

manage a wide range of specialty and general insurance programs in the property and liability, mortgage guaranty, title, and life and disability insurance fields. Mix of premiums earned as of 12/31/11: general insurance, 58%; mortgage insurance, 12%; title insurance,

Franklin Resources, 7.2%; FMR LCC, 8.2% (4/11 proxy). Chairman & Chief Executive Officer: Aldo C. Zucaro. Incorporated: Delaware. Address: 307 North Michigan Avenue, Chicago, IL 60601-5382. Telephone: 312-346-8100. Internet: www.oldrepublic.com.

Old Republic International posted weak full-year 2011 results. Thanks to improved operating conditions in the General and Title Insurance segments, as well as the inclusion of revenues derived from the late-2010 merger with PMA Capital (included as of the fourth quarter of that year), premiums earned grew 15% from the 2010 figure. Nonetheless, the company's underwriting operations continued to suffer, as incurred claim costs in the Mortgage Guaranty (MG) segment intensified greatly throughout the year. That segment has been plagued by the weak housing market, which has resulted in a relatively amount of foreclosuredelinquency-related losses. Meanwhile, despite a larger asset base, investment income remained relatively flat, due to the current low interest-rate environment. Too, book value per share declined around 8%, year over year. All told, Old Republic recorded a record share-net deficit in 2011, while book value per share decreased around 8%, year over year.

Results ought to improve somewhat throughout 2012 and 2013. Indeed, management has noted improving claims

trends in the CCI segment. Moreover, as the number of housing foreclosures begins to decrease, the company should incur fewer losses, which ought to bolster the bottom line. That said, gains in investment income will be largely derived through a higher asset base, with interest rates likely remaining depressed through 2014. All in all, we forecast a much narrower loss in 2012, and think the bottom line will climb back into the black by 2013. We remain cautious about the longerterm outlook. The P/C industry is highly cyclical and currently suffering from a lukewarm domestic economy as well as historically low interest rates. This, combined with a high degree of competition, has contributed to soft pricing conditions, which weigh on margins. Too, Old Republic's MG segment could well continue to suffer if home prices remain depressed. Shares of Old Republic hold our Lowest rank (5) for year-ahead price performance. Furthermore, despite this

issue's above-average total return poten-

tial, investors should remain wary of the

company's recent history of losses.

Simon E. Shnayder

(A) Prim. egs. thru '96, then dil. Incl. cap. gains: '96, 3¢; '97, 6¢; '98, 13¢; '99, 8¢; '00, 10¢; '01, 7¢. Excl. cap. gains '02 and thereafter. Excl. n/r. gains: '97, 6¢; '05, 20¢. Next

14190.0

1038 1

7915.0 1345.5

Past

10 Yrs.

6.5% 3.0%

10.5% 5.0%

783.6

746.2

890.5

960

1025

d.07

d.25

.05 Nil

.17

.17

.173

.175

Nil

.04

NET PREMIUMS EARNED (\$ mill.)

Mar.31 Jun.30 Sep.30 Dec.31

866.8

797.7

917.1

970

d.20

d.17

d.43

d.10

.17

.17

.173

.175

1025

EARNINGS PER SHARE A

Mar.31 Jun.30 Sep.30 Dec.31

QUARTERLY DIVIDENDS PAID B.

Jun.30 Sep.30

 $1\overline{0298.6}$   $1\overline{1761.3}$ 

5 Yrs. .5% 3.5%

10.0%

-1.0%

740.1

929.3

965.1

1000

1050

d.17

d.12

d.11

.05

.15

Dec.31

.17

.173

.175

Total Assets

Total Liab'ties

of change (per sh) Premium Inc

Invest Income

721.0

752.3

922.8

970

1000

d.23

d.07

.09

.10

Mar.31

.16

.173

.175

.178

Earnings

Dividends

Cal-

endar

2009

2010

2011

2012

2013

Cal-

endar

2009

2010

2011

2012 Nil

2013

Cal-

endar

2008

2009

2010

2011

Book Value

ANNUAL RATES

Reserves Other

Unearned Prems

15882.7

1232 4

8814.6 1714.3

Past Est'd '09-'11

 $1\overline{6050.4}$ 

1268 8

8786.6 2222.4

12277.8

to '15-'17

5.5% 1.0%

NMF

1.5% Nil

Full

Year

3111.5

3225.5

3695.5

3900

4100

Full

Year

d.67

d.16

d.86

d.05

.30

Full

Year

.68

.69

earnings report due late April.

(B) Div'd historically paid mid-Mar., June, Sept., and Dec. Excl. spec'l div'd: 12/03, \$.534; 12/05, \$0.80. ■Div'd reinv. plan available.

(C) In millions, adjusted for stock div./splits.

Company's Financial Strength Stock's Price Stability 60 Price Growth Persistence **Earnings Predictability** 20

March 16, 2012