

Examination Warrant Number 21-00150-24147-R1

Report of Examination of

Old Republic Insurance Company
Mt. Pleasant, Pennsylvania

As of December 31, 2021

For Informational Purposes Only

Old Republic Insurance Company

TABLE OF CONTENTS

Subject	Page
Salutation	1
Scope of Examination	1
History	2
Management and Control:	
Capitalization	3
Stockholders.....	3
Insurance Holding Company System.....	3
Board of Directors.....	4
Committees	5
Officers	6
Corporate Records:	
Minutes	6
Articles of Incorporation.....	6
By-Laws.....	7
Service and Operating Agreements	7
Reinsurance:	
Ceded	8
Assumed.....	11
Territory and Plan of Operations	11
Significant Operating Trends.....	12
Pending Litigation.....	13
Financial Statements:	
Comparative Statement of Assets, Liabilities, Surplus and Other Funds.....	14
Comparative Statement of Income.....	15
Comparative Statement of Capital and Surplus	16
Comparative Statement of Cash Flow	17
Summary of Examination Changes	18
Notes to Financial Statements:	
Assets:	
Investments	18
Liabilities:	
Loss and Loss Adjustment Expense Reserves.....	19
Surplus as Regards Policyholders:	
Surplus Notes.....	19
Subsequent Events	20
Recommendations:	
Prior Examination	20
Current Examination.....	20
Conclusion	21

Harrisburg, Pennsylvania
May 17, 2023

Honorable Diana L. Sherman, CPA, CFE (Fraud), CISA, CITP
Acting Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Madam:

In accordance with instructions contained in Examination Warrant Number 21-00150-24147-R1, dated August 9, 2021, an examination was made of

Old Republic Insurance Company, NAIC Code: 24147

a Pennsylvania domiciled, multi-state, property and casualty insurance company, hereinafter referred to as the “Company.” The examination was conducted remotely. The Company’s home office is located at 631 Excel Drive, Suite 200, Mt. Pleasant, PA 15666.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department (“Department”) has performed an examination of the Company, which was last examined as of December 31, 2016. This examination covered the five-year period from January 1, 2017, through December 31, 2021.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Department and the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”).

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with statutory accounting principles.

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, in accordance with

Old Republic Insurance Company

-2-

40 P.S. § 323.5(a), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

For each year of the examination period, the certified public accounting firm of KPMG, LLP (“CPA”) provided an unmodified opinion on the Company’s year-end financial statements based on statutory accounting principles. Relevant work performed by the CPA, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers.

The following companies were examined at the same time during the above examination:

Company	State	NAIC Code
American Business & Mercantile Insurance Mutual, Inc.	DE	40789
American Guaranty Title Insurance Company	OK	51411
BITCO General Insurance Corporation	IA	20095
BITCO National Insurance Company	IA	20109
Great West Casualty Company	NE	11371
Manufacturers Alliance Insurance Company	PA	36897
Mississippi Valley Title Insurance Company	MS	51004
Old Republic General Insurance Corporation	IL	24139
Old Republic Home Protection Company, Inc.	CA	N/A
Old Republic Life Insurance Company	IL	67261
Old Republic National Title Insurance Company	FL	50520
Old Republic Security Assurance Company	IL	35424
Old Republic Specialty Insurance Company, IC	VT	N/A
Old Republic Surety Company	WI	40444
Old Republic Union Insurance Company	IL	31143
Pennsylvania Manufacturers’ Association Insurance Company	PA	12262
Pennsylvania Manufacturers Indemnity Company	PA	41424
Republic Credit Indemnity Company	IL	33715
Republic Mortgage Assurance Company	FL	32174
Republic Mortgage Guaranty Insurance Corporation	NC	31275
Republic Mortgage Insurance Company	NC	28452

HISTORY

The Company was incorporated on April 11, 1935, licensed by the Department on April 21, 1935, and commenced business on or about April 21, 1935.

The Company is currently authorized to transact those classes of insurance described in 40 P.S. § 382(b)(1) Property and Allied Lines, (b)(2) Inland Marine and Physical Damage, (b)(3) Ocean Marine, (c)(1) Fidelity and Surety, (c)(2) Accident and Health, (c)(3) Glass, (c)(4) Other Liability, (c)(5) Boiler and Machinery, (c)(6) Burglary and Theft, (c)(7) Credit, (c)(8) Water Damage, (c)(9) Elevator, (c)(10) Livestock, (c)(11) Auto Liability, (c)(12) Mine and Machinery, (c)(13) Personal Property Floater, and (c)(14) Worker’s Compensation.

MANAGEMENT AND CONTROL

CAPITALIZATION

As of December 31, 2021, the Company's total capital was \$1,426,389,263, consisting of 633,334 shares of issued and outstanding common stock with a par value of \$6.00 per share amounting to \$3,800,004; \$155,000,000 in surplus notes; \$103,869,422 in paid in and contributed surplus; and \$1,163,719,837 in unassigned funds (surplus).

The Company's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, is \$2,350,000 in capital and \$1,175,000 in surplus. The Company has met all governing requirements throughout the examination period.

STOCKHOLDERS

Old Republic General Insurance Group, Inc. ("ORGIG"), a Delaware Corporation, owns all of the outstanding voting common stock of the Company, representing one hundred percent (100.0%) of the voting securities of the Company. ORGIG is a midstream holding company of the ultimate parent Old Republic International Corporation ("ORI"). ORI is publicly traded on the New York Stock Exchange under the symbol ORI.

During the examination period, the Company paid dividends totaling \$483,152,047 to ORGIG. The following summarizes the ordinary dividend payments:

<u>Year</u>	<u>Amount</u>
2017	\$ 88,000,000
2018	\$ 88,000,000
2019	\$101,152,047
2020	\$ 96,000,000
2021	\$110,000,000
Total	\$483,152,047

All of the dividends paid during the examination period were properly authorized by the Company's Board of Directors and reported to the Department in compliance with 40 P.S. § 991.1404(e). All of the dividends paid were ordinary dividends.

