825.6	55.7	2,873.1	67.5
	<u>1,661.1</u>	<u>15.5</u>	<u>2,980.9</u>	<u>72.3</u>	<u>4,642.1</u>	<u>87.8</u>
Equity Securities.....	25.1	1.8	-	-	25.1	1.8
Total.....	<u>\$ 1,686.3</u>	<u>\$ 17.3</u>	<u>\$ 2,980.9</u>	<u>\$ 72.3</u>	<u>\$ 4,667.3</u>	<u>\$ 89.7</u>

At December 31, 2007, the Company held 542 fixed maturity and 14 equity securities in an unrealized loss position, representing 27.6% as to fixed maturities and 56.0% as to equity securities of the total number of such issues held by the Company. Of the 542 fixed maturity securities, 428 had been in a continuous unrealized loss position for greater than 12 months. The unrealized losses on these securities are primarily attributable to a rising interest rate environment as opposed to a decline in credit quality of the issuer. As part of its assessment of other-than-temporary impairment, the Company considers its intent and ability to continue to hold investment securities in

an unrealized loss position until cost recovery, principally on the basis of its asset and liability maturity matching procedures. The Company has not sold nor does it expect to sell investments for purposes of generating cash to pay claim or expense obligations, thereby supporting its ability to continue to hold securities until their cost basis may be recovered.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 ("FAS 157") "Fair Value Measurements", which establishes a framework for measuring fair value. FAS 157 applies to existing accounting pronouncements that require or permit fair value measurements, and becomes effective for fiscal years beginning after November 15, 2007. Disclosure requirements associated with the standard will be incorporated in the Company's 2008 quarterly and annual reports, and its adoption in the first quarter of 2008 is not expected to have a material impact on the consolidated financial statements or on the conduct of its business.

At December 31, 2007, 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,		
	2007	2006	2005
Investment income from:			
Fixed maturity securities	\$ 332.9	\$ 298.0	\$ 284.1
Equity securities	16.1	13.9	9.4
Short-term investments	28.2	26.6	15.9
Other sources	6.4	6.5	5.4
Gross investment income	383.8	345.1	315.0
Investment expenses (1)	3.8	3.5	4.9
Net investment income	<u>\$ 379.9</u>	<u>\$ 341.6</u>	<u>\$ 310.1</u>
Realized gains (losses) on:			
Fixed maturity securities:			
Gains	\$ 2.4	\$ 2.7	\$ 5.8
Losses	(.2)	(.6)	(4.0)
Net	<u>2.2</u>	<u>2.0</u>	<u>1.7</u>
Equity securities & other long-term investments	68.1	16.9	63.1
Total	70.3	19.0	64.9
Income taxes	24.6	6.6	22.6
Net realized gains	<u>\$ 45.7</u>	<u>\$ 12.3</u>	<u>\$ 42.2</u>
Changes in unrealized investment gains (losses) on:			
Fixed maturity securities	\$ 112.1	\$ (49.2)	\$ (174.7)
Less: Deferred income taxes (credits)	39.2	(17.3)	(61.1)
Net changes in unrealized investment gains (losses)	<u>\$ 72.9</u>	<u>\$ (31.9)</u>	<u>\$ (113.5)</u>
Equity securities & other long-term investments	\$ (93.0)	\$ 74.4	\$ (10.7)
Less: Deferred income taxes (credits)	(32.5)	26.0	(3.7)
Net changes in unrealized investment gains (losses)	<u>\$ (60.5)</u>	<u>\$ 48.3</u>	<u>\$ (6.9)</u>

- (1) Investment expenses consist of personnel costs and investment management and custody service fees, as well as interest incurred on funds held of \$1.1 million, \$1.0 million and \$.7 million for the years ended December 31, 2007, 2006 and 2005, respectively.

(e) *Revenue Recognition* - Pursuant to GAAP applicable to the insurance industry, revenues are associated with the related benefits, claims, and expenses by application of numerous management estimates, accounting rules, and conventions.

Substantially all general insurance premiums are reflected in income on a pro-rata basis. Earned but unbilled premiums are generally taken into income on the billing date, while adjustments for retrospective premiums, commissions and similar charges or credits are accrued on the basis of periodic evaluations of current underwriting experience and contractual obligations.

The Company's mortgage guaranty premiums primarily stem from monthly installment policies. Accordingly, substantially all such premiums are generally written and earned in the month coverage is effective. With respect to annual or single premium policies, earned premiums are recognized on a pro-rata basis over the terms of the policies.

Title premium and fee revenues stemming from the Company's direct operations (which include branch offices of its title insurers and wholly owned agency subsidiaries) represent approximately 32% of 2007 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.

(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. 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.

The following table summarizes deferred policy acquisition costs and related data for the years shown:

	Years Ended December 31,		
	2007	2006	2005
Deferred, beginning of year	\$ 264.9	\$ 240.0	\$ 232.3
Acquisition costs deferred:			
Commissions – net of reinsurance	210.6	241.7	219.1
Premium taxes	78.5	68.2	75.5
Salaries and other marketing expenses	94.7	81.6	92.6
Sub-total	384.1	391.8	387.4
Amortization charged to income	(402.5)	(366.9)	(379.8)
Change for the year	(18.4)	24.9	7.6
Deferred, end of year	\$ 246.5	\$ 264.9	\$ 240.0

(g) *Unearned Premiums* - Unearned premium reserves are generally calculated by application of pro-rata factors to premiums in force. At December 31, 2007 and 2006, unearned premiums consisted of the following:

	December 31,	
	2007	2006
General Insurance Group	\$ 1,101.7	\$ 1,153.8
Mortgage Guaranty Group	80.4	55.6
Total	\$ 1,182.2	\$ 1,209.4

(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 produced reasonable estimates of the ultimate net costs of claims incurred. However, no representation is made that ultimate net claim and related costs will not be greater or lower than previously established reserves.

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 refilled pursuant to these anticipated and now final regulations have increased, though the volume of new claim reports has abated in recent years. 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 as yet 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 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. In recent times, 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, 2007, 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, 2007 and 2006, Old Republic's aggregate indemnity and loss adjustment expense reserves specifically identified with A&E exposures amounted to \$190.5 million and \$194.9 million gross, respectively, and \$158.1 million and \$157.8 million net of reinsurance, respectively. Old Republic's average five year survival ratios stood at 7.7 years (gross) and 10.7 years (net of reinsurance) as of December 31, 2007 and 7.6 years (gross) and 10.9 years (net of reinsurance) as of December 31, 2006. Fluctuations in this ratio between years can be caused by the inconsistent pay out patterns associated with these types of claims.

Mortgage guaranty insurance loss reserves are based on statistical calculations that take into account the number of reported insured mortgage loan defaults as of each balance sheet date, as well as experience-based estimates of loan defaults that have occurred but have not as yet been reported. Further, the loss reserve estimating process also takes into account a large number of variables including trends in claim severity, potential salvage recoveries, expected cure rates for reported loan delinquencies at various stages of default, and judgments relative to future employment levels, housing market activity, and mortgage loan interest costs, demand and availability.

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 claims incurred but not reported, concurrently with the recognition of 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 incurred but not reported ("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.

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,		
	2007	2006	2005
Gross reserves at beginning of year.....	\$ 5,534.7	\$ 4,939.8	\$ 4,403.5
Less: reinsurance losses recoverable	1,936.6	1,902.1	1,639.6
Net reserves at beginning of year	3,598.0	3,037.6	2,763.8
Incurred claims and claim adjustment expenses:			
Provisions for insured events of the current year	2,224.2	1,646.4	1,504.5
Change in provision for insured events of prior years	(66.1)	(114.0)	(43.9)
Total incurred claims and claim adjustment expenses.....	2,158.1	1,532.5	1,460.7
Payments:			
Claims and claim adjustment expenses attributable to insured events of the current year	579.7	432.4	484.6
Claims and claim adjustment expenses attributable to insured events of prior years	930.0	539.6	702.1
Total payments	1,509.8	972.1	1,186.8
Amount of reserves for unpaid claims and claim adjustment expenses at the end of each year, net of reinsurance losses recoverable.....	4,246.3	3,598.0	3,037.6
Reinsurance losses recoverable	1,984.7	1,936.6	1,902.1
Gross reserves at end of year	\$ 6,231.1	\$ 5,534.7	\$ 4,939.8

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 average favorable annual developments of 2.4%. The Company believes that the factors most responsible, in varying and continually changing degrees, for such redundancies or deficiencies included differences in originally estimated salvage and subrogation recoveries, in sales and prices of homes that can impact claim costs upon the sale of foreclosed properties, by changes in regional or local economic conditions and employment levels, by the extent of loan refinancing activity that can reduce the period of time over which a policy remains at risk, by lower than expected frequencies of claims incurred but not reported, by the effect of reserve discounts applicable to workers' compensation claims, by higher than expected severity of litigated claims in particular, by governmental or judicially imposed retroactive conditions in the settlement of claims such as noted above in regard to black lung disease claims, by greater than anticipated inflation rates applicable to repairs and the medical portion of claims in particular, and by 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 calls for the establishment of a deferred tax, 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 reflected in the consolidated statements of income does not bear the usual relationship to income before income taxes as the result of permanent and other differences between pretax income and taxable income determined under existing tax regulations. The more significant differences, their effect on the statutory income tax rate, and the resulting effective income tax rates are summarized below:

	Years Ended December 31,		
	2007	2006	2005
Statutory tax rate	35.0%	35.0%	35.0%
Tax rate increases (decreases):			
Tax-exempt interest	(6.7)	(3.3)	(2.6)
Dividends received exclusion	(.9)	(.4)	(.2)
Other items – net (1) .....	.6	.4	(6.0)
Effective tax rate	28.0%	31.7%	26.2%

- (1) Tax and related interest recoveries of \$57.9 million (\$45.9 million net of tax) were recorded in the second quarter of 2005 due to the favorable resolution of tax issues applicable to the three years ended December 31, 1990. This adjustment reduced the 2005 effective tax rate by approximately 6.2 percentage points.

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,		
	2007	2006	2005
Deferred Tax Assets:			
Losses, claims, and settlement expenses	\$ 207.6	\$ 192.0	\$ 176.5
Pension and deferred compensation plans	27.9	30.3	9.6
Other timing differences	6.9	1.9	6.2
Total deferred tax assets (1)	242.5	224.3	192.3
Deferred Tax Liabilities:			
Unearned premium reserves	23.4	22.6	29.5
Deferred policy acquisition costs	80.2	87.2	77.7
Mortgage guaranty insurers' contingency reserves	501.3	536.6	468.5
Fixed maturity securities adjusted to cost	9.3	7.6	6.8
Net unrealized investment gains	41.3	35.0	26.9
Title plants and records	4.4	4.4	4.4
Total deferred tax liabilities	660.3	693.7	614.0
Net deferred tax liabilities	\$ 417.7	\$ 469.4	\$ 421.6

- (1) The Company has evaluated its deferred tax assets as of each of these dates and has concluded that no valuation allowance is warranted.

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 tax benefits obtained from such deductions must, however, be invested in a special type of non-interest bearing U.S. Treasury Tax and Loss Bonds which aggregated \$536.5 million at December 31, 2007. 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. During 2007, the Company released net contingency reserves of \$115.2 million and consequently, \$35.3 million of U.S. Treasury Tax and Loss Bonds were to be redeemed during the first quarter of 2008.

Through December 31, 2005, cumulative tax and loss bonds purchased and subsequent redemptions were reflected as U.S. government securities within the investments section of the consolidated balance sheets. Effective January 1, 2006 the Company has reclassified such bonds to conform to more common industry reporting practices and to better align these investments with the corresponding long-term deferred income tax liabilities to which they relate. As a result of this reclassification, invested asset balances have been reduced and the prepaid income tax asset has been increased, while periodic operating cash flow and cash flow from investing activities have been adjusted by correspondingly identical amounts. The reclassification has no effect on the financial position or net income of the Company, nor does it call for the receipt or disbursement of any additional cash resources.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) which became effective for the Company in the first quarter of 2007. FIN 48 provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. FIN 48 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. The Company's unrecognized tax benefits, including interest and penalty accruals, are not considered material to the consolidated financial statements and did not change significantly upon the adoption of FIN 48. There are no tax uncertainties that are expected to result in significant increases or decreases to unrecognized tax benefits within the next twelve month period. The Company views its income tax exposures as consisting of timing differences whereby the ultimate deductibility of a tax position 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 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, other than possible interest and penalties, the possible accelerated payment of tax to the IRS would not affect the annual effective tax rate. The Company classifies interest and penalties as income tax expense in the consolidated statement of income. The IRS has audited the Company's consolidated Federal income tax returns through year end 2003 and no significant adjustments ultimately resulted.

(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 \$18.3 million, \$18.5 million, and \$19.0 million in 2007, 2006, and 2005, 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* - Goodwill resulting from business combinations is no longer amortizable against operations but must be tested annually for possible impairment of its continued value (\$159.1 million and \$155.6 million at December 31, 2007 and 2006, respectively). No impairment charges were required for any period presented. Goodwill and intangible assets of \$58.5 million were recorded during 2006 as a result of the November 30, 2006 acquisition of a casualty insurance book of business (see Note 7). Intangible assets related to the acquisition will be amortized against future operating results.

(n) *Employee Benefit Plans* - The Company has three pension plans covering a portion of its work force. The three plans are the Old Republic International Salaried Employees Restated Retirement Plan (the Old Republic Plan), the Bituminous Casualty Corporation Retirement Income Plan (the Bituminous Plan) and the Old Republic National Title Group Pension Plan (the Title 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. These plans have been closed to new participants since December 31, 2004. Plan assets are comprised principally of bonds, common stocks and short-term investments. Prior to 2007, the dates used to determine pension measurements were December 31 for the Old Republic Plan and the Bituminous Plan, and September 30 for the Title Plan. Effective December 31, 2007, the Company adopted the measurement date provision of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("FAS 158"), which requires the Company to measure the funded status of its plans as of the end of the fiscal year. Consequently, the Title Plan changed its measurement date to December 31. The adoption of the measurement date provisions of FAS 158 did not have a material impact on the consolidated financial statements.

Effective December 31, 2006, the Company adopted the recognition and disclosure provisions of FAS 158 which 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 adoption of FAS 158's recognition provision resulted in a reduction to accumulated other comprehensive income of \$20.0 million in 2006.

