

NEWS RELEASE



OLD REPUBLIC INTERNATIONAL CORPORATION

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NYSE: ORI

OLD REPUBLIC ANNOUNCES PARTIAL LEVERAGED BUYOUT AND PLANNED SPIN-OFF OF ITS RFIG SUBSIDIARY'S STOCK TO ORI SHAREHOLDERS

CHICAGO – May 21, 2012 – Old Republic International Corporation (NYSE: ORI) today announced that its wholly owned subsidiary, Republic Financial Indemnity Group, Inc. (RFIG) has sold a 20.6% common equity interest to a group of investors in a partial leveraged buyout (LBO). The transaction has taken place in conjunction with Old Republic's decision to spin-off substantially all of its RFIG common stock holdings as a taxable dividend in-kind to ORI's shareholders. The spin-off will establish RFIG as a separate publicly held company. A **Registration and Information Statement ("Registration Statement")** describing RFIG's business and its common shares will be filed with the Securities and Exchange Commission (SEC) in the next few days. As soon as the **Registration Statement** clears SEC review, it will be sent to ORI shareholders of record, at which point the freely tradable RFIG common stock will be distributed.

The Partial LBO and Follow-on Spin-off

In making the announcement, A. C. Zucaro, ORI's chairman and chief executive officer, noted, "These events are a natural outcome of our previously announced objective of combining the mortgage guaranty (MI) and consumer credit indemnity (CCI) lines, and separating them from the rest of our business. We still have a long-term strategic interest in the future of these insurance products. This interest, however, has been affected by the cumulative operating losses and the consequent full depletion of the capital base that sustained these lines. In the face of this situation, we concluded the best option for recapitalizing the business was through the partial leveraged buyout just consummated, followed by the spin-off to Old Republic's existing shareholders of substantially all of our stock ownership in RFIG."

The partial LBO transaction was led by Christopher S. Nard, who has been serving as ORI's

president and as a senior executive of several subsidiaries, including those engaged in RFIG's MI and CCI businesses. The investor group also includes a number of key associates responsible for managing these two businesses, and three unaffiliated individual investors very well versed in insurance matters.

"Restructuring RFIG as a separately traded public company represents a unique opportunity," said Nard. "It provides an opportunity to re-establish a viable capital base, as well as recast our MI and CCI businesses as reliably sound guarantors of long-term financial commitments. We believe that a private sector involvement in securing these commitments is essential to the financing of home mortgages. Our aim is to be a competitive player in a necessary industry-wide recapitalization of this private sector, and to work towards a more robust management of the catastrophic risk exposures attached to these financial indemnity products."

Financial Indicators

As of March 31, 2012, ORI's consolidated accounts—including RFIG—reflected assets of \$16.1 billion and common shareholders' equity of \$3.7 billion, or \$14.74 per share. For the quarter then ended, ORI's net income was \$0.4 million, or nearly breakeven per share, compared with a (loss) of (\$12.9) million, equal to (\$0.05) per share, in the same quarter of 2011.

On March 31, 2012, RFIG had assets of \$2.0 billion, and a common shareholders' (deficit) of (\$17.5) million, equal to (\$0.54) per share. For the first quarter, it registered a (loss) of (\$53.2) million, equal to (\$2.75) per share, compared to a loss of (\$64.5) million, equal to (\$3.97) per share, for the same period in 2011.

Schedules showing previously disclosed financial indicators of RFIG's financial condition and operating results, as well as certain pro forma data, are included in a **Financial Supplement posted on the Company's website**: www.oldrepublic.com. This information is furnished to show the current economic values considered in the partial LBO and the forthcoming spin-off of the RFIG common stock.

Management Re-Alignments

In light of the changes announced here, Mr. Nard will relinquish the presidency of Old Republic International Corporation, as well as other senior executive duties he has had within Old Republic's holding company system. Instead, Nard will concentrate on his responsibilities as the president and chief executive officer of a publicly traded RFIG. In this, he will be joined by Kevin Henry, RFIG's chief operating officer and president of its mortgage insurance companies, and a number of other senior executives and associates expected to remain engaged in the run-off of the legacy books and re-activation of the business.

R. Scott Rager, president of our Old Republic General Insurance Companies, will assume additional responsibilities as ORI's president. All other corporate management positions in Old Republic's continuing seven-member Office of the Chief Executive Officer will remain the same. The changes affecting Nard and Rager, and several other executive appointments at RFIG, will take effect on June 1, 2012, or as soon as the **Registration Statement** clears SEC review.

