June 27, 2012

I would advise you to listen to the current conference call:
http://ir.oldrepublic.com/phoenix.zhtml?p=irol-eventDetails&c=80148&eventID=4797341

which will be available until July 3, 2012. It is a classic of **how analysts view the stock price and the owner/operator/management views the reality of their business.** Old Republic ("ORI") announced a spin-off of their money-losing Mortgage Guaranty Insurance business ("MGI") but then on Friday decided not to go through with the spin-off for various reasons.

As you can see in the short-term chart of ORI on the next page, the stock moved up upon announcement of the spin-off and the price neared $11 before plunging to below the pre-announcement price.

No matter what your assessment of intrinsic value was or is before and now, **the mathematics of future cash flows was never changed. Risk hasn't changed, but the PERCEPTION of risk has**. If you read through the conference call transcript, you will see that several analysts/investors do not understand how run-off insurance operates. Run-off means that no new insurance is underwritten while claims of the old (past) insurance are paid down from stated reserves. ORI will pay claims initially at 50 cents on the dollar as per the orders of their insurance regulators.

Ironically, management (Aldo Zucaro - Chairman of the Board, Chief Executive Officer) bought shares last month around $9 to $10 per share probably never guessing that shareholders would respond to the announcement as they did. Note his exasperation in having to repeat over and over that the economics of the business have not changed. Note the gap between perception and reality. I have highlighted certain passages of the transcript for emphasis. Markets are efficient?

Property insurer Old Republic (ORI) announces a partial leveraged buyout and planned spinoff of its Republic Financial Indemnity Group's stock which will establish RFIG as a separate publicly-held company.

A short summary of Old Republic

http://seekingalpha.com/article/610311-old-republic-international-entering-value-territory

http://seekingalpha.com/article/616511-old-republic-international-s-recent-spin-off

- This is a partial leveraged buyout (partial as the ownership being bought is only 20.6%). The newly spun-off entity (RFIG) is priced such that the LBO will have a 20.6% ownership interest in RFIG. This means that of the new entity, if the LBO (which includes some current ORI employees and some insurance industry veterans) owns about 20%, then the ORI shareholders will own about 80%.
- This should have no impact on the debt covenants on the remaining convertible debt.
- On the mortgage insurance side of the business, should the company want to re-enter the market (i.e. write new premiums) they would really only be able to do so through one of the 3 MI subsidiaries in the near future.
- The LBO is providing very little capital into the spun-off business.
- There is some type of a "true-up" mechanism that should reward shareholders should the spun-off entity price higher than where the company priced it initially.
- This will be at some level a taxable transaction to the shareholders, as this will be considered a dividend in kind.

- The spin-off will likely be concluded by late June to mid July 2012.
- Litigation exposure related to the MI business, would go to the RFIG business. However, potentially excess litigation exposure related to the CCI business could end up being a liability to ORI (to the extent it is valid/real exposure).

Impact on my valuation

While the share price popped on this announcement, it doesn't really change the valuation I placed on the company (low end of the valuation around $11 per share). In fact, what the company is doing is creating a path to help achieve the real value of the title and general insurance business lines, which was the primary basis of my valuation. So the real positive impact I see is it will make it clearer that the run-off business lines are separate from the other business lines and show better the performance of the other business lines (title and general). The only real potential impact to my valuation could be a higher multiple on the remaining book value because of this newly found clarity.

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TRANSCRIPT

http://seekingalpha.com/article/685431-old-republic-international-s-ceo-discuss-the-decision-to-withdraw-the-spin-off-of-its-rfig-subsidiary-s-stock-to-ori-shareholders-conference-transcript?part=single

Old Republic International's CEO Discuss the Decision to Withdraw the Spin-Off of its RFIG Subsidiary's Stock to ORI Shareholders Conference (Transcript)

Executives

Scott Eckstein - Financial Relations Board

Aldo Zucaro - Chairman of the Board, Chief Executive Officer

Christopher Nard - President, Chief Operating Officer; Chairman of Mortgage Guaranty

Analysts

Stephen Mead – Anchor Capital

Darius Brawn – SAC Capital

Bill Laemmel – Divine Capital

John Deysher – Pinnacle

Karen Steffy [ph] with Newton Capital

Tom Reynolds - Perkins

Meher Voil [ph] – Davids & Kempler [ph]

Jim Ryan – Morningstar

Christopher Seifert – Kingston Capital

Anand Krishnan [ph] – Four Research [ph]

Liam Daltmon [ph] – Natahalla [ph]

Mike Pritchett - Pritchett Realty

Old Republic International Corporation (ORI) Withdraw the Spin-Off of its RFIG Subsidiary's Stock to ORI Shareholders Conference Call June 26, 2012 11:00 AM ET

Operator

Good day ladies and gentlemen, thank you for standing by and welcome to the Old Republic International Conference call. Today's call is being recorded and at this time all participants are in a listen-only mode. (Operator Instructions).

I would now like to turn the conference over to Scott Eckstein of Financial Relations Board. Please go ahead sir.

Scott Eckstein

Thank you, operator. Good morning everyone and thank you for joining us today for Old Republic's conference call to discuss the news release of June 22, 2012. This past Friday we distributed a copy of the press release. If there is anyone online who did not receive a copy you can access it at Old Republic's website, which is www.oldrepublic.com. Please be advised this call may involve forward-looking statements as discussed in the press release dated June 22, 2012. Risks associated with these statements can be found in the company's latest SEC filings.

Joining us today from management is Al Zucaro, Chairman and Chief Executive Officer. At this time I would like to turn the call over to Al Zucaro for his opening remarks. Please go ahead.

Aldo Zucaro

Thank you Scott and good morning to everyone. I have got Chris Nard here to provide commentary when we get to the question-and-answer period. In the mean time I will go over some initial remarks that may be a little long but I think it's necessary that we provide appropriate background as to we got to where we are.

As most everyone who has followed Old Republic's business knows our mortgage guarantee segment has spilled a lot of red ink in the past five-and-a-half years. And by way of background, between 1990s through the first five years of this century, our mortgage guarantee business gradually became the most profitable and largest bottom line contributor of Old Republic. In just the five-and-a-half years ending in June of this year, however, we will have lost almost $1.5 billion in this line. To put that in perspective, this loss amounts to 110% of the capital we had at year end 2006 just before the housing debacle took hold and it wipes out 80% of all the mortgage guarantee profits we booked between 1980 when we entered the business and year end 2006, along a 26-year period.

As we sit here, our best guess is that we will continue to experience operating loss as well into 2014. And by then, our total loss since 2007 will have been $1.7 billion versus the total accumulated profit of $1.8 billion booked in the first 26 years since the beginning of our MI journey so to speak.

Another way of looking at this is that we have just marked time in these last 33 years. And however we look at it, these are sovereign facts that bring into question the very rationale of the MI business model. Since our experience is basically mirrored by the rest of the mortgage guaranty industry as well as that of similar private and public sector financial guarantors in housing.