INSURANCE HOLDING COMPANY SYSTEM

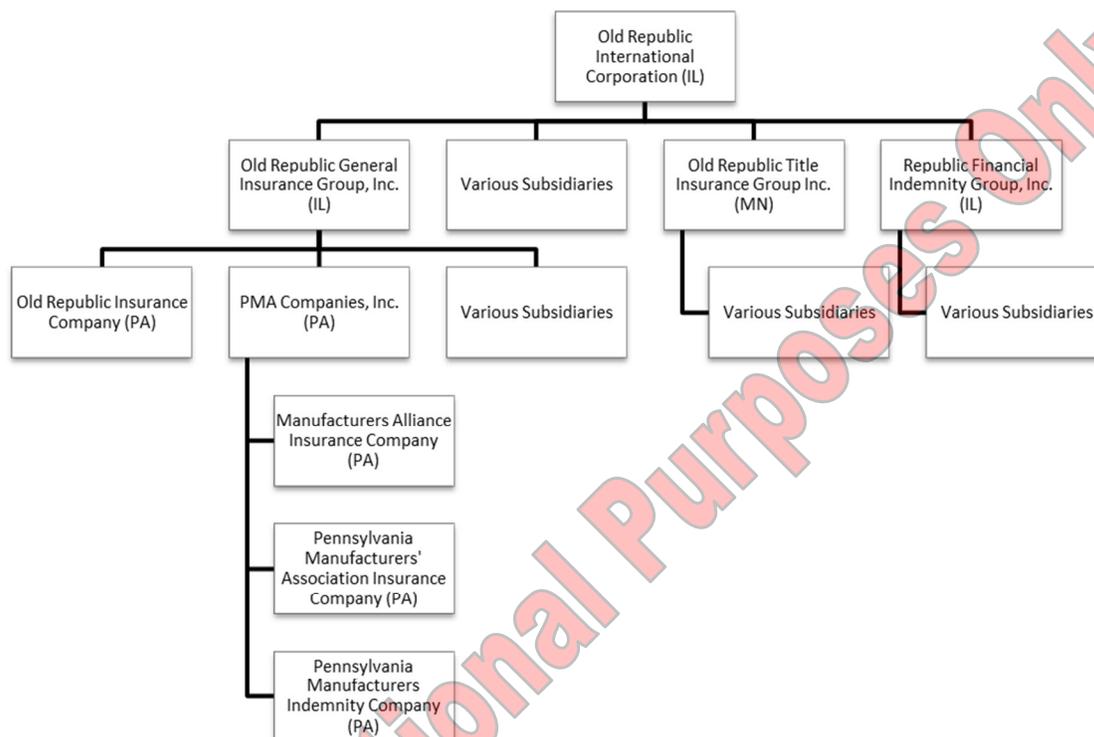
The Company meets the requirements for filing an insurance holding company system annual registration statement ("Annual Registration Statement"), in compliance with 40 P.S. § 991.1404. The required Annual Registration Statements for the examination period have been filed.

The Company became part of its insurance holding company system in 1969. It is a wholly owned subsidiary of ORGIG, which is wholly owned by ORI.

Old Republic Insurance Company

-4-

ORI is named as the ultimate controlling entity/person of its holding company system. The organizational chart below summarizes the holding company system as of December 31, 2021. The organizational chart does not depict all entities contained within the holding company system due to the size and complexity of the business operations within the holding company system.



BOARD OF DIRECTORS

Management of the Company is vested in its Board of Directors (“Board”), which was comprised of the following members as of December 31, 2021:

Name and Address

Barbara Ann Adachi
San Mateo, California

Steven Jay Bateman
Maple Plain, Minnesota

Lisa Jeffries Caldwell
Kernersville, North Carolina

Jimmy Allen Dew
Bermuda Run, North Carolina

John Maynard Dixon
Winnetka, Illinois

Michael Denard Kennedy
Atlanta, Georgia

Principal Occupation

National Managing Partner (Retired)
Deloitte Consulting, LLC

Audit Partner (Retired)
PricewaterhouseCoopers LLP

CEO
Caldwell Collection, LLC

Board Vice-Chairman, Director (Retired)
Republic Mortgage Insurance Company

Chief Executive Partner (Retired)
Chapman and Cutler

Sr. Client Partner
Korn Ferry

Old Republic Insurance Company

-5-

Charles James Kovaleski
Oviedo, Florida

Spencer Leroy III
Sun Lakes, Arizona

Peter Boyd McNitt
Winnetka, Illinois

Glenn William Reed
Barrington, Illinois

Craig Richard Smiddy
Chicago, Illinois

Arnold Levy Steiner
Birmingham, Alabama

Fredricka Taubitz
La Jolla, California

Steven Robert Walker
Lafayette, California

EVP; President, Attorneys Title Division (Retired)
Old Republic National Title Insurance Company

Director; SVP; Secretary; Counsel (Retired)
Old Republic International Corporation

Vice Chairman (Retired)
BMO Harris Bank

Managing Director (Retired)
The Vanguard Group

President & CEO
Old Republic International Corporation

President
Cullman Property Company

Director, Committee Member
Old Republic International Corporation

Senior Counsel (Retired)
Leland, Parachini, Steinberg, Metzger & Melnick

All of the directors are elected at the annual shareholder's meetings. The directors are organized into three classes with three-year terms so that the term of office of only one class of directors shall expire each year.