The changes in the projected benefit obligation are as follows at the above measurement dates:

	2007	2006	2005
Projected benefit obligation at beginning of year.....	\$ 250.1	\$ 230.9	\$ 214.4
Increases (decreases) during the year attributable to:			
Service cost.....	9.6	9.3	8.5
Interest cost.....	15.2	13.0	12.2
Actuarial (gains) losses.....	(22.6)	5.9	4.4
Benefits paid.....	(10.4)	(9.1)	(8.7)
Net increase (decrease) for the year.....	(8.1)	19.1	16.5
Projected benefit obligation at end of year.....	\$ 242.0	\$ 250.1	\$ 230.9

The changes in the fair value of net assets available for plan benefits as of the above measurement dates are as follows:

	2007	2006	2005
Fair value of net assets available for plan benefits			
At beginning of the year.....	\$ 210.5	\$ 195.6	\$ 185.7
Increases (decreases) during the year attributable to:			
Actual return on plan assets.....	14.9	17.1	10.8
Sponsor contributions.....	5.0	6.8	8.0
Benefits paid.....	(10.4)	(9.1)	(8.7)
Administrative expenses.....	-	-	(.1)
Net increase for year.....	9.4	14.8	9.8
Fair value of net assets available for plan benefits			
At end of the year.....	\$ 219.9	\$ 210.5	\$ 195.6

The components of aggregate annual net periodic pension costs that take into account the above measurement dates consisted of the following:

	2007	2006	2005
Service cost.....	\$ 8.7	\$ 9.3	\$ 8.5
Interest cost.....	14.1	13.0	12.2
Expected return on plan assets.....	(16.0)	(14.8)	(14.7)
Recognized loss.....	3.2	3.4	2.4
Net cost.....	\$ 9.9	\$ 10.9	\$ 8.5

The pretax amounts recognized in other comprehensive income consist of the following:

	Years Ended December 31,		
	2007	2006	2005
Amounts arising during the period:			
Net recognized gain (loss).....	\$ 20.1	\$ -	\$ -
Net prior service cost.....	-	-	-
Reclassification adjustment to components			
Of net periodic pension cost:			
Net recognized (gain) loss.....	3.2	-	-
Net prior service cost.....	-	-	-
Minimum pension liability.....	-	(16.9)	(1.7)
Net pretax amount recognized.....	\$ 23.3	\$ (16.9)	\$ (1.7)

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:

	2007	2006
Net recognized gain (loss).....	\$ (29.8)	\$ (53.7)
Net prior service cost.....	-	-
Total.....	\$ (29.8)	\$ (53.7)

The amounts included in accumulated other comprehensive income expected to be recognized as components of net periodic pension cost during 2008 consist of the following:

Net recognized gain (loss).....	\$ (.7)
Net prior service cost.....	-
Total.....	\$ (.7)

The projected benefit obligations for the plans were determined using the following weighted-average assumptions as of the above measurement dates:

	2007	2006
Settlement discount rates.....	6.50%	5.75%
Rates of compensation increase.....	4.25%	3.92%

The net periodic benefit cost for the plans were determined using the following weighted-average assumptions, for the plan years taking into account the above measurement dates:

	2007	2006
Settlement discount rates.....	5.75%	5.67%
Rates of compensation increase.....	3.92%	3.59%
Long-term rates of return on plans' assets.....	7.83%	7.83%

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 accumulated benefit obligation for the plans was \$214.1 million and \$221.1 million for the 2007 and 2006 plan years taking into account the above measurement dates, respectively.

The following information is being provided for plans with projected benefit obligations in excess of plan assets as of the above measurement dates:

	2007	2006
Projected benefit obligations	\$ 160.0	\$ 250.1
Fair value of plan assets	<u>\$ 134.0</u>	<u>\$ 210.5</u>

The following information is being provided for plans with accumulated benefit obligations in excess of plan assets as of the above measurement dates:

	2007	2006
Projected benefit obligations	\$ 79.4	\$ 165.1
Accumulated benefit obligations	69.7	145.5
Fair value of plan assets	<u>\$ 61.0</u>	<u>\$ 125.7</u>

The benefits expected to be paid as of December 31, 2007 for the next 10 years are as follows: 2008: \$11.2 million; 2009: \$11.7 million; 2010: \$12.5 million; 2011: \$13.0 million; 2012: \$13.9 million and for the five years after 2012: \$86.3 million.

The Companies made cash contributions of \$5.0 million to their pension plans in 2007 and expect to make cash contributions of approximately \$5 million in calendar year 2008.

The weighted-average asset allocations of the Plans as of the above measurement dates are as follows:

	Plan Assets		Investment Policy Asset
	2007	2006	Allocation % Range Target
Equity securities:			
Common shares of Company stock	- %	- %	
Other	52.9	52.4	
Sub-total	52.9	52.4	30% to 70%
Debt securities	45.5	44.5	30% to 70%
Other (including short-term and accrued interest and dividends)	1.6	3.1	1% to 20%
Total	<u>100.0%</u>	<u>100.0%</u>	

Plan assets are managed pursuant to the investment policies set forth at Note 1(d).

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,		
	2007	2006	2005
Employees Savings and Stock Ownership Plan	\$ 2.5	\$ 6.8	\$ 6.5
Other profit sharing plans	5.1	9.6	9.3
Cash and deferred incentive compensation	<u>\$ 24.2</u>	<u>\$ 25.7</u>	<u>\$ 29.1</u>

The Company sponsors an Employees Savings and Stock Ownership Plan (ESSOP) in which a majority of its employees participate. Current Company contributions are directed to the open market purchase of its shares. Dividends on shares are allocated to participants as earnings, and likewise invested in Company stock. 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, 2007, there were 9,845,934 Old Republic common shares owned by the ESSOP, all of which were allocated to employees' account balances. There are no repurchase obligations in existence.

(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 (\$660.8 million and \$928.6 million at December 31, 2007 and 2006, 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 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 and number of shares used in basic and diluted earnings per share calculations.

	Years Ended December 31,		
	2007	2006	2005
Numerator:			
Net Income	\$ 272.4	\$ 464.8	\$ 551.4
Less: Convertible preferred stock dividends	-	-	-
Numerator for basic earnings per share - Income available to common stockholders	272.4	464.8	551.4
Effect of dilutive securities:			
Convertible preferred stock dividends	-	-	-
Numerator for diluted earnings per share - income available to common stockholders after assumed conversions	<u>\$ 272.4</u>	<u>\$ 464.8</u>	<u>\$ 551.4</u>
Denominator:			
Denominator for basic earnings per share - weighted-average shares	231,370,242	231,017,947	229,487,273
Effect of dilutive securities (2):			
Stock options	1,542,486	2,017,039	2,621,218
Convertible preferred stock	-	-	-
Dilutive potential common shares	<u>1,542,486</u>	<u>2,017,039</u>	<u>2,621,218</u>
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions	<u>232,912,728</u>	<u>233,034,986</u>	<u>232,108,491</u>
Basic earnings per share (1)	<u>\$ 1.18</u>	<u>\$ 2.01</u>	<u>\$ 2.40</u>
Diluted earnings per share (1)	<u>\$ 1.17</u>	<u>\$ 1.99</u>	<u>\$ 2.37</u>

- (1) All per share statistics have been restated to reflect all stock dividends or splits declared through December 31, 2007.
- (2) Outstanding stock option awards totaling 4,864,000, 1,517,025 and 0 shares as of December 31, 2007, 2006 and 2005, respectively, were excluded from the computation of earnings per share because their effect would have been antidilutive to the periods presented.

(q) *Concentration of Credit Risk* - The Company is not exposed to material concentrations of credit risks as to any one issuer.

(r) *Stock Option Compensation* - Effective April 1, 2003, the Company adopted the requirements of Statement of Financial Accounting Standards No. 148 ("FAS 148"), "Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment of FAS No. 123" on a prospective basis. Under FAS 148, stock-based compensation expense is recognized for awards granted after the beginning of the fiscal year of adoption, as such awards become vested. Prior to April 1, 2003, the Company accounted for stock options under APB Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees" and related interpretations under Statement of Financial Accounting Standards No. 123 ("FAS 123"), "Accounting for Stock-Based Compensation" which permitted the inclusion of stock-based compensation as a pro forma disclosure in the financial statements.

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123-Revised ("FAS 123R"), "Share-Based Payment" using the modified prospective transition method. Under this method, compensation cost in 2006 includes the portion vesting in the period for (1) all stock option awards granted prior to, but not vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of FAS 123, and (2) all stock option awards granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of FAS 123R. Further, FAS 123R requires that compensation cost be recognized immediately for awards granted to the Company's retirement eligible employees after January 1, 2006. Earnings for 2007 and 2006 include the accelerated recognition of stock option expenses of \$2.0 million (\$1.3 million net of tax) and \$3.7 million (\$2.4 million net of tax), respectively, attributable to the 2007 and 2006 option grants to retirement eligible employees who meet certain age and service criteria, typically long-term employees who are ages 57 or older. Prior to adoption of FAS 123R, the Company recognized compensation cost for such awards on a straight line basis over the nominal vesting period. Results for prior periods have not been restated. The cumulative effect of the initial adoption of FAS 123R on the Company's financial statements and earnings per share information was immaterial.

The following table presents the stock based compensation expense and income tax benefit recognized in the financial statements:

	2007	2006	2005
Stock based compensation expense.....	\$ 10.5	\$ 10.6	\$ 4.6
Income tax benefit	\$ 3.6	\$ 3.7	\$ 1.6

The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value provisions of FAS 123 to all options granted under the Company's stock option plans during 2005.

Years Ended December 31,	2005
Net income, as reported	\$ 551.4
Add: Stock-based compensation expense included in reported income, net of related tax effects	3.0
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	8.6
Pro forma basis	<u>\$ 545.7</u>
Basic earnings per share:	
As reported	\$ 2.40
Pro forma basis	2.38
Diluted earnings per share:	
As reported	2.37
Pro forma basis	<u>\$ 2.35</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. 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. Beginning in 2006, 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.

	2007	2006	2005
Expected volatility .....	.19	.25	.26
Expected dividends.....	3.56%	3.35%	3.82%
Expected term (in years).....	7	7	10
Risk-free rate	<u>4.43%</u>	<u>4.81%</u>	<u>4.62%</u>

A summary of stock option activity under the plan as of December 31, 2007, 2006 and 2005, and changes in outstanding options during the years then ended is presented below:

As of and for the Years Ended December 31,						
	2007		2006		2005	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	13,282,329	\$ 17.26	12,266,170	\$ 15.76	11,602,443	\$ 15.00
Granted	2,329,000	21.78	2,511,800	22.01	2,057,500	18.44
Exercised.....	932,593	14.98	1,419,404	12.56	1,249,709	13.04
Forfeited and canceled	108,159	19.47	76,238	18.66	144,064	17.01
Outstanding at end of year	<u>14,570,577</u>	18.12	<u>13,282,329</u>	17.26	<u>12,266,170</u>	15.76
Exercisable at end of year	<u>8,919,827</u>	<u>\$ 16.38</u>	<u>8,077,223</u>	<u>\$ 15.51</u>	<u>7,725,233</u>	<u>\$ 14.31</u>
Weighted average fair value of options granted during the year (1) ...	<u>\$ 3.73 per share</u>		<u>\$ 5.12 per share</u>		<u>\$ 4.34 per share</u>	

(1) Based on the Black-Scholes option pricing model and the assumptions outlined above.

A summary of stock options outstanding and exercisable at December 31, 2007 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
\$15.49	1998	491,733	0.25	\$ 15.49	491,733	\$ 15.49
\$ 9.37 to \$10.40	1999	452,208	1.25	10.40	449,239	10.40
\$ 6.40 to \$ 7.23	2000	411,859	2.25	6.40	399,801	6.40
\$14.36	2001	1,195,579	3.25	14.36	1,152,731	14.36
\$16.85	2002	1,499,199	4.25	16.85	1,499,199	16.85
\$14.37	2003	1,482,229	5.25	14.37	1,482,229	14.37
\$19.32 to \$20.02	2004	2,304,532	6.25	19.33	1,639,948	19.33
\$18.41 to \$20.87	2005	1,941,737	7.25	18.44	908,482	18.44
\$21.36 to \$22.35	2006	2,471,375	8.25	22.00	652,048	22.02
\$21.78 to \$23.16	2007	2,320,125	9.25	21.78	244,416	21.78
Total		<u>14,570,577</u>		<u>\$ 18.12</u>	<u>8,919,827</u>	<u>\$ 16.38</u>

Pursuant to the Company's self-imposed limits, the maximum number of options available for future issuance as of December 31, 2007, is 6,171,924 shares.

As of December 31, 2007, there was \$15.8 million 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:

	2007	2006	2005
Cash received from stock option exercise	\$ 13.9	\$ 17.8	\$ 16.3
Intrinsic value of stock options exercised	5.1	13.1	9.4
Actual tax benefit realized for tax deductions from stock options exercised	<u>\$ 1.7</u>	<u>\$ 4.6</u>	<u>\$ 3.3</u>

Note 2 - Debt - Consolidated debt of Old Republic and its subsidiaries is summarized below:

	December 31,			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Commercial paper due within 180 days with an average yield of 5.09% and 5.51%, respectively	\$ 59.8	\$ 59.8	\$ 18.8	\$ 18.8
Debentures maturing in 2007 at 7.0%	-	-	114.9	115.7
Other miscellaneous debt	4.2	4.2	10.5	10.5
Total Debt	<u>\$ 64.1</u>	<u>\$ 64.1</u>	<u>\$ 144.3</u>	<u>\$ 145.1</u>

The Company has access to the commercial paper market for up to \$300.0 million of which \$240.0 million remains unused as of December 31, 2007. The carrying amount of the Company's commercial paper borrowings approximates its fair value. The fair value of publicly traded debt is based on its quoted market price.

Scheduled maturities of the above debt at December 31, 2007 are as follows: 2008: \$61.0 million; 2009: \$.8 million; 2010: \$.8 million; 2011: \$.7 million; 2012: \$.4 million; 2013 and after: \$ -. During 2007, 2006 and 2005, \$6.8 million, \$9.8 million and \$9.5 million, respectively, of interest expense on debt was charged to consolidated operations.

Note 3 - Shareholders' Equity - All common and preferred share data herein has been retroactively adjusted as applicable for stock dividends or splits declared through December 31, 2007.