Between 2008 and early 2011, we added $155 million of new capital to the MI segment and this amounted to about a 13% addition to the capital base of $1.2 billion we had at year-end 2006. And we did this for two basic reasons. First, to maintain the minimum capital requirements of our mortgage guaranty company, so that we could write the better quality business that the marketplace allowed from late 2009 and forward. And second, to boost the particular account of one of our three MI insurance subsidiaries so that it could write new business and allow the other two companies to run off the legacy book.

So, with appropriate and necessary regulatory forbearance and market acceptance, we believe this strategy could have worked. But in August of last year, our key state insurance regulator in North Carolina advised that we were no longer permitted to write new business in our flagship MI company. So, the entire legacy book was placed into run-off, meaning that we would simply continue to collect renewal premiums and pay all legitimate claims. And then in January of this year, the North Carolina regulator placed our flagship carrier under its direct supervision and this meant that our MI operating practices generally would be subjected to its supervision pursuant to the order. And concurrent with the issuance of the supervision order, the insurance department established a so-called differing payment obligation plan that we require that all approved claims be paid in cash at the rate of 50%, and that the remaining 50% be capped in a reserve classified as part of the statutory capital of the MI insurance subsidiary.

Now, this second 50% portion was intended to be paid at a later date that's allowing time for the run-off to produce more quantifiable, verifiable cash flow results during the run-off period. So, following the issuance of the order, the North Carolina department then organized an informal conference to which various lenders and other beneficiaries of our mortgage guaranty policies were invited to give their reactions and provide their thinking relative to the order and the related deferred payment obligation plan. At that meeting the view points of attendees was that the 50% front end cash payment portion of claims settlements was too low and that more could be paid. Since then, the North Carolina department has retained professional consultants to evaluate the implications and the possibilities inherent to the 50:50 plan so that it could perhaps document a possibly higher front end payment. We believe that the decision in this regards should be made in the next couple of months and of course as managers of the run-off will be guided accordingly.

Now, then as 2011 progressed we became increasingly convinced that on the basis of our standard forecasting model, the run-off could result in the payment of a 100 cents on the dollar for all valid claims by the end of a 10-year period. In the interim; however, the run-off would produce significant losses for at least 2012 and 2013 and would therefore require anywhere between 250 to $350 million of capital to just keep the business funded at minimum levels between year ends 2012 to 2014.

We then concluded that the mortgage guarantee segment could return to profitability sometimes after 2014, and start to make up the losses and produce sufficient additional cash flows to as I say, ultimately pay all valid claims by 2020. Even so, we were concerned realistically I think that we were dealing with modeling techniques never since they obviously reflect assumptions about future events over which we have little if any control. A higher loss scenario for instances married to a lower investment earnings projection on the investment portfolio that was anticipated in our standard model could lead to significantly worse outcomes over time. So, with these possibilities in mind, we concluded that we simply did not think it prudent within the Old Republic Holding Company system to come up with as much as 750 to $800 million soon enough to at once keep our MI companies capital compliant on the one hand and to remain actively and competitively involved in the MI business. So that we could invite new business. So, it was for all these reasons that earlier this year we decided that we had no shareholder account capacity to fund the capital needs of our MI operations. This led us to the spin off strategy as the most viable way to attract the necessary capital. So earlier this year anticipation of the spin off we organized a partial leverage buyout of our mortgage guarantee and consumer credit indemnity business which we refer to as Republic Financial Indemnity Group or RFIG to provide a long term financial and retention incentive to key employees and shortly after we did that on May 23, we filed a registration statement with the SEC to in fact obtain necessary regulatory approval to spin off substantially all the remaining RFIG shares to all Republic shareholders.

Quite simply the idea here was to enable the old Republic shareholders to have a more direct say about capital planning for the MI business. And this was all the more so since we had also concluded that the mortgage guarantee business needed to be changed to a substantial degree to address what we believe are critical enterprise risk management issues in this financial guarantee business model. And these issues of course deal with the type of long gestating catastrophic events such as the housing finance industry and ourselves have experienced in the past five years.

And on top of all this, it had become increasingly questionable whether we would be eligible to re-enter the mortgage guarantee market as a much smaller Old Republic subsidiary in current need of large amounts of capital and with a long drawn out run off operating plan in total.

In an event, some three weeks ago, after we filed the registration statement we began to get feedback from some stakeholders to the effect that our spin off plan was not to their liking. Understandably our MI business just like any other insurance involvement we have has to always address and balance the needs of various stakeholder interests. And in the specific instance of our mortgage guarantee line, these stakeholders include obviously state insurance regulators who are principally charged with protecting policy holder's interests. The GSEs as financial guarantors are the last resort for much of this country's securitized housing debt. The banks and the other lenders who purchase mortgage guarantee insurance to protect the mortgage loan assets retained on their balance sheets. The employees, many of whom are Old Republic shareholders and whose intellectual capital is absolutely necessary to manage and service to the booking business, and of course the Old Republic debt holders and shareholders who rely on us as managers as stewards of the business to balance the organization's risk profile and the needs of its various constituencies.

So the long and the short of some of the more important stakeholders concerns and desires was that the run-off of the mortgage guarantee business would conceivably produce greater ultimate values if it remained sheltered under Old Republic's corporate umbrella. The value enhancement would likely arise from the commonality of such business elements as cash flow management, enhanced possibilities of staff continuity, tax planning strategies, and generally speaking the values that can arise from small operations situated within a large holding company system.

So we evaluated these concerns and as we reported last Friday we ultimately decided that backing off from the spin-off strategy would be in the long run a less daunting task from a pure business management standpoint. In terms of potentially reactivating the mortgage guarantee business, we also concluded that there were sufficient unknowns relative to capital raising and re-licensing issues as to postpone indefinitely the re-entry process.

So as we sit here, our current understanding is that the North Carolina Insurance Department is in process of updating its review of the deferred payment obligation plan. It ordered back in January of this year for our subsidiaries. And as we have already noted, this plan calls for a 50% cash payment as to all valid claims with a remaining 50% held in reserves. At this time, we have not been advised about the possibility that the initial cash payment percentage will be changed. Also, we are unaware of any objective on the part of the North Carolina Department to terminate the DPO i.e., the deferred payment obligation plan, or to otherwise shorten its duration and thus ultimately place one or both of our North Carolina-based MI insurance subsidiaries in receivership.

So we are comfortable based on our discussions that receivership is not in play. However, even if receivership should occur down the road and prior to the March 15, 2018 due date of our existing convertible debt issue of $550 million, such an action would obviously as we have reported in the past could precipitate an acceleration of the debt's principle balance. We have evaluated this possible outcome down the road and we are reasonably confident of our ability to either refinance the debt with a combination of internal and external sources, or to otherwise amend its terms for the mutual benefit of both the debt holders and Old Republic.