Conference Call Information

Old Republic has scheduled a conference call at 11:00 a.m. EDT (10:00 a.m. CDT) tomorrow, May 22, 2012, to discuss the contents of this news release. To access this call, please log on to the Company's website at www.oldrepublic.com 15 minutes before the call to download the necessary software.

Investors may access a replay of the call by dialing 1-877-870-5176, passcode 4218992, which will be available through May 29, 2012. The replay will also be available on Old Republic International's website through June 22, 2012.

About Old Republic

Chicago-based Old Republic International Corporation is one of the nation's 50 largest publicly held insurance organizations. Its most recent financial statements reflect consolidated assets of approximately \$16.16 billion and common shareholders' equity of \$3.77 billion, or \$14.74 per share. Its current stock market valuation is approximately \$2.29 billion, or \$8.82 per share.

The Company is organized as an insurance holding company whose subsidiaries actively market, underwrite, and provide risk management services for a wide variety of coverages mostly in the general and title insurance fields. A long-term interest in mortgage guaranty and consumer credit indemnity lines has devolved to a run-off operating mode in recent times.

The nature of Old Republic's business requires that it be managed for the long run. For the 25 years ended in 2011, the Company's total market return, with dividends reinvested, has grown at a compounded annual rate of 9.1 percent per share. For the same period, the total market return, with dividends reinvested, for the S&P 500 Index has grown at a 9.3 percent annual compound rate. During those years, Old Republic's shareholders' equity account, including cash dividends, has risen at an average annual rate of 10.8 percent per share, and the regular cash dividend has grown at a 10.0 percent annual compound rate. According to the most recent edition of *Mergent's Dividend Achievers*, Old Republic is one of just 94 companies, out of 10,000-plus publicly held U.S. corporations, that have posted at least 25 consecutive years of annual dividend growth.

***For the latest news releases and other corporate documents on
Old Republic International visit www.oldrepublic.com***

Financial Supplement

to Old Republic's

News Release Dated May 21, 2012

(There are 8 pages to this Financial Supplement)

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**"Old Republic Announces Partial Leveraged Buyout and
Planned Spin-Off of its RFIG Subsidiary's Stock
to ORI Shareholders"**

www.oldrepublic.com

**Financial Supplement to Old Republic
International Corporation's News Release of May 21, 2012**

**OLD REPUBLIC ANNOUNCES PARITAL LEVERAGED BUYOUT
AND PLANNED SPIN-OFF OF ITS RFIG SUBSIDIARY'S STOCK
TO ORI SHAREHOLDERS**

OVERVIEW

The following schedules have been prepared to show certain pro forma effects of a plan to spin-off Old Republic International Corporation's ("ORI" or "Old Republic") majority-owned subsidiary, Republic Financial Indemnity Group ("RFIG"), from the rest of its business. RFIG consists of Old Republic's combined mortgage guaranty ("MI") and consumer credit indemnity ("CCI") insurance lines.

Old Republic became an active participant in the mortgage guaranty industry through its acquisition of RMIC Corporation in 1980. Since then, this business has been managed as a separately capitalized, free standing entity. By contrast, since it was started in 1955, the consumer credit indemnity line has been operated as an underwritten division of Old Republic Insurance Company, the Old Republic General Insurance Group's flagship carrier. As a division, the CCI business has not had a legally dedicated capital structure. Moreover, underwriting operations during the five years ended December 31, 2011 have generally been cash flow negative as paid claims have far exceeded premium income. Accordingly, little investment income can be attributed to the CCI line's income statement.

Amounts shown in the schedules are shown (except for per share data) in millions. Amounts shown for totals may not add due to truncation.

All historical and pro forma information is presented, except as to form, on the basis of generally accepted accounting principles ("GAAP") as described in the ORI's Annual and Quarterly Reports to Shareholders, which can be accessed on the ORI website at www.oldrepublic.com. The pro forma financial supplement and statistical exhibit have been prepared for informational purposes only. The financial position and results from operations shown therein are not necessarily indicative of what the past financial position and results of operations would have been, as if RFIG had operated as a stand-alone public company during all periods presented.

SELECTED HISTORICAL FINANCIAL DATA

The following tables present a summary of selected historical financial data for the periods indicated for Republic Financial Indemnity Group, Inc. and the Consumer Credit Indemnity Division.