(a) *Preferred Stock* - The following table shows certain information pertaining to the Company's preferred shares issued and outstanding:

	Convertible Series G(1)
Preferred Stock Series:	
Annual cumulative dividend rate per share.....	\$ (1)
Conversion ratio of preferred into common shares	1 for .95
Conversion right begins	Anytime
Redemption and liquidation value per share	(1)
Redemption beginning in year	(1)
Total redemption value (millions).....	(1)
Vote per share.....	one
Shares outstanding:	
December 31, 2006.....	0
December 31, 2007.....	0

(1) 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. Series G had been issued under the designation "G-2". As of December 31, 2003, all Series "G-2" had been converted into shares of common stock. In 2001, the Company created a new designation, "G-3", from which no shares have been issued as of December 31, 2007. Management believes this designation will be the source of possible future issuances of Series G stock. Except as otherwise stated, Series "G-2" and Series "G-3" are collectively referred to as Series "G". Each share of Series G pays a floating rate dividend based on the prime rate of interest. At December 31, 2007, the annual dividend rate for Series "G-3" would have been 86 cents per share. Each share of Series G is convertible at any time, after being held six months, into .95 shares of Common Stock (See Note 3(c)). Unless previously converted, Series G shares may be redeemed at the Company's sole option five years after their issuance.

(b) *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 2007 data, the maximum amount of dividends payable to the Company by its insurance and a small number of non-insurance company subsidiaries during 2008 without the prior approval of appropriate regulatory authorities is approximately \$414.7 million.

(c) *Stock Option Plan* - The Company has had stock option plans in effect for certain eligible key employees since 1978. An amended plan adopted in 1992 was replaced at its expiration by a plan approved by the shareholders in 2002, and the 2002 plan was replaced by the 2006 Incentive Compensation Plan approved by the shareholders in May 2006. Under the current plan, options awarded at the date of grant together with options previously issued and then-outstanding may not exceed 9% of the Company's outstanding common stock at the end of the month immediately preceding an option grant. Under the current plan, like its predecessors, the exercise price of stock options is equal to the closing market price of the Company's common stock on the date of the grant, and the contractual life of the grant is generally ten years from the date of the grant. Options granted in 2001 and prior years under the 1992 plan may be exercised to the extent of 10% of the number of shares covered thereby on and after the date of grant, and cumulatively, to the extent of an additional 10% on and after each of the first through ninth subsequent calendar years. Options granted in 2002 and thereafter 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 upon retirement.

In the event the closing market price of Old Republic's common stock reaches a pre-established value ("the vesting acceleration price"), options granted in 2001 and prior years may be exercised cumulatively to the extent of 10% of the number of shares covered by the grant for each year of employment by the optionee. For grants in 2002 and 2003, optionees become vested on an accelerated basis to the extent of the greater of 10% of the options granted times the number of years of employment, or the sum of the optionee's already vested grant plus 50% of the remaining unvested grant. There is no vesting acceleration for 2004 and subsequent years' grants.

The option plans enable optionees to, alternatively, exercise their options that have vested through December 31, 2004, into Series "G" Convertible Preferred Stock. The exercise of options into such Preferred Stock reduces by 5% the number of equivalent common shares which would otherwise be obtained from the exercise of options into common shares.

(d) *Common Stock* - At December 31, 2007, 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. The Company reacquired a total of 1,566,100 shares of its common stock during 2007 for \$28.3 million or \$18.13 per share.

(e) *Undistributed Earnings* - At December 31, 2007, the equity of the Company in the GAAP undistributed earnings, and net unrealized investment gains (losses) of its subsidiaries amounted to \$3,273.3 million and \$79.2 million, respectively. Dividends declared during 2007, 2006 and 2005, to the Company by its subsidiaries amounted to \$175.8 million, \$362.3 million and \$287.2 million, 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 : \$1.8 million for workers' compensation; \$1.8 million for commercial auto liability; \$1.8 million for general liability; \$5.6 million for executive protection (directors & officers and errors & omissions); \$1.0 million for aviation; and \$1.0 million for property coverages. Roughly 53% 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 net primary mortgage guaranty exposure is approximately (in whole dollars) \$35,300. Title insurance risk assumptions are currently limited to a maximum of \$100.0 million as to any one policy. The vast majority of title policies issued, however, carry exposures of \$1.0 million or less.

Due to worldwide reinsurance capacity and related cost constraints, effective January 1, 2002, the Company began retaining exposures for all, but most predominantly workers' compensation liability insurance coverages in excess of \$40.0 million that were previously assumed by unaffiliated reinsurers for up to \$100.0 million. Effective January 1, 2003 reinsurance ceded limits were raised to the \$100.0 million level, and as of January 1, 2005, they were further increased to \$200.0 million. 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 for an insurer such as the Company. Such aggregations could result from a catastrophe such as caused by an earthquake that could lead to the death or injury of a large number of employees 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 such as the Company thereby 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 owners 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, but the reinsurance market has not displayed a widespread willingness to accept such risks. To date, coverage for acts of terrorism are excluded from substantially

all the Company's reinsurance treaties and are effectively retained by it subject to any recovery that would be collected under the temporary federal reinsurance program.

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 as 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 \$28.7 million as of December 31, 2007 and \$30.2 million as of December 31, 2006 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, 2007, the Company's ten largest reinsurers represented approximately 66% of reinsurance recoverable on paid and unpaid losses, with Munich Re America, Inc. the largest reinsurer representing 32.1% of the total recoverable balance. Of the balance due from these ten reinsurers, 79.4% was recoverable from A or better rated reinsurance companies, 12.6% from industry-wide insurance assigned risk pools, and 8.0% from captive reinsurance companies.

The following information relates to reinsurance and related data for the General Insurance and Mortgage Guaranty Groups for the three years ended December 31, 2007. Reinsurance transactions of the Title Insurance Group and small life and health 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 collectable. 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. During 2005, the Company further refined certain premium annualization estimates. In the following table, the sum total of these adjustments had the effect of increasing general insurance direct premiums written by \$66.3 million, premiums written ceded by \$43.2 million, and net premiums written by \$23.1 million for 2005.

	Years Ended December 31,		
	2007	2006	2005
General Insurance Group			
Written premiums: Direct	\$ 2,685.2	\$ 2,389.4	\$ 2,424.9
Assumed	61.5	137.8	37.9
Ceded	<u>\$ 634.7</u>	<u>\$ 504.4</u>	<u>\$ 573.5</u>
Earned premiums: Direct	\$ 2,644.7	\$ 2,345.4	\$ 2,291.9
Assumed	173.4	30.7	35.9
Ceded	<u>663.0</u>	<u>474.0</u>	<u>522.6</u>
Claims ceded	<u>\$ 366.2</u>	<u>\$ 330.3</u>	<u>\$ 469.0</u>
Mortgage Guaranty Group			
Written premiums: Direct	\$ 637.9	\$ 534.9	\$ 511.7
Assumed	-	.1	.1
Ceded	<u>\$ 95.1</u>	<u>\$ 81.0</u>	<u>\$ 79.3</u>
Earned premiums: Direct	\$ 612.7	\$ 524.7	\$ 508.0
Assumed .....	.4	.6	.8
Ceded	<u>94.9</u>	<u>81.0</u>	<u>79.3</u>
Claims ceded	<u>\$ 1.9</u>	<u>\$.3</u>	<u>\$.5</u>
Insurance in force as of December 31:			
Direct	\$ 124,738.4	\$ 111,172.7	\$ 102,919.7
Assumed	1,737.1	1,964.6	2,196.3
Ceded	<u>\$ 7,419.7</u>	<u>\$ 6,940.7</u>	<u>\$ 6,467.2</u>

(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 \$42.5 million, \$41.0 million and \$39.9 million in 2007, 2006 and 2005, 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, 2007, aggregate minimum rental commitments (net of expected sub-lease receipts) under noncancellable operating leases are summarized as follows: 2008: \$39.0 million; 2009: \$30.6 million; 2010: \$21.7 million; 2011: \$15.6 million; 2012: \$11.2 million; 2013 and after: \$48.5 million.

(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 as well 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.

(d) *Legal Proceedings* - Legal proceedings against the Company arise in the normal course of business and usually pertain to claim matters related to insurance policies and contracts issued by its insurance subsidiaries. Other legal proceedings are discussed below.

Purported class action lawsuits are pending against the Company's principal title insurance subsidiary, Old Republic National Title Insurance Company ("ORNTIC") in state and federal courts in Connecticut, New Jersey, Ohio, Pennsylvania and Texas. The plaintiffs allege that, pursuant to rate schedules filed by ORNTIC or by state rating bureaus with the state insurance regulators, ORNTIC was required to, but failed to give consumers reissue and/or refinance credits on the premiums charged for title insurance covering mortgage refinancing transactions. Substantially similar lawsuits are also pending against other unaffiliated title insurance companies in these and other states as well. The actions seek damages and declaratory and injunctive relief. ORNTIC intends to defend vigorously against the actions but, at this stage in the litigation, the Company cannot estimate the ultimate costs it may incur as the actions proceed to their conclusions.

During the fourth quarter of 2007, purported class action lawsuits were filed against two of the Company's title agency subsidiaries, Old Republic Title & Escrow, Ltd. and Old Republic Title Company, in the Superior Court of Washington, King County, and the U.S. District Court for the Northern District of California, respectively. The action in Washington alleges that the Company's subsidiary overcharged customers for escrow-related fees and did not disclose to customers that it would keep interest or credits or benefits in lieu of interest on money deposited into escrow. The action in California is brought by and on behalf of Hispanic home buyers in Monterey County against various real estate developers, brokers, mortgage brokers, mortgage lenders, mortgage loan servicers, as well as the Company's title agency subsidiary, and alleges that the title agency failed to provide adequate disclosures to protect the buyers from the abusive sales and predatory lending practices of the other defendants. Both actions seek damages, declaratory and injunctive relief. The Company's subsidiaries intend to defend vigorously against both actions and are unable at this early stage in the litigation to estimate the costs they may incur in defending these actions to their conclusions.

Note 5 - Consolidated Quarterly Results - Unaudited - Old Republic's consolidated quarterly operating data for the two years ended December 31, 2007 is presented below.

In the opinion of management, all adjustments consisting of normal recurring adjustments necessary for a fair statement of quarterly results have been reflected in the data which follows. It is also management's opinion, however, that 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":

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Year Ended December 31, 2007:				
Operating Summary:				
Net premiums, fees, and other income.....	\$ 879.2	\$ 925.2	\$ 930.7	\$ 905.2
Net investment income and realized gains (losses)	94.4	107.0	99.0	149.5
Total revenues	973.9	1,032.2	1,029.8	1,054.9
Benefits, claims, and expenses	818.2	865.0	994.8	1,034.4
Net income	<u>\$ 107.7</u>	<u>\$ 115.1</u>	<u>\$ 29.2</u>	<u>\$ 20.2</u>
Net income per share: Basic	<u>\$.47</u>	<u>\$.50</u>	<u>\$.13</u>	<u>\$.09</u>
Diluted	<u>\$.46</u>	<u>\$.49</u>	<u>\$.12</u>	<u>\$.09</u>
Average shares outstanding:				
Basic	<u>231,388,190</u>	<u>231,558,161</u>	<u>231,014,468</u>	<u>230,458,010</u>
Diluted	<u>233,614,450</u>	<u>233,556,032</u>	<u>232,298,642</u>	<u>231,121,858</u>

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Year Ended December 31, 2006:				
Operating Summary:				
Net premiums, fees, and other income.....	\$ 852.6	\$ 858.0	\$ 876.9	\$ 845.6
Net investment income and realized gains (losses)	90.2	90.7	87.8	91.6
Total revenues	942.9	948.9	964.9	937.4
Benefits, claims, and expenses	770.9	762.4	795.7	784.8
Net income	\$ 117.4	\$ 126.6	\$ 116.1	\$ 104.6
Net income per share: Basic	\$.51	\$.55	\$.50	\$.45
Diluted	\$.51	\$.54	\$.50	\$.45
Average shares outstanding:				
Basic.....	<u>229,835,408</u>	<u>230,013,892</u>	<u>230,470,356</u>	<u>231,037,520</u>
Diluted	<u>231,999,922</u>	<u>232,240,816</u>	<u>232,517,359</u>	<u>233,244,626</u>

Note 6 - Information About Segments of Business - The Company's major business segments are organized as the General Insurance (property and liability insurance), Mortgage Guaranty and Title Insurance Groups. The Company includes the results of its small life & health insurance business 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. Segment results exclude realized investment gains or losses and impairments, and these are aggregated in 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. Commercial automobile (principally trucking) insurance is the largest type of coverage underwritten by the General Insurance Group, accounting for 29.7% of the Group's direct premiums written in 2007. The remaining premiums written by the General Insurance Group are derived largely from a wide variety of coverages, including workers' compensation, general liability, loan credit indemnity, general aviation, directors and officers indemnity, fidelity and surety indemnities, and home and auto warranties.

Private mortgage insurance produced by the Mortgage Guaranty Group 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 Group insures only first mortgage loans, primarily on residential properties having one-to-four family dwelling units. The Mortgage Guaranty segment's ten largest customers were responsible for 49.5%, 39.7% and 44.2% of traditional primary new insurance written in 2007, 2006 and 2005, respectively. The largest single customer accounted for 9.8% of traditional primary new insurance written in 2007 compared to 8.8% and 11.5% in 2006 and 2005, respectively.

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.

The accounting policies of the segments parallel those described in the summary of significant accounting policies pertinent thereto.