So, with this flexibility to address a potential early debt repayment and as I say, we think that that possibility at this point lies down the road if it should occur, as well as the expectation that as I say, receivership is way down the road, the possibility of a liquidity crisis at the Old Republic holding company level is in our judgment remote. We have obviously taken quite a bit of time to discuss the background of our MI business situation, but we thought it was necessary to place all these matters in perspective for the benefit in particular of both new and long term Old Republic shareholders.

The retention of the RFIG business within Old Republic will require from an accounting standpoint that its operating results which as we said are likely to be negative for the next couple or three years will continue to be consolidated with Old Republic from both a tax and financial reporting standpoint. This will continue even though Old Republic's investment in this segment will gravitate toward negative territory in the next quarter.

So, in our quarterly and annual reports we will make every effort to analyze the consolidated results to portray the shareholders' true economic interest in the Old Republic enterprise rather than the appearance of those interest portrayed by traditional GAAP financial accounting which requires continued loss recognition even though committed capital has been depleted and no basis exist for its replenishment.

In these regards, we encourage our shareholders and other users of our financial statements to visit the Old Republic website and take a look at various financial schedules that were posted with our news release of March 21, 2012. And in it I think you will see a reasonably comprehensive analyses of how the continued retention of the RFIG business plays or would have played historically in the context of the overall Old Republic consolidation and as it will appear going forward given the fact that we have eliminated the possibility of a spin-off of that business to the shareholders.

So, I guess, we have reached a point where we will open it up to questions that you may have and that Chris and I will be happy to answer.

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Question-and-Answer Session

Operator

(Operator Instructions) We will take our first question the side of Stephen Mead with Anchor Capital. Please go ahead, your line is open.

Stephen Mead - Anchor Capital

Hi Aldo, good morning.

Aldo Zucaro

Hi Steve.

Stephen Mead - Anchor Capital

Two questions, in connection with the stakeholders, were there any kinds of negotiations in terms of turns that could have been met or in terms of negotiable kind of issues? Then a follow on question, in terms of the receivership, what would trigger receivership?

Aldo Zucaro

Okay. In terms of discussing terms, it is all looking down Steve to the idea of that the feeling is that keeping RFIG and cased within the Old Republic family is more likely than not going to produce better results than if the company was out there by itself and had to raise capital as a much smaller company and that's basically it.

In terms of the receivership, as I said, based on our discussions with the North Carolina department, it appears that that department is committed to seeing this thing through during a reasonably long run-off period provided with the assistance of our management to continue running off the business, handling the premium collection with the payments of claims etcetera. And given that and given the fact that the department is going to attempt to see if we can – if the company can accelerate the front-end cash payments that are made on claims, up from the 50%, that if all of that works on that basis that there should be no need to in fact create a receivership situation.

Now, of course, you know, as I said before, a lot of this is predicated on the reasonableness of the accuracy of our forecast. And again, as I said, these forecasts like all models rely on a number of assumptions, some of which may not come true. So, you need to give this time. The run-off of mortgage guarantee business as we have indicated before is a proper way to handle this type of situation and there is no alternative or no better way to handle it than to give time for the premiums to be booked and for all legitimate claims to be presented, evaluated, and paid in one fashion or another.

Operator

And our next question comes from the side of Darius Brawn with SAC Capital. Please go ahead, your line is open.

Darius Brawn - SAC Capital

Hi, thanks for just taking my question. The first thing I want to just clarify is it pretty clear from the markets' determination that RFIG combined with Old Republic is not beneficial to current Old Republic shareholders? And so the second question I have is, I want to be certain that there is no obligation on Old Republic's parents to pay anything into RFIG, in to the MI business and if that's the case, why is it not better to simply spend this and go out to your bond holders and amend the covenants if necessary whether to go in receivership or if there was any kind of threat from the regulators to do something prior to the spend?

Aldo Zucaro

Well, as we try to say before, part of our function, necessary function as managers is to in fact balance the interests and the needs of various stakeholders and sometimes those needs are in conflict. So you try to reach a middle of the road where most of the people are reasonably happy with the outcomes of the decision making process. In this case, we obviously felt that by spinning-off RFIG we would be giving the Old Republic shareholders the ability to decide as to how much money could be raised by the company, how much dilution they wanted to take etcetera, etcetera. The other side of the coin is that some of these stakeholders, as I indicated before, believe and there is merit to the belief that by keeping RFIG within Old Republic, even though Old Republic has maintained and continues to maintain that it will not add capital to the company. We don't have to the wherewithal to add capital to not only keep the company capital compliant, but also add capital to in fact restart the business. That's just not in the cards.

However, there is value to some of the items that I mentioned before, including just the continuity of the management is very important. To place a company in receivership in this kind of situation is not a good idea because you end up frittering away values that can be more controlled and kept by the existing management team, okay. And you have other issues such as the investment management, as I mentioned, the tax consolidation, as I mentioned.

Darius Brawn - SAC Capital

But during this all considered actively prior to filing a Form 10, what change that you have made this assessment now, which stakeholder objected?

Aldo Zucaro

We evaluated, as I say, the idea of the spin-off on the basis of having a better ability to raise capital, okay. Pure and simple. And we have viewed it solely from that standpoint that we had a long-term interest in the mortgage guaranty business and that this interest could be addressed, solidified by spinning of the company. So, it was a pure capital, risk management basis on our part. The other issues came up from the stakeholders who had different views, from the standpoint of their self interest, which we understand.

Darius Brawn - SAC Capital

Okay, thank you.

Operator

Next, we will go to the site of Bill Laemmel with Divine Capital. Please go ahead, your line is open.

Bill Laemmel – Divine Capital

Thanks for the update. Chris, now, you have been chugging along here quarter after quarter saying that the delinquencies are ameliorating. And I just wondered if that continues and does that at any time, can you figure out at any time with any projections when that would actually begin to lessen the loss and loss adjustment expenses?

Christopher Nard

Bill, we have historically not made forecast as to which point that would ultimately turn, but what we have reported on is kind of a segment of segmenting the delinquency development and the way we have done that historically is by looking at, one, newly reported delinquency. So, that's how many new previously non-delinquent loans reported each quarter and that trend continues downward. Now, we still get newly reported delinquencies obviously every quarter, but in fact, that trend has been downward on a very consistent pattern for the last several years. The thing that is difficult for anybody to provide any clarity into is how the existing book of delinquency perform and usually when we refer to that, we talk about pure rates, so that is how many of the existing delinquency become current at the end of any given period.

And that's the one that is difficult for us to forecast. What we certainly know is that bucket is highly dependent on improvements and help that bucket's performances highly dependent on, one, modification opportunities; two, reemployment opportunities of those home buyers; and three, those people's view of property values going forward. So, it's the behavior of those cures that's difficult to forecast because it's dependent on so many just general economic forecasts.

But again, the newly reports, continue to perform nicely to expectation, but Bill, the cures is what is difficult to forecast in a mortgage guaranty portfolio.