Republic Financial Indemnity Group, Inc. –The selected historical statements of income for the years ended December 31, 2009, 2008, and 2007 are derived from our unaudited consolidated financial statements. The selected historical statements of income for each of the years ended December 31, 2011 and 2010 are derived from our audited consolidated financial statements.

The selected historical financial data for the quarterly periods ended March 31, 2012 and 2011 are derived from our unaudited interim consolidated financial statements. We have prepared our unaudited consolidated financial statements on the same basis as our audited consolidated financial statements and have included all adjustments, consisting of normal and recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the audited periods. The selected historical financial data for the first quarters of 2012 and 2011 are not necessarily indicative of the results that may be obtained for a full year.

Consumer Credit Indemnity Division – The CCI line has been a division of Old Republic Insurance Company (“ORINSICO”) since it was established in 1955. The selected historical statements of income for all periods indicated are derived from our unaudited internal divisional financial statements. As a division, the CCI business has not had a legally dedicated capital structure. Moreover, underwriting operations during all periods presented have generally been cash flow negative as paid claims have far exceeded premium income. Accordingly, little investment income has been attributed to the CCI line’s income statement. All other adjustments, consisting of normal and recurring adjustments, that we consider necessary for fair presentation of our operating results have been recorded in the preparation of the divisional financial statements.

The following financial data may not necessarily reflect our results of operations, as if we had operated as a stand-alone public company during all periods presented. Accordingly, our historical results should not be relied upon as an indicator of our future performance.

PRO FORMA REPUBLIC FINANCIAL INDEMNITY GROUP (RFIG) - Selected Historical Financial Data

(\$ in Millions)

	Quarters Ended March 31,		Years Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
REPUBLIC FINANCIAL INDEMNITY GROUP (MI) / Historical							
Revenues:							
Net premiums earned	\$ 103.2	\$ 113.9	\$ 444.9	\$ 498.8	\$ 644.5	\$ 592.5	\$ 518.2
Net investment income	10.3	16.6	59.2	84.9	92.0	86.8	79.0
Other income	6.6	0.5	1.9	4.6	9.5	10.6	11.0
Total operating revenues	120.2	131.2	506.1	588.4	746.1	690.0	608.3
Realized investment gains (losses)	-	1.4	84.6	43.4	1.1	(9.9)	7.5
Total revenues	120.2	132.6	590.8	631.9	747.2	680.1	615.8
Claims and Expenses:							
Claims and settlement expenses	179.3	212.7	1,057.1	766.2	1,134.1	1,180.7	615.8
Underwriting, acquisition and other expenses	20.6	17.8	108.3	76.3	91.1	103.6	102.9
Interest and other charges	2.0	1.8	18.7	6.6	7.2	-	-
Total expenses	202.0	232.4	1,184.3	849.3	1,232.5	1,284.4	718.8
Income (loss) before income taxes (credits)	(81.8)	(99.7)	(593.5)	(217.3)	(485.2)	(604.3)	(102.9)
Income Taxes (Credits)	(28.6)	(35.1)	(204.6)	(79.4)	(175.1)	(217.1)	(41.4)
Net Income (Loss)	<u>\$ (53.2)</u>	<u>\$ (64.5)</u>	<u>\$ (388.8)</u>	<u>\$ (137.8)</u>	<u>\$ (310.1)</u>	<u>\$ (387.2)</u>	<u>\$ (61.5)</u>
Claim ratio	173.6%	186.7%	237.6%	153.6%	176.0%	199.3%	118.8%
Expense ratio	13.6%	15.1%	23.9%	14.4%	12.6%	15.7%	17.7%
Composite ratio	187.2%	201.8%	261.5%	168.0%	188.6%	215.0%	136.5%