Segment Reporting

	Years Ended December 31,		
	2007	2006	2005
General Insurance:			
Net premiums earned	\$ 2,155.1	\$ 1,902.1	\$ 1,805.2
Net investment income and other income	282.9	236.5	212.4
Total revenues before realized gains or losses	<u>\$ 2,438.0</u>	<u>\$ 2,138.7</u>	<u>\$ 2,017.6</u>
Income before taxes and realized investment gains or losses (2).....	<u>\$ 418.0</u>	<u>\$ 401.6</u>	<u>\$ 350.0</u>
Income tax expense on above (1).....	<u>\$ 126.5</u>	<u>\$ 123.2</u>	<u>\$ 62.9</u>
Segment assets - at year end	<u>\$ 9,769.9</u>	<u>\$ 9,363.5</u>	<u>\$ 8,178.9</u>
Mortgage Guaranty:			
Net premiums earned	\$ 518.2	\$ 444.3	\$ 429.5
Net investment income and other income	90.1	85.6	86.5
Total revenues before realized gains or losses	<u>\$ 608.3</u>	<u>\$ 529.9</u>	<u>\$ 516.0</u>
Income (loss) before taxes (credits) and realized investment gains or losses	<u>\$ (110.4)</u>	<u>\$ 228.4</u>	<u>\$ 243.7</u>
Income tax expense (credits) on above	<u>\$ (44.0)</u>	<u>\$ 75.3</u>	<u>\$ 81.1</u>
Segment assets - at year end	<u>\$ 2,523.8</u>	<u>\$ 2,189.6</u>	<u>\$ 2,211.8</u>
Title Insurance:			
Net premiums earned	\$ 638.5	\$ 733.6	\$ 757.2
Title, escrow and other fees	212.1	246.3	324.6
Sub-total.....	<u>850.7</u>	<u>980.0</u>	<u>1,081.8</u>
Net investment income and other income	27.7	27.3	26.7
Total revenues before realized gains or losses	<u>\$ 878.5</u>	<u>\$ 1,007.3</u>	<u>\$ 1,108.6</u>
Income (loss) before taxes (credits) and realized investment gains or losses (2)	<u>\$ (14.7)</u>	<u>\$ 31.0</u>	<u>\$ 88.7</u>
Income tax expense (credits) on above	<u>\$ (6.4)</u>	<u>\$ 9.9</u>	<u>\$ 30.1</u>
Segment assets - at year end	<u>\$ 770.4</u>	<u>\$ 772.7</u>	<u>\$ 776.3</u>

Reconciliations of Segmented Amounts to Consolidated Totals

	Years Ended December 31,		
	2007	2006	2005
Consolidated Revenues:			
Total revenues of above Company segments	\$ 3,925.0	\$ 3,676.0	\$ 3,642.3
Other sources (3)	131.4	127.1	122.5
Consolidated net realized investment gains	70.3	19.0	64.9
Consolidation elimination adjustments	(35.8)	(27.9)	(23.9)
Consolidated revenues	<u>\$ 4,091.0</u>	<u>\$ 3,794.2</u>	<u>\$ 3,805.9</u>
Consolidated Income before taxes:			
Total income before taxes and realized investment gains or losses of above Company segments	\$ 292.9	\$ 661.2	\$ 682.6
Other sources – net (3)	15.1	-	(.1)
Consolidated net realized investment gains	70.3	19.0	64.9
Consolidated income before income taxes	<u>\$ 378.4</u>	<u>\$ 680.1</u>	<u>\$ 747.3</u>
Consolidated Income Tax Expense:			
Total income tax expense of above Company segments	\$ 75.9	\$ 208.6	\$ 174.2
Other sources – net (3)	5.3	-	(.9)
Income tax expense on consolidated net realized investment gains	24.6	6.6	22.6
Consolidated income tax expense	<u>\$ 105.9</u>	<u>\$ 215.2</u>	<u>\$ 195.9</u>
	December 31,		
	2007	2006	
Consolidated Assets:			
Total assets for above Company segments	\$ 13,064.2	\$ 12,325.9	
Other assets (3)	437.9	443.4	
Consolidation elimination adjustments	(211.5)	(157.0)	
Consolidated assets	<u>\$ 13,290.6</u>	<u>\$ 12,612.2</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.

- (1) General Insurance tax expense was reduced by \$45.9 million in 2005 as discussed in Note 1(j).
- (2) In the above tables, income before taxes is reported net of interest charges on intercompany financing arrangements within Old Republic's holding company system for the following segments: General - \$15.4 million, \$3.0 million, and \$1.2 million for the years ended December 31, 2007, 2006 and 2005, respectively; Title - \$2.3 million, \$.1 million, and \$ - for the years ended December 31, 2007, 2006, and 2005, respectively.
- (3) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, and a small life and health insurance operation.

Note 7 - Acquisition of Contractors Insurance Book of Business – On November 30, 2006, Old Republic Insurance Company ("ORINSCO"), a wholly owned subsidiary of the Company, acquired a casualty insurance book of business from an insurance subsidiary of Aon Corporation ("Aon"). ORINSCO acquired policy renewal rights and certain other minor assets for a purchase price of \$85 million, inclusive of deferred policy acquisition costs. Concurrently, the Company assumed certain insurance assets and liabilities through a quota share reinsurance agreement covering the net liabilities of the Aon insurance subsidiary. The liabilities assumed included unearned premium and claim reserves of \$106.9 million and \$228.3 million, respectively, which relate to business previously written through the Aon insurance subsidiary. The insurance book of business is focused on specialized casualty insurance coverages and services for trade contractors and large commercial construction projects. Renamed Old Republic Construction Program Group, Inc., the business has been organized as a joint underwriting venture between Old Republic and certain principals previously associated with the book of business.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Old Republic International Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, preferred stock and common shareholders' equity and cash flows, present fairly, in all material respects, the financial position of Old Republic International Corporation and its subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007 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 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 Management's Report on Internal Control Over Financial Reporting under Item 9A of the 2007 Form 10-K Annual Report. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated 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 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 (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.

PricewaterhouseCoopers LLP

Chicago, Illinois
February 25, 2008

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 firm has advised that it audits the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and provides an objective, independent review of the fairness of reported operating results and financial position.

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 financial 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, 2007, 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, 2007. PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2007. Their report is shown on the preceding page 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 8, 2007.

PART III

Item 10 - Directors and Executive Officers of the Registrant

Executive Officers of the Registrant

The following table sets forth certain information as of December 31, 2007, regarding the senior executive officers of the Company:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Charles S. Boone	54	Senior Vice President - Investments and Treasurer since August, 2001.
James A. Kellogg	56	President and Chief Operating Officer since July, 2006 and President of Old Republic Insurance Company since October, 2002.
Spencer LeRoy, III	61	Senior Vice President, Secretary and General Counsel since 1992.
Karl W. Mueller	48	Senior Vice President and Chief Financial Officer since October, 2004. Prior to joining Old Republic, Mr. Mueller was a partner with the public accounting firm of KPMG LLP.
Christopher S. Nard	44	Senior Vice President - Mortgage Guaranty since May, 2005. President and Chief Executive Officer of Republic Mortgage Insurance Companies since May, 2005.
R. Scott Rager	59	Senior Vice President - General Insurance and President and Chief Operating Officer of Old Republic General Insurance Companies since July, 2006.
Rande K. Yeager	59	Senior Vice President - Title Insurance since March, 2003; President and Chief Executive Officer of Old Republic Title Insurance Companies since March, 2002.
Aldo C. Zucaro	68	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, except for Karl W. Mueller, has been employed in executive capacities with the Company and/or its subsidiaries for the past five years.

The Company will file with the Commission prior to March 28, 2008 a definitive proxy statement pursuant to Regulation 14a in connection with its Annual Meeting of Shareholders to be held on May 23, 2008. 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 2008 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 23, 2008, which will be on file with the Commission by March 28, 2008.

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 by March 28, 2008, in connection with the Annual Meeting of Shareholders to be held on May 23, 2008.

Item 13 - Certain Relationships and Related Transactions

Information with respect to this Item is incorporated herein by reference to the section entitled "Principal Holders of Securities" in the Company's Proxy Statement in connection with the Annual Meeting of Shareholders to be held on May 23, 2008, which will be on file with the Commission by March 28, 2008.

Item 14 - Principal Accountant Fees and Services

Information with respect to this Item is incorporated herein by reference to the section entitled "Board Committees" in the Company's Proxy Statement in connection with the Annual Meeting of Shareholders to be held on May 23, 2008, which will be on file with the Commission by March 28, 2008.

PART IV

Item 15 - Exhibits and Financial Statement Schedules

Documents filed as a part of this report:

1. Financial statements: See Item 8, Index to Financial Statements.
2. Financial statement schedules will be filed on or before April 11, 2008 under cover of Form 10-K/A.
3. See exhibit index on page 79 of this report.

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
and Chief Financial 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*
Vice Chairman of
Republic Mortgage Insurance Company

Fredricka Taubitz, Director*

John M. Dixon, Director*

Charles F. Titterton, Director*

Leo E. Knight, Jr., Director*

Dennis P. Van Mieghem, Director*

John W. Popp, Director*

Steven Walker, Director*

William A. Simpson, Director*
Chairman of Republic Mortgage
Insurance Company

* By/s/Aldo C. Zucaro
Attorney-in-fact
Date: February 21, 2008

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 99.2 to Form 8-K filed September 4, 2007).

(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 filed November 19, 2007).
- (B) * Agreement to furnish certain long term debt instruments to the Securities & Exchange Commission upon request. (Exhibit 4(D) on Form 8 dated August 28, 1987).

(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) * Old Republic International Corporation 2006 Incentive Compensation Plan. (Exhibit 99.1 to Form 8-K/A filed June 2, 2006).
- ** (F) * Amended and Restated Old Republic International Corporation Executives Excess Benefits Pension Plan. (Exhibit 10(E) to Registrant's Annual Report on Form 10-K for 1997).
- ** (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) * RMIC Corporation/Republic Mortgage Insurance Company Executives Excess Benefits Pension Plan. (Exhibit 10(J) to Registrant's Annual Report on Form 10-K for 2000).
- ** (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).

(Exhibit Index, Continued)

- ** (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).
- ** (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 14 to Registrant's Annual Report on Form 10-K for 2003).
- (21) Subsidiaries of the registrant.
- (23) Consent of PricewaterhouseCoopers LLP.
- (24) Powers of attorney.
- (28) Consolidated Schedule P (To be filed by amendment).
- (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 of Registrant's Form 8-K filed February 27, 2006).
- (99.2) * Old Republic International Corporation Nominating Committee Charter. (Exhibit 99.2 to Registrant's Annual Report on Form 10-K for 2003).
- (99.3) * Old Republic International Corporation Compensation Committee Charter. (Exhibit 99.2 of Registrant's Form 8-K filed February 27, 2006).
- (99.4) * Code of Business Conduct and Ethics. (Exhibit 99.4 to Registrant's Annual Report on Form 10-K for 2003).
- (99.5) * Corporate Governance Guidelines. (Exhibit 99.5 to Registrant's Annual Report on Form 10-K for 2003).

* 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.



OLD REPUBLIC INTERNATIONAL CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TIME AND DATE

3:00 P.M., Central Daylight Time, Friday,
May 23, 2008

PLACE

Old Republic Building
22nd Floor Conference Center
307 N. Michigan Avenue
Chicago, Illinois 60601

ITEMS OF BUSINESS

- To elect five members of the Class 3 Board of Directors, each for a term of three years.
- To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2008.
- 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 20, 2008.

ANNUAL REPORT TO SHAREHOLDERS

Our annual report to shareholders for the year 2007 is printed together with this proxy statement. The Company's Forms 10-K and 10-Q may be also accessed through our Website at www.oldrepublic.com or by writing to Investors Relations at the above 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 1, 2008

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 23, 2008

GENERAL INFORMATION

This proxy statement is being furnished to the shareholders of Old Republic International Corporation, a Delaware corporation (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 23, 2008 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 1, 2008.

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 therefor if any nominees are unable or refuse to serve); for the selection of the Company's auditor; and in its discretion upon any other matters which may properly come before the meeting.

The Company has one class of stock outstanding, Common Stock, \$1.00 par value per share ("Common Stock"). On February 1, 2008, 230,472,231 shares of Common Stock were 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 20, 2008 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 General Corporation Law of the State of Delaware applies to the Company 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 the shares present in person or by proxy at the meeting and entitled to vote. The Company's Certificate of Incorporation and By-laws do not provide differently.

Under Delaware law the votes at the Company's Annual Shareholders' Meeting will be counted by the inspectors of election required to be appointed 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.

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 at the meeting that are entitled to vote, 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 the broker or bank does not vote them (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.

SHAREHOLDER PROPOSALS FOR THE 2009 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 2009 Annual Meeting of Shareholders, the proposal must be received by the Company no later than December 1, 2008.

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.

ELECTRONIC DELIVERY OF PROXY MATERIAL

If you are a registered shareholder and have access to a computer and the Internet, you may receive future Annual Reports and Proxy Statements electronically. To sign up for electronic delivery, go to www.shareownersonline.com. Once you sign up, you will no longer receive a printed copy of the Annual Report or the Proxy Statement, unless you request one. Each year you will receive an e-mail explaining how to access the Annual Report and the Proxy Statement at the

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, including delivery of proxy materials. Fees for this solicitation are expected to be approximately \$7,500. 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; and (iii) all directors and Executive Officers, as a group: (a) the total number of shares of Common Stock beneficially owned as of March 31, 2008 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 (excluding directors)	Franklin Resources, Inc. One Franklin Parkway San Mateo, California 94403-1906	18,597,358 (1)	8.1			
	JP Morgan Chase & Co. 270 Park Ave New York, New York 10017	16,462,449 (1)	7.1			
	Franklin Mutual Advisors, LLC. 101 John F Kennedy Parkway Short Hills, NJ 07078	16,428,510 (1)	7.1			
	AXA Financial, Inc. 1290 Avenue of the Americas New York, New York 10104	13,795,186 (1)	6.0			
Common Stock	Name of Beneficial Owner	Shares Subject to Stock Options(*)	Shares Held by Employee Plans*(2)(3)	Other Shares Beneficially Owned(*)	Total	Percent Of Class(*)
Directors' and Executive Officers' beneficial ownership	Harrington Bischof	-	-	20,239	20,239 (4)	**
	Jimmy A. Dew	624,626	136,386	545,538	1,306,550 (5)	0.6
	John M. Dixon	-	-	14,156	14,156	**
	James A. Kellogg	92,657	36,319	375,562	505,538	0.2
	Leo E. Knight, Jr.	-	-	11,500	11,500	**
	Spencer LeRoy, III	343,044	13,371	76,716	433,131 (6)	0.2
	Karl W. Mueller	44,425	1,214	2,250	47,889	**
	Christopher S. Nard	381,469	9,058	1,000	391,527	0.2
	John W. Popp	-	-	20,000	20,000	**
	R. Scott Rager	64,438	28,306	500	93,244	**
	William A. Simpson	613,907	69,473	368,488	1,051,868 (7)	0.5
	Arnold L. Steiner	-	-	826,438	826,438 (8)	0.4
	Fredricka Taubitz	-	-	12,000	12,000	**
	Charles F. Titterton	-	-	20,996	20,996 (9)	**
	Dennis Van Mieghem	-	-	14,050	14,050 (10)	**
	Steven R. Walker	-	-	14,000	14,000 (11)	**
	Rande K. Yeager	37,626	17,838	9,688	65,152	**
	Aldo C. Zucaro	1,349,063	328,357	1,030,080	2,711,482	1.2
	Executive Officers and directors, as a group (19)	3,631,405	675,679	3,372,326	7,679,410	3.3

* 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.