COMMITTEES

As of December 31, 2021, the following committees were appointed by the Board and serving in accordance with the Company's by-laws:

Audit Committee

Barbara Ann Adachi
Steven Jay Bateman
Michael Denard Kennedy
Charles James Kovaleski
Peter Boyd McNitt
Glenn William Reed
Fredricka Taubitz (Chairperson)
Steven Robert Walker

Executive Committee

John Maynard Dixon
Spencer LeRoy III
Craig Richard Smiddy (Chairperson)
Arnold Levy Steiner
Fredricka Taubitz
Steven Robert Walker

Compensation Committee

Steven Jay Bateman
Lisa Jeffries Caldwell
Jimmy Allen Dew
John Maynard Dixon (Chairperson)
Peter Boyd McNitt
Glenn William Reed
Arnold Levy Steiner
Fredricka Taubitz

Governance and Nominating Committee

Barbara Ann Adachi
Lisa Jeffries Caldwell
Jimmy Allen Dew
John Maynard Dixon
Michael Denard Kennedy
Charles James Kovaleski
Arnold Levy Steiner
Steven Robert Walker (Chairperson)

Old Republic Insurance Company

-6-

The Company has interlocking directorates with affiliated insurance and non-insurance entities to centralize various governance functions and gain efficiencies when performing overlapping Board processes.

The Company achieves compliance with the Board committee membership and duty requirements of 40 P.S. § 991.1405(c)(3)-(4.1) through 40 P.S. § 991.1405(c)(5), which states: “The provisions of paragraphs (3), (4) and (4.1) shall not apply to a domestic insurer if the person controlling such insurer is an insurer, an attorney in fact for a reciprocal exchange, a mutual insurance holding company or a publicly held corporation having a board of directors and committees thereof which already meet the requirements of paragraphs (3), (4) and (4.1)”. The committees appointed at ORI meet these requirements.

OFFICERS

As of December 31, 2021, the following officers were appointed and serving in accordance with the Company’s by-laws:

Name	Title
Craig Richard Smiddy	President
William Todd Gray	Treasurer
Thomas Andrew Dare	Secretary

CORPORATE RECORDS

MINUTES

A compliance review of corporate minutes revealed the following:

- The Annual Meetings of the Company’s stockholder were held in compliance with its by-laws.
- The stockholder elects directors at such meetings in compliance with the by-laws.
- The stockholder ratified the prior year’s actions of the officers and directors.
- Quorums were present at all directors’ meetings.
- The Company’s investment transactions are approved quarterly by the Board.
- All directors attend Board meetings regularly.
- The Company Board meetings’ minutes approve the reinsurance contracts.

ARTICLES OF INCORPORATION

There were no changes made to the Company’s articles of incorporation during the period of examination.

BY-LAWS

There were no changes or amendments to the Company's by-laws during the examination period.

SERVICE AND OPERATING AGREEMENTS

The Company is party to various service and operating agreements, which include inter-company and related-party agreements. The following significant agreements were in place during the examination period:

Tax Sharing Agreement

Effective October 1, 2010, the Company joined the tax sharing agreement between ORI and its subsidiaries. The Company's federal income tax return is consolidated along with all other ORI entities. The consolidated tax return is filed by ORI for each taxable year. The method of allocation is subject to written agreement reviewed and approved by the Board. Each company shall compute its own tax liability or credit as if it had filed a separate return. Each company shall pay estimated, extension, and final tax payments to ORI within five days prior to, but no later than, the due date of these payments to the Internal Revenue Service ("IRS").

If the sum of amounts payable to ORI exceeds the consolidated tax liability for the year, ORI shall pay to each member its allocated portion of such excess amount within 45 days after the date of filing of the consolidated return for such period. Any overpayment of estimated tax by a subsidiary should be refunded to the subsidiary by ORI within 30 days of the receipt of a refund from the IRS.

Service Agreement

Effective June 1, 1986, the Company entered into a service agreement with Old Republic Surety Company ("ORSC") whereby ORSC furnishes services such as underwriting, claims processing, and accounting related to fidelity, surety, and notary public E&O policies issued by a branch of the company.

Investment Counsel Agreement

Effective July 1, 2012, the Company became party to an investment counsel agreement with Old Republic Asset Management ("ORAM"), whereby ORAM acts as an investment consultant and provides ministerial and statistical services for the company's investment operations. ORAM provides the Company with investment advice, assists in the purchase and sale of investments, and monitors the value of invested assets. ORAM has full discretionary authority to manage, purchase, or sell any or all securities provided that all assets and transactions comply with ORI's Investment Policy (which is applicable to the entire holding company) and with all relevant state laws and regulations. ORAM will receive compensation from the Company for the services rendered under this agreement based on the market value of the Company's assets under management.

Service Agreement

Effective January 1, 1988, the Company entered into a service agreement with Old Republic General Services, Inc. (“ORGS”) for warehousing, data processing, printing, accounting and other professional services. Payments under the agreement represent actual expenses incurred by ORGS. ORGS is a wholly owned subsidiary of Old Republic National Services Group, Inc. (“ORNSG”). ORNSG is a wholly owned subsidiary of ORI.

Managing General Agent Agreement

Effective January 1, 2007, the Company entered into a managing general agent agreement with its affiliate, Old Republic Aerospace, Inc. (“ORAE”), formerly named Phoenix Aviation Managers, Inc., under which it writes and services certain programs. The Company notified the Department of its appointment of ORAE as a managing general agent in compliance with 40 P.S. § 322.5(e).

REINSURANCE

CEDED

The examination team reviewed a sample of the significant reinsurance agreements in force as of December 31, 2021. The Company’s reinsurance program is placed through reinsurance intermediary brokers or directly with the reinsurer. The primary reinsurance intermediary brokers used- by the Company are Guy Carpenter & Company, LLC and Aon Benfield. Each are licensed by the Department as required by 40 P.S. § 321.2(a) and have properly executed contracts in place containing the statutory language required by 40 P.S. § 321.3. Each of the contracts reviewed contained the appropriate insolvency, arbitration, and intermediary clauses, where applicable. In addition, these contracts were found to include language that properly transferred risk.