CONSUMER CREDIT INDEMNITY (CCI) DIVISION / Historical

Revenues:							
Net premiums earned	\$ 12.0	\$ 20.8	\$ 58.3	\$ 87.9	\$ 121.4	\$ 204.3	\$ 193.4
Net investment income	-	-	-	-	-	0.3	0.5
Other income	-	-	-	-	-	-	-
Total operating revenues	12.0	20.8	58.4	88.0	121.5	204.6	194.0
Realized investment gains (losses)	-	-	-	-	-	-	-
Total revenues	12.0	20.8	58.4	88.0	121.5	204.6	194.0
Claims and Expenses:							
Claims and settlement expenses	20.2	40.0	102.9	225.4	225.7	264.9	181.3
Underwriting, acquisition and other expenses	1.2	1.0	5.1	6.5	7.0	8.3	7.8
Interest and other charges	-	-	-	-	-	-	-
Total expenses	21.5	41.1	108.0	232.0	232.8	273.3	189.1
Income (loss) before income taxes (credits)	(9.4)	(20.2)	(49.6)	(143.9)	(111.2)	(68.6)	4.8
Income Taxes (Credits)	(3.3)	(7.0)	(17.3)	(50.3)	(38.9)	(24.0)	1.7
Net Income (Loss)	<u>\$ (6.1)</u>	<u>\$ (13.1)</u>	<u>\$ (32.2)</u>	<u>\$ (93.5)</u>	<u>\$ (72.3)</u>	<u>\$ (44.6)</u>	<u>\$ 3.1</u>
Claim ratio	167.6%	192.1%	176.5%	256.4%	185.9%	129.7%	93.7%
Expense ratio	10.5%	5.1%	8.7%	7.4%	5.8%	4.1%	4.0%
Composite ratio	178.1%	197.2%	185.2%	263.8%	191.7%	133.8%	97.7%

PRO FORMA RFIG (MI and CCI Lines Combined)

Revenues:							
Net premiums earned	\$ 115.3	\$ 134.8	\$ 503.2	\$ 586.8	\$ 765.9	\$ 796.8	\$ 711.7
Net investment income	10.3	16.6	59.3	85.0	92.0	87.2	79.5
Other income	6.6	0.6	2.0	4.6	9.6	10.7	11.1
Total operating revenues	132.3	152.1	564.6	676.5	867.6	894.7	802.4
Realized investment gains (losses)	-	1.4	84.6	43.4	1.1	(9.9)	7.5
Total revenues	132.3	153.5	649.2	720.0	868.8	884.7	809.9
Claims and Expenses:							
Claims and settlement expenses	199.5	252.8	1,160.1	991.7	1,359.8	1,445.7	797.1
Underwriting, acquisition and other expenses	21.9	18.9	113.5	82.9	98.1	111.9	110.8
Interest and other charges	2.0	1.8	18.7	6.6	7.2	-	-
Total expenses	223.6	273.5	1,292.4	1,081.3	1,465.3	1,557.7	908.0
Income (loss) before income taxes (credits)	(91.2)	(120.0)	(643.1)	(361.3)	(596.5)	(673.0)	(98.0)
Income Taxes (Credits)	(31.9)	(42.2)	(222.0)	(129.8)	(214.0)	(241.1)	(39.7)
Net Income (Loss)	<u>\$ (59.3)</u>	<u>\$ (77.7)</u>	<u>\$ (421.1)</u>	<u>\$ (231.4)</u>	<u>\$ (382.4)</u>	<u>\$ (431.8)</u>	<u>\$ (58.3)</u>
Claim ratio	173.0%	187.5%	230.5%	169.0%	177.5%	181.4%	112.0%
Expense ratio	13.3%	13.5%	22.1%	13.3%	11.6%	12.7%	14.0%
Composite ratio	186.3%	201.0%	252.6%	182.3%	189.1%	194.1%	126.0%

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma combined statements of income give effect to the spin-off as if it had occurred on January 1, 2011. The unaudited pro forma combined condensed balance sheet gives effect to the spin-off as it had occurred on March 31, 2012. In management's opinion, the unaudited pro forma combined financial statements reflect adjustments that are both necessary to present fairly the unaudited pro forma combined statements of income and the unaudited pro forma combined condensed balance sheet of our business and for the periods indicated and are reasonable given the information currently available.

The unaudited pro forma combined financial statements are for illustrative and informational purposes only and are not intended to represent what our results from operations or financial position would have been had the transactions contemplated below occurred on the dates indicated. The unaudited pro forma combined financial statements should not be considered indicative of our future results of operations or financial position as an independent, public company.

The following unaudited pro forma combined financial statements give pro forma effect to the following:

- Separation of the combined mortgage guaranty and consumer credit indemnity insurance lines from Old Republic International Corporation's consolidated business.
- Acquisition for cash of \$3.2 million all of the stock of the Republic Credit Indemnity Company ("RCIC"), an inactive property and liability insurer owned by an ORI subsidiary.
- Assumption as reinsurance by RCIC of a 100% quota share portfolio as of April 1, 2012 of all CCI premium and loss reserves from Old Republic Insurance Company, the ORI insurance company subsidiary that underwrote this coverage.
- RCIC's entering into a stop loss reinsurance agreement with an ORI general insurance subsidiary. In substance, the stop loss agreement will cover RCIC's quota share exposures in excess of 85% loss ratio retention (for up to 70 additional loss ratio points) during the term of the reinsurance contract.
- Private placement of 8,500,000 newly issued shares of Class A common stock at \$0.12 per share (partial leveraged buyout).