** Less than one-tenth of one percent.

(1) Reflects the number of shares shown in the most recent Schedule 13G filings with the Securities and Exchange Commission through February 15, 2008. Franklin Resources, Inc. reports that Franklin Advisory Services, LLC and Franklin Templeton Portfolio Advisors, Inc. have sole voting power for 18,501,283 shares and 3,875 shares respectively and sole dispositive power for 18,593,483 shares and 3,875 shares respectively. JP Morgan Chase & Co. reports that it has sole and shared voting power for 13,096,235 and 2,094,206 shares, respectively, and sole and shared dispositive power for 13,989,170 and 2,471,238 shares, respectively. Franklin Mutual Advisors, LLC reports that it has sole voting and dispositive power for all shares reported. AXA Financial, Inc. reports that it has sole voting and dispositive powers for 11,588,445 and 13,795,061 shares, respectively, and

- shared voting and dispositive power for 34,875 and 125 shares, respectively.
- (2) 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 has 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 investment power with respect to stock held by the ESSOP. The Executive Committee is composed of Messrs. Bischof, Dixon, Popp, Steiner and Zucaro. Under the rules of the Securities and Exchange Commission, each of them may be deemed to be the beneficial owner of such shares of Common Stock by virtue of such shared voting and investment power.
 - (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. Includes shares of the Company's stock held by the RMIC Profit Sharing Plan for Messrs. Dew and Simpson 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 trust for Mr. Bischof's benefit.
 - (5) Includes 209,471 shares owned by Mr. Dew's wife.
 - (6) Includes 16,617 shares held in an IRA trust for Mr. LeRoy's benefit.
 - (7) Includes 134,648 shares owned by Mr. Simpson's wife.
 - (8) 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.
 - (9) Includes 4,958 shares held in IRA and SEP-IRA trusts for Mr. Titterton's benefit.
 - (10) Includes 1,250 shares owned by Mr. Van Miegheem's wife and 6,125 shares held in trust for Mr. Van Miegheem's benefit.
 - (11) Includes 10,925 shares held in IRA and SEP-IRA trusts for Mr. Walker's benefit.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

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 Securities and Exchange Commission ("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, 2007 all reports required by Section 16(a) have been properly filed.

ITEM 1 ELECTION OF DIRECTORS

The following tables list all nominees and continuing directors of the Company. Five Class 3 directors are to be elected to hold office for a term of three years and until their successors are elected and qualified. 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. In accordance with the Company's stated policy, following the death of Mr. Peter Lardner, the Board voted at its meeting on August 30, 2007 to reduce its size to 12 members.

<u>Name</u>	<u>Age</u>	<u>Positions with Company, Business Experience and Other Directorships</u>
<u>Nominees for Election</u>		
CLASS 3 (Term to expire in 2008)		
Leo E. Knight, Jr.	62	Director, since 2006; formerly Chairman and Chief Executive Officer of National City Mortgage Company, Dayton, Ohio, an insured of the Company's subsidiary, Republic Mortgage Insurance Company, for more than the past five years. Mr. Knight is also a director of Merscorp, Inc.
William A. Simpson	66	Director since 1980; Chairman of Republic Mortgage Insurance Company, a subsidiary of the Company, for more than the past five years.
Arnold L. Steiner	70	Director since 1974; retired for more than the past five years; formerly President of Steiner Bank, Birmingham, Alabama.
Fredricka Taubitz	64	Director since 2003; until 2000, Executive Vice President and Chief Financial Officer of Zenith National Insurance Corp.; until 1985, Partner with the accounting firm of Coopers & Lybrand, now PricewaterhouseCoopers LLP.
Aldo C. Zucaro	68	Director since 1976; Chairman of the Board and Chief Executive Officer of the Company and various subsidiaries for more than the past five years.

Continuing Members

CLASS 1 (Term to expire in 2009)

Harrington Bischof	73	Director since 1997; President of Pandora Capital Corporation since 1996; formerly Senior Advisor, Prudential Securities, Inc.
Charles F. Titterton	66	Director since 2004; Formerly director - Insurance Group with Standard & Poor's Corp. until 2003.
Steven R. Walker	62	Director since 2006; formerly Senior Counsel and Partner with Leland, Parachini, Steinberg, Matzger & Melnick, LLP, attorneys, San Francisco, California, which has provided legal services to Old Republic Title Company, an Old Republic subsidiary, during more than the last five years.

Continuing Members

CLASS 2 (Term to expire in 2010)

Jimmy A. Dew	67	Director since 1980; Vice Chairman of Republic Mortgage Insurance Company, a subsidiary of the Company, for more than the past five years.
John M. Dixon	68	Director since 2003; Director of Amsted Industries Incorporated, Chicago, Illinois; formerly Chief Executive Partner with the law firm of Chapman and Cutler, Chicago, Illinois until his retirement in 2002.
John W. Popp	85	Director since 1993; formerly Partner with the accounting firm of KPMG LLP until his retirement in 1982.
Dennis P. Van Mieghem	67	Director since 2004; formerly Partner with the accounting firm of KPMG LLP until his retirement in 1998.

Board of Directors' Recommendation Concerning the Election of Directors

The Board of Directors recommends a vote FOR the Class 3 directors that are listed as nominees. Proxies solicited by the Board of Directors will be voted for the election of these nominees unless shareholders specify to the contrary.

CORPORATE GOVERNANCE OVERVIEW

For several years the Company has been guided by many of the principles of director independence and qualifications now required by the rules of the SEC and New York Stock Exchange ("NYSE"). Subsequent to the promulgation of these regulations, the Company codified a number of its existing governance practices and adopted all additional practices required by these rules. Seventy-five percent (75%) of the Company's current Board membership is considered to meet the appropriate criteria for independence. The Audit, Compensation and Nominating Committees of the Board are comprised entirely of independent directors who possess the professional qualities set forth by these regulations. The Company's Board of Directors has a Lead Director who chairs the separate meetings of the independent directors.

While information appearing on the Company's website is not incorporated by reference in this Proxy statement, the Company's Corporate Governance Guidelines, Code of Ethics for the Principal Executive Officer and Senior Financial Officers and its Code of Business Conduct and Ethics, may be viewed on line on Old Republic's website at www.oldrepublic.com. Printed copies are available to shareholders upon request to the Investors Relations Department at the Company's Chicago Home Office.

Shareholders of the Company may communicate with the Board of Directors as a whole or with any individual director. The communications must be in writing and sent in care of the Company's Secretary at the Company's office. The Secretary will promptly forward the communications to the intended recipient.

PROCEDURES FOR THE APPROVAL OF RELATED PERSON TRANSACTIONS

In addition to its 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 to all directors and officers 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 or employee involved is required to make a written disclosure of this matter 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 SEC rules. Directors are required to notify the Chairman of the Board, unless the Chairman is the affected

director, in which case he or she is required to notify the Lead Director. Executive Officers are required to notify the Chief Executive Officer ("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, then 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 OF DIRECTORS' RESPONSIBILITIES AND INDEPENDENCE

The Board of Directors' main responsibility is to monitor the overall operations of the Company on behalf of the shareholders. It views its primary mission as (a) ascertaining that strategies and policies are in place to encourage the growth of consolidated earnings and shareholders equity over the long term, while increasing the Company's regular dividend payout; (b) ascertaining 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; and (c) providing advice to management on business opportunities and strategies. Board members are kept informed of the Company's results of operations, financial condition and proposed plans and business objectives through periodic reports provided to them by management.

The Board met four times in 2007, once each quarter. 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. The 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 for these and other purposes.

Nine of the Company's directors are deemed independent as that term is used in Section 303A.02 of the Listing Standards of the NYSE. Neither they nor any members of their immediate families had any relationships whatsoever with the Company during 2007 or the two years prior to that, apart from their directorships. The independent directors who are listed below have selected from among themselves a Lead Director; they met on a regular basis during 2007 in executive sessions without management present. The Lead Director position rotates among the independent directors. His or her successor is nominated by the Nominating Committee and elected by the independent directors. The Lead Director for 2007 was Arnold L. Steiner. Any interested party wishing to express concerns to the Lead Director or the independent directors may do so by writing to:

(Director's Name)
C/O Corporate Secretary
Old Republic International Corporation
307 North Michigan Avenue
Chicago, Illinois 60601

The Company's Secretary will promptly forward all such correspondence to the Lead Director or independent director to whom it is addressed.

BOARD AND COMMITTEE MEMBERSHIP (as of March 31, 2008)

Director	Independent	Other	Committee Membership			
	Directors(a)	Directors(b)	Executive	Audit	Nominating	Compensation
Harrington Bischof	X		X		X(c)	X
Jimmy A. Dew		X				
John M. Dixon	X		X		X	X(c)
Leo E. Knight, Jr.	X			X(d)(e)		
John W. Popp	X		X	X(c)(e)		X
William A. Simpson		X				
Arnold L. Steiner	X(f)		X		X	X
Fredricka Taubitz	X			X(d)(e)		X
Charles F. Titterton	X			X(e)	X(d)	
Dennis P. Van Mieghem	X			X(e)		X(d)
Steven R. Walker	X				X	X
Aldo C. Zucaro		X	X(c)			
Number of scheduled meetings during 2007	4	4	5	4	4	3
Number of written consents during 2007	-		2	-	-	-

(a) Independent director as that term is used in Paragraph (b)(1)(iii) of the SEC's Rule 10A-3 and Section 303A.02 of the Listing 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 at (a) above. (c) Chairman (d) Vice-Chairman (e) Financial Experts as that term is used in Item 401(h) of the SEC's Regulation S-K. (f) Lead Director.

COMMITTEES OF THE BOARD

The Board of Directors has four principal standing committees:

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. It is also authorized to evaluate the performance of the CEO and other senior executives, to review and approve the Company's investment policy, to review and approve the Company's dividend and capitalization policies, and to annually review and evaluate executive succession plans. The Committee also oversees the Company's pension and Employees Savings and Stock Ownership plans. The current members of the Executive Committee are as follows:

Executive Committee

Harrington Bischof	John M. Dixon
John W. Popp	Arnold L. Steiner
Aldo C. Zucaro, Chairman	

The **Audit Committee** is empowered to monitor the integrity of the Company's financial statements and the effectiveness of the Company's internal control over financial reporting, the Company's compliance with legal and regulatory requirements, the qualifications and performance of the Company's internal auditors and independent registered public accounting firm (the "independent auditors"), and to appoint the Company's independent auditors. The Committee also is required to annually make a report which is printed below. The Committee operates pursuant to a written charter approved 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 also available to shareholders upon request.

The Audit Committee held four regularly scheduled meetings during 2007. In addition three other meetings were held with the Company's independent auditors and management prior to the Company's filing of quarterly reports on SEC Form 10-Q.

Each Audit Committee member is considered to be independent, as that term is used in paragraph (b)(1)(ii) of the SEC's Rule 10A-3 and Section 303A.02 of the NYSE's Listing Standards. Five members of the Committee, Messrs. Knight, Popp, Titterton, Van Mieghem and Ms. Taubitz, are deemed to qualify as audit committee financial experts, as that term is used in Item 401(h) of the SEC's Regulation S-K. No member served on the audit committees of three or more unrelated publicly held companies. The current members of the Audit Committee are as follows:

Audit Committee

John W. Popp, Chairman	Leo E. Knight, Jr., Vice-Chairman
Charles F. Titterton	Fredricka Taubitz, Vice-Chairman
Dennis P. Van Mieghem	

The **Nominating Committee** is empowered to oversee the Company's policies relative to the size, composition and qualifications of the Board of Directors. The Committee is also authorized to establish procedures to identify and recommend qualified candidates for election to the Board, and to oversee compliance with corporate governance principles and procedures for the nomination process. The Committee operates pursuant to a written charter approved by the Board of Directors, and performs an annual self-evaluation. 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 Listing Standards of the NYSE.

The Board is composed of twelve persons of whom nine are classified as independent. It is the Company's longer term objective to reduce the size of its Board to between nine and eleven members, and to aim for at least 80% representation by independent directors.

In considering director candidates, the Board of Directors, through the Nominating Committee, seeks to identify individuals who, as a minimum, will satisfy the requirements for director independence, who are, or have been, senior executives of businesses or professional organizations, and who have significant business, financial, accounting and/or legal backgrounds useful to the Company's operations, markets and customer services. Additionally the Board looks for candidates possessing certain critical personal characteristics, most importantly: (i) respect within the candidate's social, business, and professional community for his or her integrity, ethics, principles and insights; (ii) demonstrated analytic ability; and (iii) the candidate's ability and initiative to frame insightful questions, to speak out when appropriate, to challenge questionable assumptions, and to disagree in a constructive fashion.

The Company's insurance business is managed through three major insurance segments and one additional, much smaller segment, which, in the aggregate, are broadly diversified as to types of coverage and services provided. Each of the segments and their insurance subsidiaries are highly regulated by state and federal governmental agencies as to their business, accounting and financial reporting practices. In part as the result of the specialized nature of its businesses and their regulation, it is the Company's view that at least two to four years are normally required for a new director to develop sufficient knowledge of the business to become a fully productive and effective contributor to the Company's governance. Reflecting this, each director is expected to serve one or more three-year terms on both the Company's Board and those of its key insurance subsidiaries, as well as on a number of Board committees. The commitment of a substantial expenditure of time for meeting preparation, meetings and travel is essential to the performance of a director's

responsibilities. Owing to the inherently long-term nature of much of the Company's business, a demonstrated long-term orientation in a Board candidate's business dealings is considered very important. Further, a nominee must commit to acquiring and retaining during his or her tenure on the Board, a substantial ownership in the Company's Common Stock. No director may have any significant conflict of interest or enter into any transaction with the Company or any of its subsidiaries which could be perceived to affect the director's judgment in dealing with their affairs. Company policy prohibits any director from sitting on the boards of more than three other public companies. None of the Company's current directors are members of the boards of any other public companies. Company policy also requires directors to submit a letter of resignation in the event they change jobs.