As of December 31, 2021, the Company had multiple reinsurance treaties structured in layers in effect. The significant treaties are categorized, and coverage summarized as follows:

Casualty Program

Excess of loss and clash reinsurance affords recovery up to \$40,000,000 for casualty risks. Catastrophe excess of loss reinsurance affords recovery up to \$200,000,000 for Workers’ Compensation (“WC”) risks. The largest net amount retained in any one casualty risk, including WC, is \$12,000,000 (Old Republic Professional Liability). The largest net amount retained for any one WC risk is \$525,000 (Old Republic Risk Management). The casualty reinsurance program is summarized below:

Treaty Description	Reinsurer Participation	Aggregate Per Policy	Aggregate Per Occurrence	Aggregate Treaty Limit
WC Per Person (xx)				
1 st Layer	100%	\$3M xs \$2M	\$3,000,000	
2 nd Layer	100%	\$5M xs \$5M	\$5,000,000	\$45,000,000
3 rd Layer	100%	\$10M xs \$10M	\$10,000,000	\$40,000,000

Old Republic Insurance Company

-9-

Commutation/Sunset	100%	\$10 Million	\$10,000,000	\$10,000,000
WC Catastrophe and Clash Layers				
2 nd Layer	100%	\$3M xs \$2M	\$3,000,000	\$24,000,000
3 rd Layer	100%	\$5M xs \$5M	\$5,000,000	\$25,000,000
4 th Layer	100%	\$10M xs \$10M	\$10,000,000	\$40,000,000
5 th Layer	100%	\$20M xs \$20M	\$20,000,000	\$60,000,000
WC Catastrophe Layers				
6 th Layer	100%	\$20M xs \$40M	\$20,000,000	\$40,000,000
7 th Layer	100%	\$40M xs \$60M	\$40,000,000	\$80,000,000
8 th Layer	100%	\$100M xs \$100M	\$100,000,000	\$200,000,000

Aviation Quota Share and Excess of Loss

Treaty Description	Company Retention	Reinsurer Participation	Aggregate Per Policy
General Aviation WC 1 st Layer	\$500,000	100%	\$500,000 xs \$500,000 \$1M xs \$1M
General Aviation Hull Quota Share ("QS")	37.5%	62.5%	\$10 Million

Treaty Description	Company Retention	Reinsurer Participation	Aggregate Per Policy
Hull Risks XS		100% of ORAE's 37.5% QS	\$10.0M xs \$10.0M
Hull Risks XS		100% of ORAE's 37.5% QS	\$15.0M xs \$20.0M
General Aviation Liability QS	37.5%	62.5%	\$50 Million
Liability Risks XS		100% of ORAE's 37.5% QS	\$250.0M xs \$50.0M
Aviation Whole Account			
1 st Layer		100% of ORAE's 37.5% QS	\$4,666,667 xs \$5,333,333
2 nd Layer		100% of ORAE's 37.5% QS	\$6,000,000 xs \$5,333,333
3 rd Layer		100% of ORAE's 37.5% QS	\$12,000,000 xs \$5,333,333
4 th Layer		100% of ORAE's 37.5% QS	\$25.0M xs \$13.0M
5 th Layer		100% of ORAE's 37.5% QS	\$42.0M xs \$13.0M
Airline/Major Risks			
Q/S – Hull	50.0%	50.0%	\$6 Million
Q/S – Liability	50.0%	50.0%	\$85 Million

Old Republic Insurance Company

-10-

Treaty Description	Company Retention	Reinsurer Participation	Aggregate Per Policy
Hull Risks XS		100% of ORAE's 50.0% QS	\$1.75M xs \$1.25M
Liability Risks XS		100% of ORAE's 50.0% QS	\$30.0M xs \$12.5M
Hull & Liability Combined:			
1 st Layer		100% of ORAE's 50.0% QS	\$3.0M xs \$2.0M
2 nd Layer		100% of ORAE's 50.0% QS	\$8.75M xs \$5.0M
3 rd Layer		100% of ORAE's 50.0% QS	\$13.75M xs \$13.75M
Coinsurance:			
Hull	15% of \$5,000,000	85% of \$5,000,000	
Liability	15% of \$25,000,000	85% of \$25,000,000	

Clash

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Types of Business Covered</u>
\$500,000	\$40,000,000	Workers' Compensation
\$500,000	\$40,000,000	Liability

Terrorism

ORINSCO's reinsurance coverage for terrorist acts, except for nuclear, biological, chemical, and radiological events, covers \$195,000,000 excess of \$5,000,000 for two limits, subject to the Companies' Terrorism Risk Insurance Program Reauthorization Act deductible. Additionally, effective December 31, 2021, ORINSCO purchased facultative reinsurance on certain accounts covering \$375,000,000 excess of \$200,000,000.

Produced by Old Republic Professional Liability, Inc.

Treaty Description	Company Retention	Reinsurer Participation	Aggregate Per Policy
Liability XOL	\$5,000,000	80%	\$10,000,000 xs \$5,000,000
D&O Side A Only XOL		80%	\$25,000,000 xs \$15,000,000

Produced by Old Republic Risk Management

Treaty Description	Reinsurer Participation	Aggregate Per Policy
Buffer Layer Treaty:		
Workers' Compensation	65%	\$1,500,000 xs \$500,000
Casualty	80%	\$5,000,000 xs Deductible/SIR

Old Republic Insurance Company

-11-

Most workers' compensation losses in excess of \$2,000,000 are ceded as described above in the first table of the "Casualty Program" section above.

Old Republic Risk Management ("ORRM") offers various programs to insureds that desire to retain significant portions of risk. Commonly used products offered by ORRM are large deductible, Excess SIR and Captive fronting arrangements. Facultative reinsurance is typically obtained by ORRM above the large deductible, self-insured and captive retentions.

Produced by Old Republic Insured Automotive Services, Inc.

Various captive reinsurance arrangements are in place which cover the Auto Warranty business written by Old Republic Insured Automotive Services, Inc.