Republic Financial Indemnity Group, Inc.
Unaudited Pro Forma Combined Statements of Income
(\$ in Millions, Except Share Data)

	Historical			
	RFIG	CCI Division	Adjustments	Pro Forma
Quarter Ended March 31, 2012:				
Revenues:				
Net premiums earned	\$ 103.2	\$ 12.0	\$ (1.2) (2)	\$ 114.1
Net investment income	10.3	-	-	10.3
Other income	6.6	-	(6.2) (3)	0.3
Total operating revenues	120.2	12.0	(7.4)	124.8
Realized investment gains (losses)	-	-	-	-
Total revenues	120.2	12.0	(7.4)	124.8
Claims and Expenses:				
Claims and settlement expenses	179.3	20.2	(7.6) (2)	191.9
Underwriting, acquisition and other expenses	20.6	1.2	(6.1) (3)	15.8
Interest and other charges	2.0	-	-	2.0
Total expenses	202.0	21.5	(13.7)	209.8
Income (loss) before income taxes (credits)	(81.8)	(9.4)	6.2	(85.0)
Income taxes (credits)	(28.6)	(3.3)	68.2 (1)	36.3
Net income (loss)	\$ (53.2)	\$ (6.1)	\$ (62.0)	\$ (121.3)
Net income (loss) per share	\$ (2.75)			\$ (2.94)
Average shares outstanding	19,349,643			41,287,914
Underwriting ratio:				
Claim ratio	173.6%	167.6%		168.2%
Expense ratio	13.6%	10.5%		13.5%
Composite ratio	187.2%	178.1%		181.7%

	Historical			
	RFIG	CCI Division	Adjustments	Pro Forma
Quarter Ended March 31, 2011:				
Revenues:				
Net premiums earned	\$ 113.9	\$ 20.8	\$ (2.0) (2)	\$ 132.7
Net investment income	16.6	-	-	16.6
Other income	0.5	-	-	0.6
Total operating revenues	131.2	20.8	(2.0)	150.0
Realized investment gains (losses)	1.4	-	-	1.4
Total revenues	132.6	20.8	(2.0)	151.4
Claims and Expenses:				
Claims and settlement expenses	212.7	40.0	(13.1) (2)	239.7
Underwriting, acquisition and other expenses	17.8	1.0	0.2	19.1
Interest and other charges	1.8	-	-	1.8
Total expenses	232.4	41.1	(12.8)	260.7
Income (loss) before income taxes (credits)	(99.7)	(20.2)	10.7	(109.2)
Income taxes (credits)	(35.1)	(7.0)	3.7 (1)	(38.5)
Net income (loss)	\$ (64.5)	\$ (13.1)	\$ 7.0	\$ (70.7)
Net income (loss) per share	\$ (3.97)			\$ (1.71)
Average shares outstanding	16,262,473			41,287,914
Underwriting ratio:				
Claim ratio	186.7%	192.1%		180.5%
Expense ratio	15.1%	5.1%		14.0%
Composite ratio	201.8%	197.2%		194.5%

Republic Financial Indemnity Group, Inc.
Unaudited Pro Forma Combined Statements of Income
(\$ in Millions, Except Share Data)

	Historical			
	RFIG	CCI Division	Adjustments	Pro Forma
Year Ended December 31, 2011:				
Revenues:				
Net premiums earned	\$ 444.9	\$ 58.3	\$ (5.8) (2)	\$ 497.4
Net investment income	59.2	-	-	59.3
Other income	1.9	-	-	2.0
Total operating revenues	506.1	58.4	(5.8)	558.7
Realized investment gains (losses)	84.6	-	-	84.6
Total revenues	590.8	58.4	(5.8)	643.4
Claims and Expenses:				
Claims and settlement expenses	1,057.1	102.9	(36.7) (2)	1,123.3
Underwriting, acquisition and other expenses	108.3	5.1	1.0	114.5
Interest and other charges	18.7	-	-	18.7
Total expenses	1,184.3	108.0	(35.6)	1,256.7
Income (loss) before income taxes (credits)	(593.5)	(49.6)	29.8	(613.2)
Income taxes (credits)	(204.6)	(17.3)	173.2 (1)	(48.7)
Net income (loss)	\$ (388.8)	\$ (32.2)	\$ (143.4)	\$ (564.5)
Net income (loss) per share	\$ (23.91)			\$ (13.67)
Average shares outstanding	16,262,473			41,287,914
Underwriting ratio:				
Claim ratio	237.6%	176.5%		225.8%
Expense ratio	23.9%	8.7%		22.6%
Composite ratio	261.5%	185.2%		248.4%