The Nominating Committee evaluates and proposes candidates to the Board at large for approval and slating. It is the policy of the Nominating Committee to 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 of the Corporation no later than 120 days before the anniversary of the date of the Company's last previous proxy statement. 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, and determination of 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 described above. A candidate who does not satisfy the minimum criteria qualifications will not be recommended by the Nominating 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. The current members of the Nominating Committee are as follows:

Nominating Committee

Harrington Bischoff, Chairman	John M. Dixon
Arnold L. Steiner	Charles F. Titterton, Vice-Chairman
	Steven R. Walker

The **Compensation Committee** assists the Board in fulfilling its responsibility for the oversight of the Company's benefit plans, evaluating the performance of the Company's CEO and other Executive Officers (collectively, the "Executive Officers"), fixing their annual salaries, approving incentive and stock option awards, and reviewing and evaluating any other compensation or benefits. The Committee consults with the CEO as to the performance, compensation and awards of Executive Officers other than the CEO. The Committee is also responsible for reviewing directors' compensation, and does so in consultation with the CEO. The Committee also is required to annually produce a report which is printed below and is subject to an annual performance self-evaluation. The Committee operates pursuant to a written charter approved 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 Committee is composed of seven directors. Each member of the Committee is considered independent in the judgment of the Company's Board of Directors and according to the listing standards of the NYSE. As part of its function, the Committee has 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 in 2006 included a comparison of the compensation and benefit programs of companies similar in size, operation and organization as the Company, including a review of a peer group of companies determined by the Committee to be appropriate for comparison. The Peer Group of Companies is identified in the Compensation Discussion and Analysis ("CD&A") section of this proxy statement. The Committee did not consider it necessary to have the consultant review the Company's compensation and benefit programs during 2007. The current members of the Compensation Committee are as follows:

Compensation Committee

John M. Dixon, Chairman	Arnold L. Steiner
Harrington Bischoff	Fredricka Taubitz
John W. Popp	Dennis P. Van Mieghem, Vice-Chairman
	Steven R. Walker

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 PricewaterhouseCoopers, LLP ("PwC"), an independent registered public accounting firm, to be the Company's auditor for the year 2008. This selection which is subject to a review of the fee proposal and the proposed scope of the audit, has been approved of by the Board of Directors.

As a matter of good corporate governance, the Board of Directors is asking and recommending that the shareholders ratify this selection subject to the Committee's acceptance of PwC's fee proposal and the proposed scope of the audit. The Company is not required to take any action as a result of the out-come of the vote on this proposal. However, in the event the shareholders fail to ratify this selection, the Board of Directors and Committee may investigate the reasons for the shareholders rejection and may consider whether to retain PwC or to appoint another auditor. Even if the selection of PwC is ratified, the Board of Directors and 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.

Board of Directors' Recommendation Concerning the Ratification of the Selection of an Independent Registered Public Accounting Firm

The Board of Directors recommends a vote FOR the selection of PricewaterhouseCoopers LLP 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 2008. Proxies solicited by the Board of Directors will be voted for the selection of this firm unless shareholders specify to the contrary.

For more than the past five years, the Committee has selected PwC as the Company's independent registered public accounting firm ("independent auditors") to examine its consolidated financial statements. A member of PwC will be invited to attend the Company's Annual Meeting of Shareholders. He or she will be provided with an opportunity to make any statement if so desired, and be available to respond to appropriate questions.

PwC's aggregate fees incurred by the Company for professional services for the past five years are shown below. The Company has been advised that PwC's much greater fees for 2004 through 2007 are primarily reflective of the firm's added work to comply with its interpretation of the requirements imposed by the Sarbanes Oxley Act and the Public Companies Accounting Oversight Board.

Type of Fees	2007	2006(a)	2005	2004	2003
Audit Fees	\$ 3,222,527	\$ 3,994,716	\$ 3,935,418	\$ 6,616,745	\$ 1,772,879
Audit Related Fees (b)	372,152	495,238	569,707	456,184	344,163
Tax Fees	8,481	7,093	8,772	8,199	-
All Other Fees	3,816	3,390	3,000	8,411	8,145
Total	\$ 3,606,976	\$ 4,500,437	\$ 4,516,897	\$ 7,092,539	\$ 2,125,187

- (a) The total 2006 fees of \$4,500,437 shown above are \$306,240 higher than previously reported, and reflect final billing adjustments by PwC subsequent to the preparation of the 2007 Proxy Statement.
- (b) Includes fees relating to audits of the Company's various benefit plans and actuarial opinions of the Company's loss and loss adjustment expense reserves required by insurance regulations. In 2006 the audits of some of the benefit plans were performed by other auditors for aggregate fees of approximately \$108,000. For 2007, certain actuarial opinions required by insurance regulations were provided by a qualified actuary other than PwC.

The term "Audit Fees" refers to expenses covering (a) professional services rendered by PwC for the audit on the Company's 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, and (c) services normally provided by PwC in connection with statutorily mandated audits of statutory financial statements and regulatory filings. "Audit Related Fees" refers to fees for assurance and related services by PwC 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". They consisted primarily of fees for independent actuarial opinions required for regulatory purposes on insurance subsidiaries' claim reserves, audits of employee benefit plans, and assistance in certain state insurance department examinations. "Tax Fees" refers to fees for professional services rendered by PwC for tax compliance. The term "All Other Fees" refers to fees for products and services provided by PwC, other than those reported under the preceding categories, and consisted of charges for utilizing certain software for the Company's Canadian insurance operations.

The Charter of the Audit Committee requires that it pre-approve all non-audit work by the Company's independent auditors. 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 2007 were approved by the Audit Committee pursuant to the pre-approval waiver requirements of Rule 2-01(c)(7)(i)(C) of the SEC's Regulation S-X. The Audit Committee has determined that the other services and products provided by PwC were not incompatible with PwC's independence as the Company's auditors.

PwC has advised the Committee that all of its employees engaged in the Company's audit were its full-time permanent employees, and were independent of the Company.

AUDIT COMMITTEE REPORT FOR 2007

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 ("Committee") assists the Board in fulfilling its oversight responsibilities. 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. As part of its function, the Committee appointed PricewaterhouseCoopers LLP ("PwC") as the Company's independent auditors for 2007.

The Committee met with the internal and independent auditors, 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 2007, the 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 the independent auditors prior to its filing. The Annual Report on Form 10-K was similarly reviewed. In addition, the Committee discussed with the independent auditors matters covered by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Committee also received the letter required by Independence Standards Board No. 1 (Independence Discussions with Audit Committees) and discussed such matters with PwC. The Committee also met regularly with the Company's legal counsel to review the status of litigation involving the Company or its subsidiaries and ascertain that the Company complied with applicable laws and regulations.

Following all these discussions and reviews, the 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, 2007.

Compensation Committee Report for 2007

The following Report of the Compensation Committee 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 Committee met its oversight responsibilities in 2008 by reviewing and discussing with the Company's management the CD&A contained in this proxy statement. Based upon this review and its activities during 2007, the Committee recommended that the CD&A be included in this proxy statement.

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 receive an annual retainer of \$90,000 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 Nominating and Compensation committees, Messrs. Bischof and Dixon, respectively, each receive an additional annual retainer of \$10,000. Mr. Popp 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 subsidiary companies 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 Committee for that purpose. The Committee's recommendations are in turn voted upon by the full Board.

Non-employee directors are not currently eligible for stock option awards. Incentive compensation awards, deferred compensation awards or pensions are currently limited to eligible full time employees. Mr. Zucaro as an employee and Executive Officer of the Company has his compensation reported in the Summary Compensation Table shown elsewhere in this proxy statement. Messrs. Dew and Simpson as directors who are non-executive employees have their compensation reported in the Director Compensation table that follows. This table reports their salaries, the value of options awards, cash and deferred compensation awards, the exercise of stock options and the value of perquisites for the year 2007. Other than their participation in a 401(k) program sponsored by Republic Mortgage Insurance Company, ("RMIC"), a subsidiary company, neither Messrs. Dew or Simpson participate in a pension plan sponsored by the Company or any subsidiary.

The following table lists the compensation paid to each director of the Company. The Company and its subsidiaries, also, either directly pay, or reimburse directors for travel, lodging and related expenses incurred in attending meetings.

Director Compensation Table

(a) Name	(b) Fees Earned Or Paid in Cash	(c) Option Awards	(d) All Other Compensation	(e) Total
Harrington Bischof	\$130,000	-	-	\$130,000
Jimmy A. Dew	- (1)	- (2)	- (3)(5)	-
John M. Dixon	120,000	-	-	120,000
Leo E. Knight, Jr.	96,000	-	-	96,000
John W. Popp	135,000	-	-	135,000
William A. Simpson	- (1)	- (2)	- (3)(4)(5)	-
Arnold L. Steiner	130,000	-	-	130,000
Fredricka Taubitz	110,000	-	-	110,000
Charles F. Titterton	110,000	-	-	110,000
Dennis Van Mieghem	110,000	-	-	110,000
Steven R. Walker	96,000	-	-	96,000

(1) Messrs. Dew and Simpson were not paid any director fees during 2007 but were paid salaries of \$205,600 and \$225,600, respectively, as Vice-Chairman and Chairman, respectively, of RMIC.

- (2) On March 16, 2007, Messrs. Dew and Simpson received employee stock option awards under the Company's Incentive Compensation Plan of 40,000 and 50,000 shares, respectively, valued at \$187,500 and \$234,000, respectively. These options were valued on the basis of the Black-Scholes model. The significant assumptions for this model are set forth in footnote 3 following the Summary Compensation Table.
- (3) No cash and deferred compensation awards were paid to Messrs. Dew or Simpson in 2008 attributable to 2007, as mortgage guaranty operations produced an operating loss.
- (4) During 2007, Mr. Simpson exercised stock options granted in 1998 and 1999 for a total of 140,625 shares, realizing pre-tax gains of \$681,469.
- (5) During 2007, Messrs. Dew and Simpson also received, respectively: (a) matching contributions to the Company's ESSOP and the RMIC 401(k) Profit Sharing Plan of \$1,800 and \$22,000; (b) \$2,591 each in group term life insurance values; (c) \$3,372 and \$4,426 for the RMIC Health reimbursement program; (d) \$9,409 and \$3,480 for club dues; (e) \$9,696 and \$11,286 in personal use value for vehicles supplied to them for Company purposes; (f) and \$23,558 and \$33,484 for interest on deferred balances under the RMIC Key Employee Performance Recognition Plan.

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

Compensation levels are set to enable the Company to attract and retain key executives and other associates critical to its long-term success. The Company believes that compensation paid to Executive Officers should be closely aligned with the performance of the Company on both a short-term and long-term basis. For compensation purposes, performance is evaluated principally on the basis of achieved returns on equity and growth in operating earnings.

Neither the CEO, CFO, nor other Executive Officers of the Company have employment contracts. Compensation for these persons is set annually by the Compensation Committee of the Board of Directors based either on its sole determination or in consultation with the CEO. 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 reflective of the financial performance actually achieved, and reasonably competitive with other companies in the insurance industry and among a peer group of companies in particular. In doing so, 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 other companies or their executives. Even so, the Company believes the total compensation paid to its Executive Officers is within a median range. The companies Old Republic considers as members of its peer group for 2007 are: Ace Limited, American Financial Group, Inc., The Chubb Corporation, Cincinnati Financial Corporation, First American Corporation, Land America Financial Group, MGIC Investment Corporation, Markel Corporation, PMI Group, Inc., SAFECO Corporation, St. Paul Travelers Companies, Inc. and XL Capital Ltd.

Executive Behavior Considered when Making Compensation Decisions

The Company rewards behavior 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 in the context of the following factors:

- Vision and planning for the Company's future, principally on a long-term basis;
- Strategies implemented to realize these plans;
- Leadership qualities;
- Judgment in making decisions regarding his plans and general management of the Company's affairs;
- Commitment to achieving goals, especially when faced with adversity;
- Ability in setting and promoting the best interests of the Company's shareholders, the beneficiaries of its subsidiaries' insurance policies, and those of other stakeholders;
- 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 other Executive Officers' performance and compensation in consultation with the CEO and in the context of the above noted factors.

Elements of Compensation and the Factors and Rationale in Determining Compensation Amounts

The compensation paid by the Company to its CEO and other Executive Officers is usually composed of the following basic elements:

- Annual Salary;
- Incentive awards including both cash and deferred amounts;
- Stock option awards; and
- Other benefits.

Annual Salary

The Company's objective in establishing annual salaries is to set them at amounts which:

- 1) Are reasonably competitive in the context of prevailing salary scales in the insurance industry; and
- 2) Provide a fixed, reasonable source of annual income for each executive position.

The primary factors, considered in varying degrees, in setting annual salaries are:

- Business size and complexity of the operations with which the executive is associated;
- The executive's level of responsibility and experience;

- The success of the executive's business unit and 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 Company believes its annual salary compensation level for Executive Officers is near the median for the insurance industry and its peer group.

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 change in responsibilities. Prior compensation, prior cash and/or deferred incentive awards, or prior gains from the exercise of stock options are not taken into account when setting current annual salaries for the CEO, CFO and other Executive Officers of the Company. The Committee attempts to balance salary levels with the other compensation paid these individuals so that their entire compensation package is constructed in relationship to their performance and duties.

Incentive Awards

The Company uses incentive awards, comprised of both cash and deferred amounts. These awards are intended to afford eligible Executive Officers and certain key employees, an opportunity and incentive to increase their compensation. The objective of this program is to reward both Executive Officers and key associates for the successful financial performance of the Company and the individual subsidiaries or operating centers with which they are associated. In making its judgment on these matters, the Committee considers how shareholder interests have been enhanced by focusing mainly on return on equity and growth in operating earnings.

The performance of the Company is generally evaluated over annual and consecutive three-and five-year time frames. Incentive awards are not restricted to the CEO, CFO and other Executive Officers. Rather, they are usually widely distributed to a significant number of executive and key employees associated with the Company and many of its subsidiaries. Through 2006 the awards provided for an immediate cash payment of 50%, with the balance of 50% being deferred. Beginning in 2007, the first \$25,000 of awards are paid in cash and any award in excess thereof is split 50% between cash and deferred amounts. Mr. Yeager's awards are 100% cash in consideration of the general practices in the title insurance industry.

Total awards under the Company's Incentive Compensation Plan are based on the size of a performance recognition pool. The method of determining the size of the pool, vesting of deferred awards, and the payment of deferred amounts are discussed under "Performance Recognition Plans" shown elsewhere in this proxy statement. When making evaluations regarding incentive awards from the pool available for that purpose, no formula, set benchmark or matrix is used. The Compensation Committee consults with the CEO and bases awards on its evaluation of eligible associates' performance, long term contribution to the Company's success, and the attainment of the basic financial goals noted above. These decisions are subjectively made by the Compensation Committee with regard to each individual and reflect the business judgment of each of the individual Committee members.