ASSUMED

The Company participates in mandatory pools and associations required by various states in which the Company does business in addition to other non-material miscellaneous assumption agreements.

Pursuant to certain quota share reinsurance agreements with Old Republic Union Insurance Company ("OR Union"), a wholly owned subsidiary of Old Republic General Insurance Group, Inc. The Company also assumes premium related to policies underwritten by affiliates on OR Union paper.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed and writing in all fifty states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

The Company provides property and liability insurance, primarily workers' compensation, commercial automobile insurance, general liability, aircraft, and errors and omissions/directors and officers lines underwritten in the manufacturing, service, and transportation industries. A portion of business produced on the Company's policies and contracts is ceded to affiliated companies. A significant portion of the Company's direct business is underwritten via large deductible, retrospective rating, captive insurance company or similar risk management techniques, whereby a portion of the risk is retained by the assured.

The following chart summarizes the Company's Direct and Assumed, Ceded, and Net Written Premiums by line of business for the year 2021:

Old Republic Insurance Company

-12-

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Written Premium	Percentage of Total
December 31, 2021				
Fire	\$ 2,557,000	\$ 2,557,000	\$ 0	0.0%
Inland marine	116,783,578	109,119,332	7,664,246	1.2%
Financial guaranty	24	0	24	0.0%
Workers' compensation	590,739,904	433,773,130	156,966,774	24.9%
Other liability - occurrence	267,275,043	208,899,551	58,375,492	9.2%
Other liability - claims-made	339,323,901	84,532,540	254,791,361	40.3%
Excess workers' compensation	12,832,481	6,251,551	6,580,930	1.0%
Products liability - occurrence	609,996	516,673	93,323	0.0%
Commercial auto liability	593,485,547	525,036,274	68,449,273	10.8%
Auto physical damage	55,388,658	49,031,812	6,356,846	1.0%
Aircraft	160,546,939	106,860,948	53,685,991	8.5%
Fidelity	437,421	305,649	131,772	0.0%
Surety	16,310,819	16,303,119	7,700	0.0%
Credit	63,237,300	63,315,119	(77,819)	0.0%
Warranty	80,544,519	61,088,441	19,456,078	3.1%
Totals	<u>\$ 2,300,073,130</u>	<u>\$ 1,667,591,139</u>	<u>\$ 632,481,991</u>	<u>100.0%</u>

SIGNIFICANT OPERATING TRENDS

The underwriting ratios summarized below are shown on an earned/incurred basis, and encompass the five-year period covered by this examination.

	Amount	Percentage
Premiums earned	\$ 2,474,600,774	100.0 %
Losses incurred	1,132,170,189	45.8 %
Loss expenses incurred	219,406,210	8.8 %
Other underwriting expenses incurred	695,261,284	28.1 %
Net underwriting gain or (loss)	427,763,091	17.3 %
Totals	\$ 2,474,600,774	100.0 %

The Company reported the following net underwriting, investment, and other gains or losses during the period under examination:

	2021	2020	2019	2018	2017
Admitted assets	\$ 3,647,710,875	\$ 3,185,647,000	\$ 2,869,920,515	\$ 2,910,392,119	\$ 2,923,260,036
Liabilities	\$ 2,221,321,610	\$ 1,963,447,566	\$ 1,668,742,400	\$ 1,802,487,708	\$ 1,782,092,162
Surplus as regards policyholders	\$ 1,426,389,263	\$ 1,222,199,433	\$ 1,201,178,115	\$ 1,107,904,411	\$ 1,141,167,874
Gross premium written	\$ 2,300,073,130	\$ 2,034,502,066	\$ 1,743,299,269	\$ 1,513,298,346	\$ 1,468,864,685
Net premium written	\$ 632,481,991	\$ 544,135,183	\$ 479,045,637	\$ 444,005,278	\$ 459,030,810
Underwriting gain/(loss)	\$ 170,836,335	\$ 113,012,438	\$ 64,453,474	\$ 41,427,088	\$ 38,033,756
Investment gain/(loss)	\$ 72,568,505	\$ 40,427,911	\$ 72,079,687	\$ 73,980,279	\$ 90,086,295
Other gain/(loss)	\$ (95,248)	\$ 44,427	\$ (175,157)	\$ 268,991	\$ 169,601
Net income	\$ 188,274,536	\$ 113,944,839	\$ 106,943,865	\$ 89,990,123	\$ 97,254,555

The Company reported underwriting gains and investment gains in each year during the exam period. No unusual patterns or loss experiences were noted.

PENDING LITIGATION

As of the date of this examination report, Company Management attested that the Company was not involved in any litigation and was not aware of any threatened litigation that could have a material adverse effect on its financial condition.

FINANCIAL STATEMENTS

The financial condition of the Company, as of December 31, 2021, and the results of its operations for the five-year period under examination, are reflected in the following statements*:

- Comparative Statement of Assets, Liabilities, Surplus and Other Funds;
- Comparative Statement of Income;
- Comparative Statement of Capital and Surplus;
- Comparative Statement of Cash Flow

*Note: Some financials shown in this report may contain immaterial differences to those reported in the Company's filed Annual Statements due to rounding differences.