Notes

- (1) **Income Taxes** - The allocation of current and deferred income taxes is based on RFIG's relative contribution to ORI's consolidated income tax expense or benefit with current credit for net losses to the extent recoveries are available through group income offsets or carry-back claims. RFIG's financial statements reflect the application of this methodology to all periods presented. Under a separate return approach, taxes would be allocated to ORI's subsidiaries as if they were separate taxpayers and stand-alone entities. Under this approach, it is more likely than not that full realization of RFIG's deferred tax assets would not be achieved relative to the full year 2011 and first quarter 2012. The tables above demonstrate the impact on RFIG's financial statements as if taxes were allocated to RFIG using a separate return approach.
- (2) **Stop Loss Agreement** - Following the 100% quota share assumption of the CCI run-off business in 2012, Republic Credit Indemnity Company ("RCIC") expects to enter into a stop loss reinsurance agreement with an ORI general insurance subsidiary. In substance the stop loss agreement will cover the Company's quota share exposures in excess of an 85% loss ratio retention (for up to 70 additional loss ratio points) during the term of the reinsurance contract.
- (3) Represents consolidation elimination adjustments.

Republic Financial Indemnity Group, Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
(\$ in Millions, Except Share Data)

As of March 31, 2012:	Historical RFIG	Adjustments	Pro Forma
Assets:			
Cash and fixed maturity securities	\$ 1,642.3	\$ 32.4 (2) 1.0 (3)	\$ 1,675.8
Equity securities	-	-	-
Other invested assets	12.9	-	12.9
Accounts and premiums receivable	26.0	0.9 (2)	26.9
Federal income taxes recoverable: Current	162.1	-	162.1
Deferred	34.6	(34.6) (1)	-
Reinsurance balances recoverable	78.7	-	78.7
Prepaid federal income taxes	1.0	-	1.0
Sundry assets	67.3	-	67.3
Total	<u>\$ 2,025.2</u>	<u>\$ (0.2)</u>	<u>\$ 2,025.0</u>
Liabilities and Shareholders' Equity:			
Policy liabilities	\$ 146.6	\$ 7.9 (2)	\$ 154.5
Benefit and claim reserves	1,640.6	25.4 (2)	1,666.0
Debt (4)	177.8	-	177.8
Sundry liabilities	77.7	-	77.7
Shareholders' equity	(17.5)	(34.6) (1) 1.0 (3)	(51.1)
Total	<u>\$ 2,025.2</u>	<u>\$ (0.2)</u>	<u>\$ 2,025.0</u>
Book Value Per Share	<u>\$ (0.54)</u>		<u>\$ (1.24)</u>
Common Shares Outstanding	<u>32,787,914</u>		<u>41,287,914</u>

Notes

- (1) The allocation of current and deferred income taxes is based on RFIG's relative contribution to ORI's consolidated income tax expense or benefit with current credit for net losses to the extent recoveries are available through group income offsets or carry-back claims. RFIG's financial statements reflect the application of this methodology to all periods presented. Under a separate return approach, taxes would be allocated to ORI's subsidiaries as if they were separate taxpayers and stand-alone entities. Under this approach, it is more likely than not that full realization of RFIG's deferred tax assets would not be achieved. The table above demonstrates the impact on RFIG's March 31, 2012 balance sheet as if taxes were allocated to RFIG using a separate return approach.
- (2) Represents the assumption as reinsurance by RCIC a 100% quota share portfolio of all CCI premium and loss reserves from the ORI insurance company subsidiary that underwrote this coverage.
- (3) Private placement of 8,500,000 newly issued shares of Class A common stock at \$0.12 per share (partial leveraged buy-out).
- (4) RFIG issued a total of 18,000,000 warrants to ORI with rights to purchase one RFIG common share for \$0.12 per share per warrant. The warrants may be exercised in whole or in part at any time after March 31, 2015 except that earlier exercise could occur in the event of certain exigent circumstances such as the acquisition of more than 15% of RFIG voting securities by any one investor or group of investors acting in concert. A portion of the note principal amount was allocated to the warrants and accounted for as additional paid-in capital equal to their relative fair value of \$2.1 million.