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 independent auditors' reports on the financial statements of the preceding year, and an evaluation of any pertinent and significant post balance sheet events and business trends.

Stock Options

The Company believes that its CEO, CFO, Executive Officers, and other Company employees, who make a substantial contribution to long-term performance, should have an equity interest in the Company. To this end, the Company maintains a non-qualified stock option plan. The objective of the plan is to encourage:

- 1) an alignment of stockholder and employee interests,
- 2) employee efforts to grow shareholder value, and
- 3) a long-term commitment to the Company by participating employees.

Accordingly, stock option grants have not been limited solely to the CEO, CFO and Executive Officers. Rather, they have been widely distributed to many of the Company's key associates. About 480 employees, or approximately 8.1% of all employees, received such awards during 2007. The factors considered when making stock option awards include:

- the achievements of the individual,
- the overall performance of the Company,
- the anticipated contributions of awardees 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, CFO and other Executive Officers is determined subjectively by the Committee using its business judgment, and in consultation with the CEO. The aggregate number of option shares granted over the past five years to all employees, including the CEO, CFO and the other Executive Officers of the Company has ranged from 0.9% to 1.1% of the then outstanding Common Stock of the Company. The aggregate value, determined from application of the Black-Scholes option valuation model, of each of the annual option grants for the past five years has ranged from approximately 1.31% to 2.07%, and has averaged 1.67% of the Company's pretax income. Additional information regarding the Company's option plan is contained in the Stock Options section shown elsewhere in this proxy statement.

Option awards are made once a year, usually during the first quarter following receipt of the independent auditors' report on the financial statement for the preceding year. The Compensation Committee approves the total pool of option shares and the options granted to the CEO, CFO, and a number of the most senior executives of the Company and its subsidiaries. The options' strike price, based on the then current market price of the Company's Common Stock, is set concurrently. 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.

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 associates. 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.

The Company also maintains pension plans for various subsidiaries. However, these plans have been closed to new entrants since December 31, 2004. Further, the Company maintains two Excess Benefit Plans designed to supplement the pensions of certain Executive Officers whose pension benefits were restricted by law. These Excess Benefit Plans have also been closed to new entrants since December 31, 2004. The only Executive Officers who are beneficiaries of these Excess Benefit Plans are Messrs. LeRoy and Zucaro. Additional information regarding the Company's Pension Benefit Plans and Excess Benefit Plans are contained in the Pension Plans section shown elsewhere in this proxy statement.

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 parachute and similar benefits for a number of its executives and other key associates 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 it will, to the extent permitted by law, attempt to recover bonuses, deferred compensation and stock option awards made to Executive Officers where such awards were predicated upon financial results that were subsequently the subject of a restatement resulting from any benefiting executive's illegal or fraudulent actions. Where applicable, the Company will seek to recover any amount determined to have been inappropriately received by the individual executive.

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.

Compensation Consultant

In conjunction with the discharge of its responsibilities the Compensation Committee may from time to time retain an independent compensation consultant. The Committee last deemed it necessary to retain such a consultant in 2006. At that time, the consultant, Frederic W. Cook & Co., Inc., reviewed the directors' compensation and the compensation elements of the CEO, CFO and other Executive Officers of the Company. The consultant provided updated information relative to the executive compensation of peer group companies, and reviewed the Compensation Committee procedures and the factors the Company evaluated in determining compensation.

Stock Ownership Guidelines

The Company encourages all its employees to own Company stock directly or through employee benefit plans such as its 401(k) ESSOP. All of its senior Executive Officers and directors own shares of the Company's stock. The Table on page 2 shows the nature and amount of such holdings.

In 2006, the Company formalized 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. As applicable, existing directors were given through year end 2008 to increase their holdings in the Company's Common Stock to aggregate such amount. As of year end 2007, all of the Company's directors had holdings 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
Other senior officers of the Company and senior officers of subsidiaries with allocated capital in excess of \$50 million	3 times
Senior officers of subsidiaries with allocated capital of less than \$50 million	<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 have been associated with the Company for fewer than three years have until year end 2011 to meet the applicable requirement. Senior officers who have been affiliated with the Company for more than three years have until year end 2009 to meet the applicable 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.

March 2008 Compensation Committee Annual Meeting

The Compensation Committee met as scheduled on March 19, 2008, for its annual review of compensation matters. In anticipation of that meeting, the Company's CEO advised that a number of its most senior executives expected to waive consideration of any significant bonus or other material addition to their current compensation package as the Committee might otherwise consider in its 2008 annual review. The executives' assertion was made in light of the reduced 2007 performance of two major Old Republic segments and its effect on the Company's consolidated results for the year. The executives are Jimmy Dew (Vice Chairman, Mortgage Guaranty Companies), James Kellogg (the Corporation's President), Christopher Nard (CEO, Mortgage Guaranty Companies), William Simpson (Chairman, Mortgage Guaranty Companies), Rande Yeager (CEO, Title Companies), and Aldo Zucaro (the Corporation's CEO). As a result of its deliberations and consideration of the noted assertion, the Committee reached the following conclusions:

1. It approved system-wide annual salary review guidelines, including increases in the base annual salaries of Messrs. Nard and Yeager.
2. It approved cash and/or deferred additional bonuses outside of formula-driven calculations for eligible employees under the Old Republic Key Employees Performance Recognition Plan ("KEPRP"), as well as for several Mortgage Guaranty bonus and profit sharing plans. The additional and total awards granted pursuant to these as well as other segments' profit sharing awards were as follows:

	(\$ in Thousands)			
	ORI KEPRP	General Group Plans	Mortgage Guaranty Plans	Title Plans
Awards within formula provisions	\$226.8	\$11,897.5	\$3,030.2	\$1,751.0
Additional awards outside formula provisions	1,148.2	-	902.4	-
Total awards 2008	<u>\$1,375.0</u>	<u>\$11,897.5</u>	<u>\$3,932.6</u>	<u>\$1,751.0</u>
Total awards 2007	<u>\$3,011.3</u>	<u>\$10,653.3</u>	<u>\$11,985.2</u>	<u>\$4,969.6</u>

(*) Amounts in the above table are exclusive of Old Republic's system-wide 401(k) ESSOP Plan costs and those of other 401(k) plans not necessarily related to earnings growth and return on equity objectives.

In deviating from formula-driven plan calculations for 2008, the Compensation Committee consulted with the Company's CEO and President relative to such matters as the long term performance, intellectual capital, and expected future contributions of eligible employees, as well as the extremely negative market conditions in certain of the Company's business segments, and rested on its business judgment in reaching its conclusions on the awarded amounts. The above noted senior executives received no 2008 awards under any of these plans other than small formula-driven interest additions to prior years' accumulated deferred balances (reflected in column (d) of the Summary Compensation Table which follows).

3. It approved awards of options on 1,500,000 shares valued, pursuant to the Black Sholes methodology, at approximately \$1,763,044 as of the award date. Except for Messrs. Nard and Yeager who were granted options on 100,000 and 30,000 shares, respectively, none of the other four senior executives named above received any options.
4. It also approved the 2008 matching contribution percentages for the Company's 401(k) ESSOP, the minimum required return on equity percentage applicable to all profit sharing plans (5.91% for 2008 vs. 5.93% for 2007), and the peer group companies utilized in the five year comparative stock performance chart included under Part II, Item 5 of Old Republic's Annual Report on Form 10-K.

To the extent applicable, the above awards are reflected in column (d) of the Summary Compensation Table which follows, and in the Stock Options section which in turn follows the latter table.

The compensation packages of Messrs. Zucaro, Mueller, Kellogg, and LeRoy are based on the positions they hold in the management of the Company's overall business and its consolidated results. Mr. Nard's compensation is driven principally by results of the Old Republic Mortgage Guaranty business, that of Mr. Rager's is principally based on the results of the Old Republic General Insurance Group, and that of Mr. Yeager by the results achieved by the Old Republic Title Insurance segment. See "Performance Recognition Plans" for a summary of each segment's results for the three years ended December 31, 2005 to 2007.

Summary Compensation Table

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Name and Principal Positions	Year	Salary (1)	Bonus (2)	Option Awards(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (4)	All Other (5) Compensation	Total (\$)
Aldo C. Zucaro	2007	\$767,813	\$38,090	\$936,000	\$343,737	\$17,719	\$2,103,359
Chairman & Chief Executive Officer	2006	741,146	726,019	1,528,800	283,680	20,237	3,299,882
Karl W. Mueller	2007	358,333	190,927	109,313	11,232	7,527	677,332
Senior Vice President & Chief Financial Officer	2006	341,667	266,934	68,860	15,044	9,941	702,446
James A. Kellogg	2007	467,400	18,632	157,783	(5,968)	13,402	651,249
President & Chief Operating Officer	2006	413,233	449,186	98,344	104,700	17,737	1,083,200
Spencer LeRoy III	2007	408,496	250,304	336,960	57,445	11,843	1,065,048
Senior Vice President, Secretary & General Counsel	2006	400,163	344,944	349,440	130,616	12,122	1,237,285
Christopher S. Nard	2007	351,833	31,702	252,323	-	33,521 (6)	669,379
Senior Vice President - Mortgage Guaranty	2006	343,500	784,135	262,815	-	36,138 (6)	1,426,588
R. Scott Rager	2007	374,500	486,440	257,400	-	487,109 (7)	1,605,449
Senior Vice President - General Insurance	2006	294,583	430,770	256,620	-	5,982	987,955
Rande K. Yeager	2007	299,383	-	23,400	26,509	9,550	358,842
Senior Vice President- Title Insurance	2006	284,450	500,000	81,900	74,460	10,260	951,070

(1) Effective January 1, 2007, no employee of the Company or any of its subsidiaries have received any director fees for attending Board meetings of the Company or any of its subsidiaries. In the above table, each officer's salary includes the following amount of director fees for 2006: Aldo C. Zucaro \$51,146; Karl W. Mueller \$0; James A. Kellogg \$7,400; Spencer LeRoy, III \$8,496; Christopher S. Nard \$13,500; R. Scott Rager \$0; Rande K. Yeager \$5,700.

(2) Includes the combined cash and deferred incentive compensation awards granted under the Company's Incentive Compensation Plans or any similar plans maintained by subsidiaries of the Company. In this table, both the cash and deferred portions are attributed to the year on which the award was based, even though the award was granted in the following calendar year. Prior to 2007, these awards were split 50% each into cash and deferred amounts, except as to Mr. Yeager whose awards were and continue to be 100% cash. For 2007, the first \$25,000 was paid in cash and the balance was split 50% each into cash and deferred amounts. The deferred amounts included in this column are usually not payable before the person retires at 55 years of age or later. Beginning in 2007, the deferred portions accrue interest for awards made in 2005 and subsequent. For awards made prior to 2004 a multiplier may apply. (See the Performance Recognition Plans section shown elsewhere in this proxy statement.) The deferred amounts included in this column are shown without a present value discount.

(3) The value of options is calculated pursuant to the Black-Scholes model which is also utilized in expensing stock option awards in the Company's financial statements. 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 as shown in 2006 and 2007, and reflect, among other factors previously noted, an evaluation of earning trends and returns on equity for 2005 and 2006, respectively.

The significant facts and assumptions incorporated in the Black-Scholes model in estimating the value of the options include the following:

- Options are issued with an exercise price equal to the fair market value of stock at the close of trading on the business day immediately preceding the date of grant.
- 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 would hold these options for 8 years.
- Interest rates of 4.494% and 5.095% were used for the 2007 and 2006 awards, respectively. Such rate was 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.
- Expected volatilities of 23.9% and 26.6% were used for the 2007 and 2006 awards, respectively. This percentage was calculated using daily stock prices for the period prior to the grant date corresponding with the expected option life.
- Expected annual dividend yields of 3.675% and 3.538% were used for the 2007 and 2006 awards, respectively.

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, if any, that an optionee may realize upon exercise of an option will depend on the excess of the market value over the strike price on the date the option is exercised. Pursuant to applicable accounting rules, the amounts shown equals that portion of the current years' and prior years' grants that vested and were recognized in the Company's consolidated financial statements during the listed year. As Messrs. Zucaro, LeRoy, Rager and Yeager would be considered fully vested based on their ages and years of service in the event of their retirement, the full value of the options granted to them is listed. For Messrs. Kellogg, Mueller and Nard the value shown represents the listed year compensation cost attributable to the current year's award that is vested plus the amount vested in the listed year for awards made in prior years. The full value of the awards subject to vesting, made in 2006 and 2007, respectively, for Messrs. Kellogg, Mueller and Nard were

\$327,600 and \$397,800, \$191,100 and \$177,840 and \$409,500 and \$280,800. The following section captioned "Stock Options" provides additional information concerning the vesting of stock options.

- (4) Represents the aggregate change in the actuarial present value of the accumulated benefits under all defined benefit and actuarial pension plans (including supplemental plans) for 2007. The Company does not have any non-qualified deferred compensation plans that credit above market or preferential earnings to participants.
- (5) Includes the Company's matching contribution to the officers' ESSOP account of \$1,800 and \$4,950 for the years 2007 and 2006, respectively; the value of the Company's group term life insurance plan treated as income; the value of the personal use of a supplied vehicle; and the personal value of meals and club dues incurred for Company business as shown below for the years 2007 and 2006:

	Value of Term Life		Value of Vehicles		Value of Meals & Club Dues	
	2007	2006	2007	2006	2007	2006
Aldo C. Zucaro	\$9,753	\$9,754	-	-	\$6,166	\$5,533
Karl W. Mueller	810	810	-	-	4,917	4,181
James A. Kellogg	2,322	1,782	\$7,801	\$7,709	1,479	3,296
Spencer LeRoy, III	3,564	3,564	-	-	6,479	3,608
Christopher S. Nard	204	204	-	-	5,220	4,687
R. Scott Rager	947	1,032	-	-	-	-
Rande K. Yeager	1,290	1,290	6,460	4,020	-	-

- (6) Includes \$22,000 as the vested amount accrued under the RMIC Profit Sharing Plan for 2006 and 2007, respectively, and the amount attributed to a health program available to RMIC employees of \$4,297 for 2006 and for 2007, respectively.
- (7) Includes a \$400,000 relocation bonus and \$84,362 in relocation expenses paid to Mr. Rager in connection with his move to the Company's Chicago executive offices in 2007.