Bill Laemmel – Divine Capital

But what's happened to cures? Did it just plot on – in negatively territory?

Christopher Nard

Cures have been bouncing around and by that, what I mean is, we see two buckets. We see buckets that cure and then stay cure and then we see a population of, what we call at Old Republic, skippers and those are people who are current or delinquent one period, come current and then go delinquent again. Suffice it to say that there is some seasonality in here where we generally see an improvement in cures in the early part of the year, and then deterioration in the later part of the year. And so far, we have kind of been on trend. I couldn't tell you that I have seen any significant change in the cure rates that would portend some serious change in the trends long term.

Bill Laemmel – Divine Capital

Of course, as shareholders we have expectations, and one of the expectations we had recently had been – 2012 and 2013, where essentially the company doesn't earn any money, on a combined basis. And so, I just – is that still on track I take it, and is that the right assumption to hold at this time?

Aldo Zucaro

Bill, you are talking about the overall Old Republic enterprise?

Bill Laemmel – Divine Capital

Yes. Well, I mean, we have been cruising along where the – anything that's really done well. First, the management, the rest of the company has been particularly good, and so, whatever the mortgage guaranty people conjure up, the rest of the company has been able to balance that. And I just wondered, and of course, that's been my expectation, and for the 2012-2013, and I just wondered if that's reasonable or getting more unreasonable? Thank you.

Aldo Zucaro

Yes. I think what you have to be thinking of or what the shareholder has to be thinking of is they are married to the idea that our forecast under certain circumstances indicate that by the end of 2020, there should be enough money to pay what is currently a 50% deferred payment obligation. If that's the case, okay, then Old Republic's investment in the mortgage guaranty business will remain on a written-off basis, even though between now and 2020, let’s say, that bottom line in the mortgage guaranty business is going to bob up and down, okay. So, as a shareholder, you have to look through that and focus on what the, in our case, general insurance and title insurance contributions are to the overall operation. And in some fashion, make believe that the mortgage guaranty business does not exist, because unless it gets recapitalized, it will not exist.

Bill Laemmel – Divine Capital

Okay. Thank you.

Aldo Zucaro

Yes, sir.

Operator

Next, we will go the site of John Dasher with Pinnacle. Please go ahead. Your line is open.

John Deysher – Pinnacle

Hi, good morning. Regarding your last sentence unless it gets recapitalized it won’t exist, you said a couple of times that we won’t put capital into it. But earlier in your remarks, you said, we need at least $250 million to $350 million of capital to keep the business functioning. I am kind of scratching my head trying to figure out what exactly you are telling us. It needs to be recapitalized, but you are not going to be putting capital into it. Where do we stand?

Aldo Zucaro

What I meant by that, what we meant by that is, let’s say $250 million, that’s pretty much $250 million to $300 million is pretty much the amount of money that we are likely going to lose between January 1, 2012 and 2013 and 2014, okay. So, therefore, if you are going to lose that money and you are starting from zero capital, which is where we are fundamentally today, right, to just keep the company solvent, you would have to come up with $250 million, which we are not committed to doing. We just don’t have the funds to do that. And then, if on top of that, you want to reenter the business, we believe that currently that it would take $400 million or $500 million to add capital to the business so that it could reenter the market. So, it’s the combination of those two amounts, which we are not in a position to finance that leaves us to say what we said. So, there is no commitment to, because we don’t have the funds. There is no commitment to add capital to these companies.

John Deysher – Pinnacle

Again, where does that leave us in terms of these businesses need capital to at least continuing run-off, how do they get capital?

Aldo Zucaro

Well, the idea was, again, that was the idea behind spinning of the business, right, that in fact as a standalone company, it could raise capital to make up the losses that are going to be incurred in the next couple of years and then to add capital to reenter the business, right. It was a way of doing something as a standalone company that we cannot do for the company as part of Old Republic.

So, now as a company in operating under a deferred payment obligation plan, pursuant to an order of the insurance regulator, that company is able to stay solvent, because of the mechanics of how that plan operates. In that fundamentally, what happens is that on every claim, we pay $0.50 in cash and the other 50%, which is retained in reserves, so to speak, is reclassified to the capital account of the company from a statutory standpoint. So, that's what keeps the company going and that's what enables an insurance regulator to buy time to ultimately run-off the business over a 10-year period or what have you. And those are the mechanics that enable at least the postponement, if not the possible receivership situation. So, long as the company remains statutorily solvent, which it can through the mechanics of this deferred payment obligation plan, everything is okay.

From a GAAP standpoint, however, which is what controls our financial reports to shareholders, right, from a GAAP standpoint, we have to take that 50% deferred obligation, which in statutory accounting again is part of capital and reclassified to a liability, so that on a GAAP basis, we don't have any capital, because the only capital that's there occurs by virtue again of the deferred payment obligation plan. I don't know if that makes sense.

John Deysher – Pinnacle

No, that's good clarification.

Aldo Zucaro

That's the best answer we can give to you.

John Deysher – Pinnacle

That's very helpful. Does any of this impact your thoughts on the dividend going forward?

Aldo Zucaro

Again, the conclusion of my earlier remarks, I indicated that we recommended that our shareholders, whoever is interested to go to the Old Republic website and look at the schedules that were appended to our March 21st news release that dealt with the separation of the RFIG business from the rest of the company. And there you will see in the schedules both portrayals of historical numbers showing how RFIG has fitted historically within the Old Republic and as importantly to your question about the dividend paying ability or liquidity of the holding company level, there is a schedule, I think it is scheduled as I recall, lets append it there. That shows what the historical sources of dividend up-streaming to the Old Republic parent has been and when you look at that, you will see that historically most of the money that has been up-streamed to ORI parent has come from our general insurance business. So, what you have to factor in your thinking process and to a lesser degree the title business. So, given the fact that the mortgage guarantee business is not going to be a provider of that liquidity, then you are looking at general insurance and title insurance and you have to make a decision as a shareholder, but we say to you that we have every expectation that our general insurance business is going to continue to perform well that our title business which has been affected by the housing industry issues is on the mend and is going to be a good business for us going forward and a profit making business. So, in combination those two anchors in Old Republic's fleet of insurance companies should provide sufficient comfort that our mortgage guaranteed business issues aside that the rest of Old Republic is as sound as it can be.

John Deysher – Pinnacle

Okay, so you don't think there is a possibility that some of these regulators will attempt to say you cannot continue that dividend while there are deficits in the capital account of RFIG.

Aldo Zucaro

Because each of our insurance company's whether they be general insurance, title or mortgage guarantee or whatever each of our insurance company is primarily governed by the regulations of their state of domicile. And we've got, I don't know seven or eight different states that have a safe. So, therefore when we look at up-streaming of dividends and planning of that to the holding company level, every year as well as every quarter I may say we look at each company's ability to in fact upstream dividends, in the course we could be taken to account what that company's leverage is from the business standpoint, what it's potential is for growing the business and therefore requiring more capital we take all those things into account and then we go by the rules. There are specific rules that apply under each of the state's regulations as to how much in any period of time can be up-streamed to the holding company without regulatory approval and that is what we do here at Old Republic and what every insurance holding company does regularly.