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**Comparative Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31,**

	2021	2020	2019	2018	2017
Bonds	\$ 1,909,913,122	\$ 1,812,061,905	\$ 1,700,421,473	\$ 1,825,149,966	\$ 1,862,324,869
Common stocks	917,083,022	754,073,091	697,255,292	558,615,791	593,139,143
Cash, cash equivalents, and short term investments	123,192,922	120,480,692	91,915,363	100,588,569	65,831,172
Aggregate write-ins for invested assets	52,773,563	30,128,491	22,635,707	36,050,373	34,482,082
Subtotals, cash and invested assets	3,002,962,629	2,716,744,179	2,512,227,835	2,520,404,699	2,555,777,266
Investment income due and accrued	16,410,417	16,677,557	16,546,264	18,268,705	19,335,258
Premiums and agents' balances due	502,838,248	371,050,471	258,179,284	303,081,690	279,134,062
Amounts recoverable from reinsurers	102,249,387	63,668,406	70,113,985	47,313,557	54,742,227
Funds held by or deposited with reinsured companies	638,976	569,034	392,657	15,378	8,815
Other amounts receivable under reinsurance contracts	260,166	696,265	0	0	0
Current federal and foreign income tax recoverable and interest thereon	0	0	0	3,233,461	4,201,044
Net deferred tax asset	0	0	0	4,286,832	0
Electronic data processing equipment and software	197,491	216,577	362,660	525,720	113,130
Receivable from parent, subsidiaries and affiliates	15,151,215	9,635,548	3,337,943	4,491,294	1,236,824
Aggregate write-ins for other than invested assets	7,002,346	6,388,963	8,759,887	8,770,783	8,711,410
Total	\$ 3,647,710,875	\$ 3,185,647,000	\$ 2,869,920,515	\$ 2,910,392,119	\$ 2,923,260,036
Losses	\$ 973,350,968	\$ 881,402,375	\$ 771,719,416	\$ 869,332,599	\$ 886,147,514
Reinsurance payable on paid loss and loss adjustment expenses	11,998,678	10,833,823	8,803,210	7,495,428	8,586,967
Loss adjustment expenses	188,440,779	169,246,286	152,191,364	173,323,503	151,601,954
Commissions payable, contingent commissions and other similar charges	6,744,862	6,966,195	8,209,349	5,118,409	4,712,906
Other expenses	20,761,617	21,565,624	19,559,435	18,833,511	14,269,251
Taxes, licenses and fees	61,461,611	71,692,142	72,694,006	68,383,787	64,609,674
Current federal and foreign income taxes	4,223,948	4,263,385	1,060,956	0	0
Net deferred tax liability	33,077,514	6,215,472	14,730,878	0	10,962,116
Unearned premiums	338,097,230	315,918,061	292,772,015	278,792,196	270,475,952
Advance premium	130,561	492,897	46,082	0	0
Dividends declared and unpaid:					
Policyholders'	652,194	147,614	851,532	260,924	1,216,072
Ceded reinsurance premiums payable (net of ceding commissions)	351,898,807	217,684,555	169,762,316	175,618,468	172,874,442
Funds held by company under reinsurance treaties	90,541,838	99,267,947	103,948,022	103,051,018	95,976,765
Amounts withheld or retained by company for account of others	57,048,869	38,963,460	32,753,655	47,584,537	55,888,035
Remittances and items not allocated	46,413,086	29,403,261	634,002	39,842,189	30,288,085
Provision for reinsurance	19,254,519	22,966,723	13,338,946	10,154,445	9,182,213
Payable to parent, subsidiaries and affiliates	5,389,581	63,129,510	2,666,572	3,745,701	1,245,016
Aggregate write-ins for liabilities	11,834,950	3,288,237	3,000,644	950,993	4,055,200
Total liabilities	\$ 2,221,321,612	\$ 1,963,447,567	\$ 1,668,742,400	\$ 1,802,487,708	\$ 1,782,092,162
Common capital stock	3,800,004	3,800,004	3,800,004	3,800,004	3,800,004
Surplus notes	155,000,000	155,000,000	155,000,000	155,000,000	155,000,000
Gross paid in and contributed surplus	103,869,422	103,869,422	103,869,422	103,869,422	103,869,422
Unassigned funds (surplus)	1,163,719,837	959,530,007	938,508,689	845,234,985	878,498,448
Surplus as regards policyholders	1,426,389,263	1,222,199,433	1,201,178,115	1,107,904,411	1,141,167,874
Totals	\$ 3,647,710,875	\$ 3,185,647,000	\$ 2,869,920,515	\$ 2,910,392,119	\$ 2,923,260,036

For Information Only

**Comparative Statement of Income
For the Year Ended December 31,**

	2021	2020	2019	2018	2017
Underwriting Income					
Premiums earned	\$ 610,180,617	\$ 520,881,479	\$ 464,286,692	\$ 435,975,031	\$ 443,276,955
Deductions:					
Losses incurred	222,526,466	231,285,610	235,726,513	209,051,641	233,579,959
Loss expenses incurred	49,625,553	38,617,606	34,605,307	56,819,698	39,738,046
Other underwriting expenses incurred	167,192,263	137,965,825	129,501,398	128,676,604	131,925,194
Total underwriting deductions	439,344,282	407,869,041	399,833,218	394,547,943	405,243,199
Net underwriting gain or (loss)	170,836,335	113,012,438	64,453,474	41,427,088	38,033,756
Investment Income					
Net investment income earned	68,534,895	67,993,647	69,994,168	69,001,728	68,381,089
Net realized capital gains or (losses)	4,033,610	(27,565,736)	2,085,519	4,978,551	21,705,206
Net investment gain or (loss)	72,568,505	40,427,911	72,079,687	73,980,279	90,086,295
Other Income					
Net gain or (loss) from agents' or premium balances charged off	0	0	0	(32,969)	(32,546)
Aggregate write-ins for miscellaneous income	(95,248)	44,427	(175,157)	301,960	202,147
Total other income	(95,248)	44,427	(175,157)	268,991	169,601
Net income before dividends to policyholders and before federal and foreign income taxes	243,309,592	153,484,774	136,358,004	115,676,358	128,289,652
Dividends to policyholders	2,924,781	1,316,420	2,400,521	772,745	1,371,080
Federal and foreign income taxes incurred	52,110,275	38,223,515	27,013,618	24,913,490	29,664,017
Net income	\$ 188,274,536	\$ 113,944,839	\$ 106,943,865	\$ 89,990,123	\$ 97,254,555