Stock Options

As previously noted, the Company maintains a non-qualified stock option plan for key employees of the Company and its participating subsidiaries. The current Plan was approved by the Company's shareholders in 2006 and replaced a similar non-qualified stock option plans that had been in place for more than twenty-five years. The decision to award stock options pursuant to the Plan and the factors that contribute to the amount of such awards are set forth in the Compensation and Discussion and Analysis section.

The sum of option awards issued, when added to then outstanding options, may not be greater than 9% of the number of common shares issued and outstanding as of the end of the month immediately preceding the date of the awards.

The following table sets forth certain information regarding options to purchase shares of Common Stock granted in 2007 to the Executive Officers listed in the Summary Compensation Table:

Grants of Plan-Based Awards/2007

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	3/16/07	200,000	\$21.77	\$ 936,000
Karl W. Mueller	3/16/07	38,000	21.77	177,840
James A. Kellogg	3/16/07	85,000	21.77	397,800
Spencer LeRoy, III	3/16/07	72,000	21.77	336,960
Christopher S. Nard	3/16/07	60,000	21.77	280,800
R. Scott Rager	3/16/07	55,000	21.77	257,400
Rande K. Yeager	3/16/07	5,000	21.77	23,400

The table which follows reflects related information emanating from the Compensation Committee's meeting in March 2008:

Grants of Plan-Based Awards/2008

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	-	-	-	-
Karl W. Mueller	3/19/08	25,000	\$12.95	\$ 38,000
James A. Kellogg	-	-	-	-
Spencer LeRoy, III	3/19/08	52,500	12.95	79,800
Christopher S. Nard	3/19/08	100,000	12.95	152,000
R. Scott Rager	3/19/08	37,500	12.95	57,000
Rande K. Yeager	3/19/08	30,000	12.95	45,600

In addition to the above senior executives, neither Messrs. Dew nor Simpson was granted option awards in 2008.

The purchase price per share of Common Stock subject to an option is fixed by the Compensation Committee. Such purchase price may not be less than 100% of the fair market value per share of Common Stock on the date the option is granted. Optionees may exercise their options for shares of Common Stock.

The term of each option may not exceed 10 years from the date of grant. Options may be exercised 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 as indicated below.

Under the Company's prior option plan, except for the grant made in 2002, which used an amended vesting schedule similar to the Plan, vesting occurs at an annual rate of 10% per year. With respect to options granted prior to 2004, an employee's right to exercise an option is accelerated if the Company's Common Stock closes on the NYSE above the vesting acceleration price established by the Compensation Committee for the option. The vesting acceleration price was established by the Compensation Committee at the time of grant at the higher of 150% of the market value of the Common Stock at the date of the grant or 150% of the book value per Common Share as of the then most recent year end. The vesting acceleration price provision was eliminated for options granted after 2003; all option shares granted to Executive Officers prior to 2004 are now fully vested.

Under all Option Plans, a change in control of the Company or the death, disability or retirement, in good standing, of an optionee after age 57, accelerates vesting 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.

The following table sets forth certain information regarding options to purchase shares of Common Stock exercised during 2007 by the Executive Officers named in the Summary Compensation Table:

Exercises of Stock Options During 2007

Name (a)	Option Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise
	(b)	(c)
Aldo C. Zucaro	210,938	\$569,533
Karl W. Mueller	-	-
James A. Kellogg	-	-
Spencer LeRoy, III	-	-
Christopher S. Nard	-	-
R. Scott Rager	-	-
Rande K. Yeager	8,438	57,885

Equity Compensation Plan Information

The following tables set forth certain information regarding securities authorized for issuance under equity compensation plans as of year end 2007 and as of the first quarter of 2008. The Company only has equity compensation plans that have been approved by the Company's shareholders.

Equity Compensation Plan Status as of Year End 2007

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	14,570,577	\$18.12	6,171,924
Equity compensation plans not approved by security holders	-	-	-
Total	14,570,577	\$18.12	6,171,924

Equity Compensation Plan Status as of March 31, 2008

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	15,533,563	\$17.71	5,210,549
Equity compensation plans not approved by security holders	-	-	-
Total	15,533,563	\$17.71	5,210,549

Note: At year end 2007, and as of March 31, 2008, the aggregate number of shares subject to outstanding options under all Company sponsored plans and grants could not exceed 9% of the Company's outstanding Common Stock, as of these dates. The table as of March 31, 2008, reflects the options granted by the Compensation Committee on March 19, 2008, as well as the options that were exercised and/or expired during the first quarter of 2008.

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 Fiscal Year-end 2007				
Name	Number of Securities		Option Exercise Price	Option Expiration Date
	Underlying Unexercised Options Exercisable	Underlying Unexercised Options Unexercisable		
Aldo C. Zucaro	300,000	-	\$14.36	03/21/11
	318,750	-	16.86	03/20/12
	346,875	-	14.37	03/19/13
	242,813	104,062	19.32	03/09/14
	50,625	61,875	18.41	04/11/15
	70,000	210,000	21.48	05/26/16
	20,000	180,000	21.77	03/13/17
Karl W. Mueller	26,250	11,250	20.02	03/09/14
	5,625	6,875	18.41	04/11/15
	8,750	26,250	21.48	05/26/16
	3,800	34,200	21.77	03/13/17
James A. Kellogg	3,375	-	15.49	03/11/08
	3,750	-	10.40	03/11/09
	4,219	-	6.40	03/22/10
	6,563	-	14.36	03/21/11
	7,500	-	16.86	03/20/12
	9,375	-	14.37	03/19/13
	17,625	7,375	19.32	03/09/14
	16,875	20,625	18.41	04/11/15
	15,000	45,000	21.48	05/26/16
	8,500	76,500	21.77	03/13/17
Spencer LeRoy, III	35,156	-	15.49	03/11/08
	37,500	-	10.40	03/11/09
	30,000	-	6.40	03/22/10
	46,875	-	14.36	03/21/11
	46,875	-	16.86	03/20/12
	51,563	-	14.37	03/19/13
	43,750	18,750	19.32	03/09/14
	28,125	34,375	18.41	04/11/15
	16,000	48,000	21.48	05/26/16
	7,200	64,800	21.77	03/13/17
Christopher S. Nard	25,313	-	15.49	03/11/08
	30,000	-	10.40	03/11/09
	28,125	-	6.40	03/22/10
	65,625	-	14.36	03/21/11
	56,250	-	16.86	03/20/12
	75,000	-	14.37	03/19/13
	52,500	22,500	19.32	03/09/14
	23,906	29,219	18.41	04/11/15
	18,750	56,250	21.48	05/26/16
	6,000	54,000	21.77	03/13/17
R. Scott Rager	3,375	-	10.40	03/11/09
	15,000	-	16.86	03/20/12
	19,250	8,250	19.32	03/09/14
	12,938	15,813	18.41	04/11/15
	11,750	35,250	21.48	05/26/16
	5,500	49,500	21.77	03/13/17
Rande K. Yeager	14,063	-	16.86	03/19/13
	13,125	5,625	19.32	03/09/14
	6,188	7,563	18.41	04/11/15
	3,750	11,250	21.48	05/26/16
	500	4,500	21.77	03/13/17

Performance Recognition Plans

Under the Company's current Key Employee Performance Recognition Plan (KEPRP), which is similar to its former plan, a performance recognition pool is established each year for allocation among eligible key employees of the Company and its participating subsidiaries, including the CEO and other Executive Officers. Employees eligible to share in this pool are selected by the Compensation Committee in consultation with the CEO. The Compensation Committee makes the sole determination with regard to the CEO's performance, eligibility and award from the pool, after deducting any pertinent earnings multiplier therefrom. The CEO then recommends the allocation of the balance of the pool to participants in the plan. Up to 50% of any one year's pool amount may be carried forward for up to three years for later allocation. In designating eligible employees and determining amounts to be allocated, the Compensation Committee consults with the CEO and considers the positions and responsibilities of the 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 is subjective and based on the business judgment of its members.

Each year's pool amount takes 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 is made in accordance with a detailed formula which takes into account (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. For 2007 and 2006, the minimum returns so calculated were 5.93% and 6.10%, respectively. The pool is, in turn, 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 exceeds the minimum target return on equity for the year. There is no prescribed limit as to how much of the year's available pool may be awarded to each participant.

Prior to 2007, there was an immediate payment in cash of 50% of any award as well as 50% of the multiplier factor applied to the deferred balances of prior years' participants; the balance of the award was deferred and vested at the rate of 10% per year of participation. Beginning in 2007, the first \$25,000 of any award, including any multiplier applied to a deferred balance, is paid in cash. For awards in excess of that amount, 50% of the excess is paid in cash and 50% is deferred. The deferred balance, if any, will be 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 of 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 operating centers. Such plans provide for the achievement of certain financial results and objectives as to each such subsidiary or operating center. Each of these plans operates in the same basic fashion as the Company's Plan. The pools for each plan are also established according to detailed formulas that take into account the annual increase in earnings, the return on equity in excess of a minimum target percentage, and other factors pertinent to each operating center. Each separate subsidiary's or operating center's plan has a similar cash and deferred element, except for a few separate plans used for transaction-driven businesses, such as title insurance, which have historically been cash basis plans only.

The 2007 and 2006 awards shown in the "Bonus" column of the preceding Summary Compensation Table were approved by the Compensation Committee following a review of the tangible factors cited at (a), (b), and (c) in the second paragraph of this section. The awards for Messrs. Zucaro, Mueller, Kellogg, and LeRoy are granted from pools calculated on the basis of Old Republic's consolidated earnings and returns on equity. Those for Messrs. Rager, Nard, and Yeager, are based on results of General, Mortgage Guaranty, and Title insurance subsidiaries, respectively. Net operating income for those segments for the past three years were as follows:

	(\$ in Millions)		
	2007	2006	2005
<u>Net Operating Income (Loss):</u>			
General	\$291.5	\$278.4	\$287.1
Mortgage Guaranty	(66.4)	153.1	162.6
Title	(8.3)	21.1	58.6
Corporate and Other (*)	9.9	(0.2)	(0.8)
Total	226.7	452.4	509.1
Net realized gains	45.7	12.4	42.3
Net income	<u>\$274.4</u>	<u>\$464.8</u>	<u>\$551.4</u>

(*) Including consolidation adjustments

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 proforma balances of such accounts as of December 31, 2007. 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 for 2007 were based upon their performance for that year even though the award itself was made after year end following the receipt of the independent auditors' 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 making of the award in mid-March 2008.

NONQUALIFIED DEFERRED COMPENSATION

Name	Registrant Contributions	Aggregate Earnings for 2007	Aggregate Balance for 2007
Aldo C. Zucaro	-	\$38,090	\$6,571,683
Karl W. Mueller	\$ 77,500	10,927	451,439
James A. Kellogg	-	18,632	1,450,589
Spencer LeRoy, III	105,000	15,304	1,699,152
Christopher S. Nard	-	31,702	2,170,311
R. Scott Rager	225,000	11,567	1,539,894
Rande K. Yeager	-	-	-

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 no longer 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 cash and deferred incentive compensation awards granted under the Company's KEPRP or the Company's former KEPRP.

The Company also maintains the Old Republic International Corporation Executive's Excess Benefit Plan ("ORI Excess Benefit Plan") to provide certain key executives with pension benefits in excess of those provided by the Company Plan. The ORI Excess Benefit Plan is administered by the Compensation Committee of the Board of Directors, which selects the employees to participate in this plan from those who are participants in the Company Plan. Messrs. Zucaro and LeRoy are the only approved Executive Officers who qualified for participation under the ORI Excess Benefit Plan as this plan was also terminated relative 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 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. 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 did not participate in the Company Plan because employees of Republic Mortgage Insurance Company (RMIC) participate in the RMIC Profit-Sharing Plan instead of the Company Plan. Likewise, Mr. Rager did not participate in the Company Plan because employees of Great West Casualty Corporation participate in the Great West Casualty Profit Sharing Plan instead of the Company Plan. Both of those plans are described in following sections.

The following table sets forth the present value of the estimated annual benefits payable under the Company Plan 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	30.4	\$1,107,227	-
	ORI Excess Benefit Plan	30.4	2,427,698	-
Karl W. Mueller	ORI Employees Retirement Plan	2.3	29,525	-
James A. Kellogg	ORI Employees Retirement Plan	29.8	629,529	-
Spencer LeRoy, III	ORI Employees Retirement Plan	14.5	424,975	-
	ORI Excess Benefit Plan	14.5	325,478	-
Christopher S. Nard	None	-	-	-
R. Scott Rager	None	-	-	-
Rande K. Yeager	ORNT Group Pension Plan	20.3	508,190	-

(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 2007.

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. Prior to 2007 employees over age 55 and with 10 years of service credited under the Plan could diversify a portion of the employer's contributions out of the Company's stock and into alternative investments based on their age and years of service with the Company. For the year 2007 and in each subsequent year, employees with three or more years of service as of the prior years' end ("three years of service") may diversify the annual contribution of Company stock into alternative investments. Further, employees with three years of service may also diversify, during 2007, one-third of the aggregate of prior years' contributions of Company stock; during 2008, one-half of the remaining balance of contributions of Company stock; and during 2009, all of the prior contributions of Company stock. For employees with three years of service and who were over age 55 at December 31, 2005, all prior years' contributions of Company stock may be diversified into alternative investments 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 out 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.

Republic Mortgage Insurance Company ("RMIC") Profit-Sharing Plan

Mr. Nard participates in the Company's ESSOP as well as in the RMIC Profit Sharing Plan, a 401(k) qualified plan. The RMIC Profit Sharing 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 annual income are permitted. 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 Profit Sharing Plan participants' interests 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.

Great West Casualty Company ("GWC") Profit Sharing Plan

Mr. Rager participates in the Company's ESSOP as well as in the GWC Profit Sharing Plan, a 401(k) qualified plan. The GWC Profit Sharing Plan covers substantially all employees of GWC and its affiliates. Under the terms of the plan, employees may contribute up to 6% of their pay on a pretax basis and up to 10% of their pay on an after tax basis. Contributions are subject to an annual maximum (set at \$15,500 in 2007) which increases annually to reflect changes in the cost of living. GWC matches 25% of any pretax contribution 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 Profit Sharing 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.

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 1, 2008

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This document is not intended to represent a solicitation or offer to buy or sell the Corporation's securities.



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