You assess it company by company and there is no opportunity for anyone to say well that the dividends from one company have got to be directed (inausdible)

John Deysher – Pinnacle

Okay, that is the key point isn't it? The regulators cannot take that?

Aldo Zucaro

Correct.

John Deysher – Pinnacle

Okay. Very good. Thanks for your comments.

Operator

Your next question comes from the side of Karen Steffy [ph] with Newton Capital, please go ahead, your line is open.

Karen Steffy [ph] with Newton Capital

Can you please walk through your current sources of liquidity at the holding company and if possible break that down into cash and equivalents at the holding company, dividend paying capacity from the insurance subsidy areas and loan receivables from the insurance subsidy areas that can be quickly converted to cash?

Aldo Zucaro

Again, I think the answer to that question lies in a reference to schedule F of those various schedules that were attached to our March 21, 2012 news release. If you look at that you will see clearly where the money is coming from, from a dividend standpoint, that is point number one.

Point number two, when you look at our 10-K, in the fore part of the 10-K there is a schedule that shows what the holding company’s investment is in each segment in terms of both equity, permanent capital commitment as well as inter-company debt. And there is an indication there and in the foot notes as to what that inter-company debt interest is that is due and payable to the holding company. You will see therefore that with respect to the mortgage guarantee business we’ve got roughly $180 million as debt on which no interest is being paid. However, with respect to all other inter-company debt whether it be to our general insurance companies or to the title insurance companies, all of that debt is interest bearing and all of the interest is being paid to the holding company. So, when you look at schedule F as I say you’ll see the dividend sources. When you look at the 10-K you will see the interest sources and then again when you look at the 10-K (inaudible) you will see a so called parent only a balance sheet, now that will show how much cash there is at the parent holding company. Currently, as we speak I believe it is down to a couple of $100 million, okay.

Karen Steffy [ph] with Newton Capital

Can you update that for the recent quarter as well as the pay down of the convertible debt that was due early June?

Aldo Zucaro

Yeah, as I just said we have currently a couple of $100 million that the parent holding company or in unregulated subsidiaries and that reflects the payment of that $316 million that was at March – May of this year.

Karen Steffy [ph] with Newton Capital

Okay, thank you. And then just a followup question to that with regards to the CCI business are there any capital requirements regarding that piece and also will you be putting in any capital into that business.

Aldo Zucaro

That business is in a runoff mode similar to what we have in the mortgage guarantee business. The runoff is taking place in one of our general insurance companies which has ripped that business since the 1950s and there is -- if you look at the filing that we did back in May in RFIG, there is a small general insurance subsidiary that assumes that business subject to what is referred to as a (inaudible) agreement so that it's exposure to loss is limited. So, to the extent that the CCI losses should be greater than what is assumed by that small company, that loss remains within the general insurance subsidiary that has ripped the business. So obviously, part of the intent with the spin off was to provide a vehicle to both, add capital to the mortgage guarantee business as well as add capital to this small subsidiary, so that it could re-enter the credit indemnity business which is very similar to the mortgage guarantee business, as currently reconfigured. So, the answer to your question is no. There is no intent to add capital to that until we're able to get back into that business as well. So time will tell.

Karen Steffy [ph] with Newton Capital

Thank you.

Aldo Zucaro

Yes Sir.

Operator

We will next go to the side of Tom Reynolds with Perkins, please go ahead your line is open.

Tom Reynolds - Perkins

Hi, so you have a couple of million dollars with the holding company, how much from the scheduled after that 311 million dividend capacity from general insurance and 44 million at title is left for the year and how much did you use of that to pay down the notes in that?

Aldo Zucaro

Well, wait a minute. The payment of the notes was covered by cash that was already at the holding company level, okay

Tom Reynolds – Perkins

Okay, so we'll – because the couple 100 million of cash with the holding company, your schedule last suggest 311 million with general insurance dividend capacity and 44 million of title insurance, how much of that 311 and 44 has already been drawn apart? Do you have the whole 311 and 44?

Aldo Zucaro

It's usually, whatever we show there, as you know we show two numbers on schedule F, we show how much can be paid and how much could have been paid in the past, and how much was actually paid. And as you will notice, we have never paid everything that was allowable. Okay.

Tom Reynolds – Perkins

As to get that, there is another question though, I am just trying to figure out how much cash we can give up to the holding company in the event this North Carolina department says that 50% payout is good for them and they want to raise that and you do get an event at default.

Aldo Zucaro

Well just a second. So long as the DPO plan stays in place and so long therefore as the insurance department retains the effect of that plan, such that the differed payment obligation is part of the capital of that insurance company, there is no absolute need to create an event of default of receivership which would in turn create an event of default, okay.

Tom Reynolds - Perkins

So even if they go to 75%, they won't tip into default is what you're saying?

Aldo Zucaro

I'm saying so long as the amount that's unpaid, okay, it remains classified as part of this statutory capital of the mortgage guarantee insurance company, that will keep that insurance company solvent. As long as it remains, so remains solvent, there is no need to trigger a receivership. If there is no receivership, there is no event of default that would in turn trigger an early call of our debt. So you know this is one of those issues where you have to set aside GAAP accounting and focus on the statutory accounting, the statutory regulation that drives our management of our insurance business. Therefore what I am saying is that so long.

Tom Reynolds - Perkins

I am just asking about cash, so you have a couple 100 million of the holding company, is my understanding from that schedule of your 355 million of capacity to pay it to the holding company. If there is some adverse event which you haven't forecasted, that's all I am asking.

Aldo Zucaro

Correct and I'm saying is that of the dividend availability right, if I understand your question, we have as of June 30, drawn down roughly half of what we proposed to pay for the year. Okay, so for the year, if let say we had $300 million, then we were going to pay out of our insurance companies, I believe that we have probably drawn down 150 of that 300 million.

Tom Reynolds - Perkins

Okay, so drawn that 150. The other question, you said that if there isn't an event of default, that you'll just use the capital markets to refinance the debt or come to some agreement with the bond holders, is it wise to do that, is it wise to assume that the capital markets will be open for you especially after how this process has gone?