For Informational Purposes Only

**Comparative Statement of Capital and Surplus
For the Year Ended December 31,**

	2021	2020	2019	2018	2017
Surplus as regards policyholders, December 31, previous year	\$ 1,222,199,432	\$ 1,201,178,116	\$ 1,107,904,412	\$ 1,141,167,874	\$ 1,106,879,613
Net income	188,274,536	113,944,839	106,943,865	89,990,123	97,254,555
Net unrealized capital gains or (losses)	116,250,349	3,116,937	88,562,965	(37,170,506)	35,756,690
Change in net unrealized foreign exchange capital gain or (loss)	(8,133)	19,237	31,379	(46,606)	23,193
Change in net deferred income tax	4,026,547	9,343,959	2,739,789	5,368,180	(11,980,366)
Change in nonadmitted assets	1,902,799	211,607	(678,556)	(2,460,306)	(357,447)
Change in provision for reinsurance	3,712,204	(9,627,777)	(3,104,501)	(972,232)	1,591,531
Dividends to stockholders	(110,000,000)	(96,000,000)	(101,152,047)	(88,000,000)	(88,000,000)
Aggregate write-ins for gains and losses in surplus	31,528	12,514	10,810	27,885	105
Change in surplus as regards policyholder for the year	204,189,830	21,021,316	93,273,704	(33,263,462)	34,288,261
Surplus as regards policyholders, December 31, current year	\$ 1,426,389,262	\$ 1,222,199,432	\$ 1,201,178,116	\$ 1,107,904,412	\$ 1,141,167,874

For Informational Purposes

**Comparative Statement of Cash Flow
For the Year Ended December 31,**

	2021	2020	2019	2018	2017
Cash from Operations					
Premiums collected net of reinsurance	\$ 634,583,687	\$ 479,211,221	\$ 518,766,807	\$ 418,941,679	\$ 472,664,267
Net investment income	79,455,860	77,942,164	81,289,415	80,336,210	78,830,015
Miscellaneous income	9,838,499	838,021	(9,270,145)	(831,993)	(1,520,051)
Total income	723,878,046	557,991,406	590,786,077	498,445,896	549,974,231
Benefit and loss related payments	166,973,417	112,844,016	355,204,169	218,984,365	226,813,996
Commissions, expenses paid and aggregate write-ins for deductions	202,072,774	159,715,602	176,997,557	155,137,079	174,019,976
Dividends to policyholders	2,420,201	2,020,338	1,809,913	1,727,893	2,237,408
Federal and foreign income taxes paid (recovered)	52,072,998	35,331,306	25,930,170	25,946,409	45,487,672
Total deductions	423,539,390	309,911,262	559,941,809	401,795,746	448,559,052
Net cash from operations	300,338,656	248,080,144	30,844,268	96,650,150	101,415,179
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	294,050,817	192,785,724	356,557,012	225,042,984	262,222,039
Stocks	17,404,010	23,684,696	84,975,677	39,384,912	99,453,036
Other invested assets	0	0	13,414,666	0	4,319,372
Total investment proceeds	311,454,827	216,470,420	454,947,355	264,427,896	365,994,447
Cost of investments acquired (long-term only):					
Bonds	402,612,784	317,170,176	237,246,976	206,255,332	290,325,497
Stocks	29,451,989	44,842,434	130,525,254	36,948,242	105,843,071
Other invested assets	22,645,072	7,492,784	0	1,568,291	0
Total investments acquired	454,709,845	369,505,394	367,772,230	244,771,865	396,168,568
Net cash from investments	(143,255,018)	(153,034,974)	87,175,125	19,656,031	(30,174,121)
Cash from Financing and Miscellaneous Services					
Other cash provided (applied):					
Dividends to stockholders (paid)	110,000,000	96,000,000	88,000,000	88,000,000	88,000,000
Other cash provided or (applied)	(44,371,408)	29,520,160	(38,692,599)	6,451,215	17,646,216
Net cash from financing and miscellaneous sources	(154,371,408)	(66,479,840)	(126,692,599)	(81,548,785)	(70,353,784)
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	2,712,230	28,565,330	(8,673,206)	34,757,396	887,274
Cash and short-term investments:					
Beginning of the year	120,480,691	91,915,361	100,588,567	65,831,171	64,943,897
End of the year	\$ 123,192,921	\$ 120,480,691	\$ 91,915,361	\$ 100,588,567	\$ 65,831,171

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SUMMARY OF EXAMINATION CHANGES

There were no examination changes to the preceding financial statements as filed with regulatory authorities over the review period.

NOTES TO FINANCIAL ITEMS

ASSETS

INVESTMENTS

As of December 31, 2021, the Company's invested assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 1,909,913,122	63.6 %
Common stocks	917,083,022	30.5 %
Cash	42,082,743	1.4 %
Cash equivalents	80,667,197	2.7 %
Short-term investments	442,982	0.0 %
Aggregate write-ins for invested assets	52,773,563	1.8 %
Totals	\$ 3,002,962,629	100.0 %

The Company's bond and short-term investment portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 1,353,803,079	70.8 %
2 - high quality	518,841,232	27.2 %
3 - medium quality	34,699,853	1.8 %
4 - low quality	3,011,940	0.2 %
Totals	\$ 1,910,356,104	100.0 %

Years to Maturity	Amount	Percentage
1 year or less	\$ 172,701,941	9.0 %
2 to 5 years	986,025,578	51.6 %
6 to 10 years	725,476,289	38.0 %
11 to 20 years	26,152,296	1.4 %
Totals	\$ 1,910,356,104	100.0 %

The Company's investment portfolio consists of the following types of bond investments: U.S. governments, U.S. states, territories, and possessions; U.S. political subdivisions of states, territories, and possessions, U.S. special revenue and special assessment obligations, and industrial and miscellaneous, with mostly highest to high quality NAIC designation. The portfolio also includes investments in industrial and miscellaneous publicly traded unaffiliated common stocks, cash and cash equivalents, and short-term investments. Aggregate write-ins for invested assets includes bonds, short-term investments and cash held under retrospective rating agreements.