Aldo Zucaro

Well, we think so. And what I said in my comments earlier right, was that it would be the combination of internal funds and the capital markets if it came to raising new money to pay off the $550 million or alternatively to discuss with the holders of that $550 million, some sort of amendment to that issue, in order to preclude its being called early, right. We have seen no need to do that because again, as I have indicated we do not believe that a receivership of the mortgage guarantee company that would in fact trigger an early call, is going to occur. If it should occur, and we don't think it will, but if it should occur we believe we will have the time and the ability to do one of the two things we would need to do, which is to raise some money, externally, or to address the debt holders as some sort of arrangement to amend to their liking and our liking, okay. **In fact, one of our sayings around here is that you just <u>don't jump off the roof</u> because you are afraid you are going to fall off. We don't think we ae falling off the roof, so we are not jumping.**

Tom Reynolds - Perkins

I think Darius Brawn asked the question earlier and you kind of sachet that. You filed the Form-10, you had a business update call that said, this is good to go, the riding entities are good, your customers are good, so basically you came out and said all the stakeholders are good and then in response to the question of who objected, what changed, it seems like you haven't really made that clear. I just still don't get what stakeholder objected and why wasn't that addressed before the business update call in May, in which you said everybody has signed off, you are just waiting for the SEC?

Aldo Zucaro

Now, wait a minute. I believe that our answer was to the question as to what kind of regulatory approvals we needed in order to do this spin-off. And I believe we said that we have got all the regulatory approvals we needed to do this spin-off. That was our answer. The second thing we said is that we were doing this spin-off because we thought it was a better way to raise capital, okay.

Tom Reynolds - Perkins

The question was, you need customer approvals or regulatory approvals? I just agree to disagree on this.

Aldo Zucaro

Again, Tom, I don't mean to deliver the point, right, but it takes regulatory approvals sometimes to sell or spin-off a company, okay. And what we said is that we were comfortable and as matters have turned out, we could spin-off this company the way we anticipated doing it, okay. The reasons why we are backing off the spin-off, we have backed off the spin-off is, was given this morning, just now right? That some stakeholders believe that keeping the company and we see merit to their belief is can be more advantageous to their long term interest in the run-off of the business than if the company stood alone and had no ability whatsoever to gain some value from continued consolidation with Old Republic, okay. That's our answer.

Tom Reynolds - Perkins

Thank you.

Aldo Zucaro

Yes, sir.

Operator

And next we will go to the side of Meher Voil [ph] with Davids & Kempler, please go ahead, your line is open.

Meher Voil – Davids & Kempler

Hi, I have two questions and then an observation. First question is, were there objections from any stakeholders other than those concerned with the mortgage insurance business?

Aldo Zucaro

No, it's strictly related to the mortgage guarantee business.

Meher Voil – Davids & Kempler

Okay, great. Second, and I think again, this is something that somebody asked earlier, but with respect to the mortgage insurance business we just want to be clear that there are no contingent obligations. I understand that you do not actively want to put capital in to that business that there is no desire to do that. I just want to make sure that there is no other contingent obligation that could arise, whereby the regulator comes back to you and says, "Hey, if we lost all those money, you guys need to help us out here," or there is an obligation to top up or something like that?

Aldo Zucaro

No, sir. There is no such obligation.

Meher Voil – Davids & Kempler

Okay. Then the observation I will make is twofold. The first is, I hear your comment about not jumping off a roof before you need to do so. But clearly the market and that's reflected in your stock price was much happier with the businesses being separated with the clean break so to speak, than they are looking at the businesses together. I think that there are two issues, the first is that people are worried about what might be a contingent obligation as long as the business is together, and second they are worried that in the unlikely event of an insolvency of the MI subsidiary that you might have a liquidity issue that could put your dividend in jeopardy. So, what I would say is that why isn't it prudent right now to go to your bond holders and just get an amendment because to remove the MI subsidiary from the substantial subsidiary clause, because A it has no economic value to the company, even though the GAAP equity may be negative, the economic value at worst is zero, assuming that there is no contingent liabilities. And in that way you put the bet worry in the market that there is a liquidity event that could potentially dwell your plans. And I would think that they would be amenable to it because clearly the stock was higher when it was sort of – the MI subsidiary was going to be hide off so to speak and this will effectively hive it off. So that's one observation. The second is that I still hear a lot of folks on this call, your old time shareholders, who clearly don't understand the difference between the economic value of the company and your GAAP earnings. I think you guys have started to do this but it might be helpful to continue to show that to people that even though the MI subsidiary reported big GAAP losses and on a consolidated basis you report negative to no one that there is no economic value to that MI subsidiary. In fact, it's not a negative value and that people should be focused only on the cash flows that come out of the insurance subsidiaries, the general insurance and the title insurance business.

Aldo Zucaro

Well, you have made statements as opposed to raising questions and I can't say that we disagree with your statements. On the other hand though, we do disagree with the idea of at this point in time doing something about an imagined liquidity issue and that's what we think it is. It's imagined.

Meher Voil – Davids & Kempler

I understand that, but it's a real issue in the market and –

Aldo Zucaro

Now, listen, we can't help what the market does, right? We can't control with the market. The only thing we can do is tell the truth to the shareholders and tell them what we do and the results of what we do, okay. Once we have done that it's the old story also, **you can lead the horse to the water but you can't make them drink it, okay. So, we think that we have indicated in our**

public filings, in our discussions, okay, the fact that based on everything we know today there is no liquidity crisis at Old Republic. Now, if you or others want to continue thinking, oh, well, the guy doesn't know what he is talking about or what have you, that's okay. That's not the way we are managing our business, okay.

We manage our business on the basis of realistic expectations. We have stated those realistic expectations. We cannot change GAAP accounting, okay. GAAP accounting says, so long as you own a company, even though there is no commitment to add capital to it in so forth and so on, you must keep booking the losses, okay. So, we do, we say, yes, sir, we are going to do that and then we tell you as the shareholder this is what we have done, but you know, there is no economic value to this. So, you have to, as I said, in answer to another question you have to see through that to determine what the key or what the true economic value is of the shareholders' equity account and off the earnings on that account from the companies that are not involved and that are insulated from the mortgage guarantee business, okay. It's the best answer can give you.

Meher Voil – Davids & Kempler

I am not disagreeing with you, I am just saying, if you took this little step of getting the bond holder amendment for the covenant, you would add – it will cost you a minimal amount I would think and you would – your stock price actually would react multiples of that amendment.

Aldo Zucaro

Well, hope springs eternal. We still think that we are going to be able to convince the shareholders that they should look at the business through the same kind of clear glasses as we do, as opposed to what appear to be some dark covered glasses.

Meher Voil – Davids & Kempler

Okay, thank you.

Aldo Zucaro

Yes, sir.

Operator

Our next question comes from Jim Ryan with Morningstar, please go ahead, your line is open.

Jim Ryan – Morningstar

Hi, good morning.

Aldo Zucaro

Hi.

Jim Ryan – Morningstar

Al, just a question, is any of the decision that we are speaking about here have to do with trying to preserve the ability of deferred license to at some day reconstitute or issue new policies, I mean, is any of that factored into this decision?

Aldo Zucaro

That was part of the original thinking when we decided to spin-off, right, that we could raise capital to put it into another viable subsidiary and write new business in that subsidiary and run-off the rest of the legacy book. Having now made the decision to retain – and I have to say, there was no guarantee that we would be able to in fact raise capital and get back into business while we still had a legacy book in real [ph], right, because some of the customers could have said to us, well until I get all my money back on this (inaudible) I am not going to do business with you again. So there was always that question there.

Now that we have the business back into the Old Republic fold we have the same issue, except that now we are saying, well, we have the same situation as we had before, we attempted to spin-off to raise more money, we don't have any money to put in the company. So therefore by definition, the question you are raising is addressed in that fashion, right. So, it was not a motivating factor for us to retain the business, because again, the whole thing rides on the ability to recapitalize.

Jim Ryan – Morningstar

Okay, so no stakeholder use that as a lever to force the decision?

Aldo Zucaro

No. As we said, Jim, the stakeholders that said anything that their issue was the perception that there was greater value to their self interest by keeping the company within Old Republic than there was to have it out there as a standalone company.

Jim Ryan – Morningstar

Okay. The second thing is, I fully understand what you are saying that, a stakeholder could say left by itself, you know, it seems that it would be in more danger than with being under your corporate belt. But you know, as we are all aware there are various insurance entities that are always interested in buying companies in run-off. I was wondering if you had considered that option, some very reputable companies that engage in the business of buying companies in run-off and run it off very well, is that something that you would consider?

Aldo Zucaro

Well, I think, forget about us. I think the insurance departments would have a say about that.

Jim Ryan – Morningstar

Okay.

Aldo Zucaro

And I think the possibility of a run-off artist to buy a mortgage guarantee business with regulatory approval is revoked.

Jim Ryan – Morningstar

Okay. And then just finally, when might you expect to hear from the North Carolina Insurance Commissioner on the re-examination on the DPO?

Aldo Zucaro

Well, as we said, we have no indication that the department is thinking of eliminating the DPO or shorten its duration. What we would know is that it's evaluating the possibility of allowing a greater upfront cash payment, up from the 50%, okay.

Jim Ryan – Morningstar

Yes, that's what I was getting to, yes.

Aldo Zucaro

And I believe I indicated Jim that they should have an answer within the next couple of months, but whatever their answer is, we are obligated to follow its order. So, if the order is to pay whatever, we will pay whatever. If the order is to stay with what we got, we will stay with what we have got.

Jim Ryan – Morningstar

Okay. Thank you very much.

Aldo Zucaro

Yes, sir.

Operator

Our next question from the line of Christopher Seifert with Kingston Capital. Please go ahead, your line is open.

Christopher Seifert – Kingston Capital

Yes, hello. I just had a question as it relates to taxes. You mentioned earlier that the RFIG unit would be consolidated from both a GAAP and a tax perspective, and I was curious if the Old Republic holding company would now benefit from any tax losses occurring to the RFIG business going forward?

Aldo Zucaro

Not really. We don't – don't mean to sound crass, but we, whether we pay taxes to the mortgage guarantee company or if we did not have it pay taxes to Uncle Sam, right, doesn't mean anything, but from the mortgage guaranty policyholder standpoint, there is a benefit there, in that, you know, there is more capital going into the mortgage guaranty company by virtue of our sending a check that we would otherwise send to Uncle Sam directly to the U.S. treasury that we are sending it to the mortgage guaranty company and therefore are amplifying its funds, its cash flows, right. So, there is a distinct benefit there from that standpoint from a mortgage guaranty policyholder standpoint. And so far as Old Republic, it doesn't mean anything to us because the tax would be deducted one way or the other.

Christopher Seifert – Kingston Capital

Right. So, I guess just to be clear, when the mortgage guaranty subsidiary posts negative earnings, those losses cannot be used to offset our tax as a billing company?

Aldo Zucaro

Yes, they are. If I misinterpreted your question, no. So long as the mortgage guarantee company remains a part of Old Republic's, both financial as well as tax consolidation. Its losses can be offset against the profits, if any of other Old Republic companies that participate in the same tax-sharing agreement.

Christopher Seifert – Kingston Capital

Right. So, prospectively, your tax goal will be lower because mortgage is included with the company on an ongoing basis.

Aldo Zucaro

No. If we have, if let's say you do not have the mortgage guaranty company, right, producing losses, we would have the remainder of our business producing profits and those profits would be taxed and the tax would be deducted. We would send a check to the IRS. If we keep as we are, RFIG in the fold and it produces losses, those losses impact our bottom line from both a GAAP as well as tax basis standpoint. And obviously, the net amount is what is taxed. So, to the extent that those losses are equal to the profits where you have no tax due to Uncle Sam, but between the various participants in the consolidation, right, we move in effect tax payments due by the profitable companies to the company that's losing business in this case, the mortgage guaranty company.

Christopher Seifert – Kingston Capital

Right. So, the losses for mortgage guaranty business will offset cash taxes and that provides the benefit from a cash flow perspective, right?

Aldo Zucaro

Cash flow perspective to the mortgage company, correct. Again, Christopher, if we did not have this situation and the rest of our business, right, the non-MI business was profitable, we would pay taxes. Old Republic has usually been a tax-paying organization primarily because of the underwriting profitability of its business. When you marry that kind of business with a money-losing business, obviously the tax is reduced.

Christopher Seifert – Kingston Capital

Okay, thank you.

Aldo Zucaro

Yes, sir.

Operator

Next, we will go to the site of Anand Krishnan [ph] with Four Research [ph]. Please go ahead. Your line is open.

Anand Krishnan – Four Research

Hi, good morning. I had a couple of questions on the stat capital at the RFIG unit. So, what is the latest capital level and how much of that is from DPO and if there is any capital which is non-DPO related?

Aldo Zucaro

Substantially, all of the capital at March 31st, the last numbers we had, was due to the classification of the DPO as part of capital. And we expect that to continue to be the case.

Anand Krishnan – Four Research

And how much is that and what's the – how should we think about risk to capital ratio?

Aldo Zucaro

Risk capital ratio has nothing to do right now with anything, right, because the company's run-off and all those elements, which drive an active mortgage guaranty company are all besides the point at this stage, right. What you need to focus on is that the DPO has the effect of keeping the company statutorily solvent, and that's what enables everybody that's involved to buy time for future premiums to come in, to be offset against future losses and to be offset against the current losses that are in reserve. It's very simple.

Anand Krishnan – Four Research

Okay, thank you.

Aldo Zucaro

Yes, sir.

Operator

We will next go to the site of Liam Daltmon [ph] with Natahalla [ph]. Please go ahead. Your line is open.

Liam Daltmon – Natahalla

Hi, so you have been very clear about this perception that the stakeholders have a benefiting from this MI business continuing to be a part of the overall business and you have also been very articulate about the tax benefits that accrued to them in this type of structure. A couple of months ago, when you spoke about separation of the businesses, you spoke about various alternatives and so, what I am wondering now is any other alternatives to solve this situation or is this pretty much final and we are going to have to live with it? It seems to me you spoke about benefits that accrue in terms of efficiencies that the smaller business accrue from the broader company from an investment perspective, the tax benefits. Can any of these benefits be granted to the MI business through agreements and continue to have these companies be separate? Was that discussed with the stakeholders?

Aldo Zucaro

We don't believe that you can achieve what is achievable by retaining RFIG within Old Republic through some of the means.

Liam Daltmon – Natahalla

You can't have separate entities that enter into management agreements or tax agreements?

Aldo Zucaro

We don't believe we can.

Liam Daltmon – Natahalla

And so, when you discussed about other alternatives, is there anything else we can do? For example, maybe dropping in every other insurance activity into the separate entity that then becomes public, privatizing the holding company so that us as shareholders don't have to live with an undervalued equity for the next five years, a sale of another division, a sale of the broader company?

Aldo Zucaro

We believe that the current configuration of the Old Republic business is a good one. We believe we have got a very good general insurance business, which is complemented by a very good title insurance business, and we believe that those businesses can be very productive to shareholders' interests and grow going forward as they have for many years. So, the issue for us was very simply, one, we had a long-term interest in the mortgage guaranty business because we think it is a needed business in the U.S. economy. The only problem with it was that we had run out of steam. We no longer had the capacity to fund it, both in terms of its run-off as well as in terms of it getting back into an active participation in the marketplace. So, the decision to spin it off was predicated on the ability to raise capital, as I have said. We evaluated therefore the Old Republic situation and concluded that with or without RFIG, we have got a business that's meritorious of shareholders' continued interest in the business and that's where we are.

Liam Daltmon – Natahalla

So, this is pretty much at –

Aldo Zucaro

What we are asking you as a shareholder, again is to look through the GAAP accounting with which we must adhere. In fact, you have to, for lack of a better expression, make believe that RFIG is not there because nothing is going to happen to shareholders' interests by virtue of RFIG staying within the Old Republic holding company system because there is no commitment to put more capital into it other than whatever is contributed indirectly such as through the tax consolidation, which is a very important consideration. But other than that, as a shareholder, to personalize this**, I just bought a month or so ago some stock in this company and I have got plenty, I don't know why I bought some more, but I bought some more because I see that the value that the market is attributing to the company is a lot lower than it is. And what I am doing in making that value**

judgment is I am doing exactly what I am proposing to you and others, which is I am looking through the GAAP reporting.. And I am saying the impact of RFIG on Old Republic is not a true economic impact.

Liam Daltmon – Natahalla

Yes, I know, that's very clear to us and I understand exactly what is going on here. The problem is that, that this proposition that every shareholder out there in the public market looks through GAAP accounting for the next five years, maybe more is a very difficult one. And it will continue to create a discount to the value of our shares, and if this situation was temporary, this would be a great opportunity. However, I believe we are going to have to deal with this GAAP issue for a long, long time. Is that correct?

Aldo Zucaro

I don't know. I mean, if a receivership is triggered by an insurance regulator, it could cut off the tail of the dog, right.

Liam Daltmon – Natahalla

Yes, but we have no indication that this is a result of –

Aldo Zucaro

And we don't necessarily want that to occur, because from a realistic standpoint, we are saying that the true economic value of the Old Republic shareholder in this enterprise is not diminished. I mean this is one of those crazy situations where GAAP accounting does not -- is removed from reality, okay.

Liam Daltmon – Natahalla

I understand, thank you.

Aldo Zucaro

It is where it is.

Operator

And next, looks like we have a follow up from Darius Brawn with SAC. Please go ahead, your line is open. Darius Brown, your line is open. Okay, we will be moving on to Mike Pritchett with Pritchett Realty. Please go ahead, your line is open

Mike Pritchett - Pritchett Realty

Now, clarify for me please. I understand of course that you are out of the mortgage business, except of course, for this run off, but are you permanently out of the mortgage insurance business or do you still have some thought that you might re-enter at sometime in the future?

Aldo Zucaro

Really again as we said, absent coming up with new capital and absent resolving the run off situation, okay and the likelihood of getting back into the business at this point in time is kind of removed to at least if I were to guess, two or three years. Again, I know I am repeating myself, but the whole idea of entertaining and in fact deciding on the spin off was in fact to have the ability to stay in the business through a separate vehicle. When we decide that okay, for a variety of reasons, we're not going to do that. Now, we're stuck in the same position of not having capital to in fact support re-entering the business, if we are in fact accepted by the market place.

As you know, in all businesses, all interest businesses, but certainly most particularly about the mortgage guarantee business right. You need approvals right from the regulators, they have to say to you that you know the amount of capital you have is sufficient for you to assume new obligations on top of the obligations you have. And you also need to have acceptance, market place acceptance from the lenders who buy your product, a market acceptance from the GSC's at least the way they are currently constituted or in fact use mortgage guarantee as part of their business model. So again, absent getting enough capital and on top of that getting at least these approvals or these consents, if you will from both the buyers of the product or the users of the product on one hand and the regulators on the other hand. Realistically, the possibility of our getting back in the business is removed to several years from now.

Mike Pritchett - Pritchett Realty

Thank you.

Operator

And next we will return to the side of John Deysher of Pinnacle. Please go ahead, your line is open.

John Deysher – Pinnacle

Hi, Thanks for staying on the call all these minutes, but have you all considered some type of spin in, in other words conceptually instead of spinning RFIG out, is it possible to keep it within the umbrella of ORI, put a fence around it, create some type of structured vehicle that would allow interested parties to put capital into that specific business, and treat it for a lack of a better word as kind of a private equity fund within ORI, where ORI would have some type of general partner interest and there'll be limited partners. In that way the regulators could perhaps look at this and say, okay it's still within the umbrella of ORI, their raising capital to keep the business going and perhaps re-enter mortgage guaranteed business but I know this has been done for a fact with another company, it takes some pretty smart lawyers to do this, but I'm just wondering if that might be an alternative, you would consider.

Aldo Zucaro

Well, we’ve looked at a number of alternatives and trust me we will keep looking at a number of alternatives as time goes on. The key thing to remember; however, is that we do operate in a regulated industry and we are respectful of the regulator’s desires and their own agenda, for what they have to do, so that there are always limitations on what you can do and cannot do. So your point is well taken and I assure you that we do and have, we have and we’ll continue to look at alternatives, but whatever steps we take, are going to have to be in the context of the regulatory climate we live in, as well as the market acceptability of the product and the game plan that we device.

John Deysher – Pinnacle

That’s fair, I just want to make sure we’re thinking outside of the box and if you would like a recommendation in terms of someone you can talk to, to explore this idea, you have my contact information.

Aldo Zucaro

Okay, we do. Thank you.

Operator

And now I would now like to turn the call back to the management for any closing remarks

Aldo Zucaro

Well this has been probably the longest conference call we’ve had and appropriately so given context of the discussion. So, we really appreciate your interest and appreciate your shareholders continued support of our organization because we are as always trying to do what is in the best interest of all the stakeholders whose interests we have to balance and day in and day out. Having said that, wish you a good day.

Operator

This does conclude your conference call, thank you for participation. You may now disconnect.