Old Republic Insurance Company

-19-

The Company has a written investment policy as required by 40 P.S. § 653b(b). The investment policy is reviewed and approved on an annual basis by the Board. The Company was following its investment policy at December 31, 2021.

The Company has a custodial agreement that is compliant with 31 Pa. Code § 148a.3.

LIABILITIES

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Company reported net reserves in the amount of \$973,350,968 for losses and \$188,440,779 for loss adjustment expenses (“LAE”) on the December 31, 2021, Annual Statement.

Kevin M. Brady, ACAS, MAAA, Senior Vice President & Chief Corporate Actuary, has been the Company’s appointed actuary since 2018. J. Paul Cochran, FCAS, MAAA, Consulting Actuary, was the appointed actuary for 2017. For each year in the examination period, the Statement of Actuarial Opinion stated that the Company’s carried reserves made a reasonable provision on the adequacy of its loss and LAE reserves as provided in the NAIC Annual Statement Instructions.

The Department engaged the actuarial examination services of Risk and Regulatory Consulting, LLC (“RRC”) of Farmington, Connecticut to perform a risk-focused review of the loss and LAE reserves, the forecasting and reserving models, and pricing and underwriting activities in conjunction with this examination. In the course of their work, RRC actuarial examiners relied upon the underlying financial and risk-focused procedures performed by the financial examiners, as well as work performed by the Company’s Internal Audit Department and the Company’s CPA.

Certain risks within the reserving and pricing processes required substantive test work. To mitigate the reserving risks, RRC performed an independent actuarial analysis of selected segments of the loss and LAE reserves as of December 31, 2021, that were assessed to present the highest risk of variability as determined by the risk-focused examination process.

Based upon the procedures performed, the RRC actuarial examiners determined that the Company’s loss and LAE reserves fall within a reasonable range. The Department has accepted the appointed actuary’s statement that reserves “make reasonable provision for all unpaid loss and loss adjustment expense obligations combined of the Companies under the terms of their contracts and agreements” such that the carried reserves are acceptable for purposes of this examination.

SURPLUS AS REGARDS TO POLICYHOLDERS

SURPLUS NOTES

The Company reported surplus notes in the amount of \$155,000,000 on the December 31, 2021, Annual Statement.

On May 7, 2009, the Company issued a Variable Rate Subordinated Surplus Note with a par value of \$75,000,000 to ORGIG. The note is issued for a 30-year term and carries an initial interest rate of 9.0%, which is subject to reset after 10 years beginning July 1, 2019. Thereafter, the rate of interest for the note is 450 basis points above the monthly London Interbank Offered Rate (“LIBOR”). Effective January 1, 2020, the interest rate on the note was changed to 4.0%. Interest and is payable quarterly.

On December 24, 2014, the Company issued a Fixed Rate Subordinated Surplus Note with a par value of \$80,000,000 to ORGIG. The note is issued for a 10-year term and carries an interest rate of 5.0%, payable quarterly.

Pursuant to 40 P.S. § 445.2(d), payment of principal or interest on a surplus note is subject to prior written approval of the Department.

The Company made interest payments in accordance with the surplus notes during the examination period and the Company obtained the Department’s prior written approval for all interest payments pursuant to 40 P.S. § 445.2(d).

SUBSEQUENT EVENTS

Board Members

Effective May 26, 2022, Jimmy Allen Dew resigned as Director of the Company’s Board. No new directors were appointed.

COVID-19

The Department is monitoring the impact of the COVID-19 global pandemic. The Department recognizes that COVID-19 could have a significant financial and operational impact on all of its domestic insurers, including the Company. As such, the Department will continue to monitor and share information with the Company as appropriate related to COVID-19 developments.

RECOMMENDATIONS

PRIOR EXAMINATION

The prior examination report contained no recommendations.

CURRENT EXAMINATION

There are no recommendations being made as a result of the current examination.

Old Republic Insurance Company

-21-

CONCLUSION

As a result of this examination, the financial condition of Old Republic Insurance Company, as of December 31, 2021, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 3,647,710,874	100.0 %
Liabilities	\$ 2,221,321,611	60.9 %
Surplus as regards policyholders	1,426,389,263	39.1 %
Total liabilities and surplus	\$ 3,647,710,874	100.0 %

Since the previous examination, made as of December 31, 2016, the Company's assets increased by \$833,943,196, its liabilities increased by \$514,433,546, and its surplus increased by \$319,509,650.

For Informational Purposes Only

Old Republic Insurance Company

-22-

This examination was conducted by Kevin Clark, Ellamarie Durant, Stephen C. Monteparte, David M. Smith, CISA, CPDSE, AES, CDPP, CFE, and Jeffery J. Smith, FCAS, MAAA, CPCU, all of the Pennsylvania Insurance Department; and Denise Ambrogio, FCAS, MAAA, Christine Browning, CFE, Andrew Calamita, Lisa Chanzit, FCAS, MAAA, ARM, LeeAnne Creevy, CPA, CISA, CITP, CRMA, MCM, Clarissa Crisp, CFE, Michael Hall, FCAS, MAAA, David Heppen, FCAS, MAAA, Amber Kinney, CPA, CFE, CISA, Scott Merkord, FCAS, MAAA, CPCU, Kevin Ralston, Stephen Skenyon, CPA, CISA, Edward Toy, Edward Yao, FCAS, CFA, CERA, MAAA, and William Michael, CFE, CIA, CPCU, ARe, all of RRC, with the latter in charge.

Respectfully submitted,

Matthew Milford

Matthew C. Milford, CFE
Director
Bureau of Financial Examinations

Stephanie Ohnmacht

Stephanie Ohnmacht, CFE
Examination Manager

William Michael

William Michael (May 30, 2023 15:19 EDT)

William Michael, CFE
Risk & Regulatory Consulting, LLC
Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However, the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies.