Report of the Examination of

Arch Mortgage Assurance Company

Greensboro, North Carolina

As of December 31, 2020

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January 26, 2022

Honorable Nathan Houdek
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

ARCH MORTGAGE ASSURANCE COMPANY
Greensboro, North Carolina

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Arch Mortgage Assurance Company (the company or AMAC) was conducted in 2016 as of December 31, 2015. The current examination covered the intervening period ending December 31, 2020, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of the Arch Insurance mortgage sub-group. The North Carolina Department of Insurance acted in the capacity as the lead state for the coordinated examination. Work performed by the North Carolina Department of Insurance was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company received an exemption from filing audited financial statements for year end 2020. The exemption was issued pursuant to s. Ins 50.02 (1), Wis. Adm. Code. As of December 31, 2020, the company reported direct premiums written of less than $100 thousand and less than 1,000 policies in force.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of the company's loss and loss adjustment expense reserves. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

Arch Mortgage Assurance Company is a monoline provider of residential mortgage guaranty insurance. The company was incorporated in California on March 4, 1969, under the name Investors Mortgage Insurance Company of California and licensed as a mortgage guaranty insurer. The company was initially established as a subsidiary of Investors Mortgage Insurance Company (IMIC) and wrote mortgage guaranty insurance policies on first mortgages in California. In 1974, IMIC obtained mortgage guaranty insurance authority in California, and the company subsequently ceased writing new business and reinsured all of its then existing insurance risks with IMIC.

The company's articles of incorporation were amended on September 23, 1980, changing the name of the company to Investors Equity Insurance Company, Inc. (IEIC). In connection with the change of name, the company changed its line of business authorization from mortgage guaranty insurance to credit insurance. The company remained a dormant corporation until May 12, 1981, at which time it commenced writing mortgage guaranty insurance on second mortgages.

Ownership of 100% of the capital stock of IEIC was acquired by Investors Mortgage Insurance Holding Company (IMIHC) effective December 31, 1981, when the company's parent merged into IMIHC. IEIC continued writing new business through 1986, at which time it again suspended issuance of new insurance policies. Effective April 14, 1994, CUNA Mutual Investment Corporation (CMIC), a subsidiary of CUNA Mutual Insurance Society (CMIS), acquired all of the capital stock of IMIHC and thereby indirectly acquired control of the company. On June 1, 1994, IMIHC paid to CMIC an extraordinary dividend consisting of 100% of the capital stock of the company. In 1999, the name of the company was changed to CMG Mortgage Assurance Company (CMGA). CMGA redomiciled from California to Wisconsin effective June 1, 2000, as a mortgage guaranty insurer.

Effective October 1, 2000, PMI Mortgage Insurance Co. (PMI), a subsidiary of The PMI Group, Inc., purchased 50% of the capital stock of CMGA and its affiliate, CMG Mortgage Insurance Company (CMG MI), from CMIC, and CMGA became a jointly owned subsidiary of CMIC and PMI. CMIC and PMI entered into a joint venture agreement to own and operate CMGA as an insurer to write insurance coverage on junior lien second mortgage loans originated by credit unions.

The company began writing second-lien mortgage business in the third quarter of 2001. The company's board of directors resolved to discontinue writing new business effective March 2008 due to concerns over the profitability of this line of business.

CMIS obtained 50% ownership of CMGA through a stock dividend from CMIC on June 30, 2009. Concurrently CMG Mortgage Reinsurance Company (CMG Re) became a wholly owned subsidiary of CMGA through a stock ownership transfer via capital contributions from CMIS and PMI.

In June 2011, the board of directors of CMIS, one of company's ultimate parent companies, approved a plan to convert CMIS from a mutual insurance company to a mutual insurance holding company. In September 2011, policyholders and the Iowa Insurance Commissioner approved the plan to reorganize CMIS into a mutual holding company, effective January 31, 2012. Under the reorganization plan, CMIS was renamed CMFG Life Insurance Company (CUNA Mutual).

The company was acquired on January 30, 2014, by Arch U.S. MI Holdings Inc. (Arch U.S. MI Holdings), an indirect subsidiary of Arch Capital Group Ltd. (ACGL), from its previous owners PMI and CMFG Life Insurance Company (previously known as CMIS). Upon the acquisition, the company changed its name from CMG Mortgage Assurance Company to Arch Mortgage Assurance Company.

The company's business consists of residential mortgages secured by second liens. This second-lien business was written by the company between 2000 and 2008. Since 2008, the company has written no new business and its operations have been limited to the administration of the runoff of its second-lien portfolio.

Arch Mortgage Reinsurance Company ("AMRe"), a wholly owned subsidiary of the company de-risked its book of business by commutation. AMRe executed an agreement to commute its insurance risk and liabilities with Arch Mortgage Insurance Company (AMIC) effective July 1, 2017. The commutation removed all the risk and liabilities from AMRe as of the effective date. AMRe merged into the company effective December 31, 2017. The merger is accounted for as a statutory merger.

In 2020, the company wrote direct premium from its run-off business in the following states:

Massachusetts	$ 3,627	29.5%
Ohio	2,761	22.4
Hawaii	1,832	14.9
Wisconsin	1,463	11.9
New Jersey	1,330	10.8
All others	1,299	10.6
Total	$12,312	100.0%

The company is currently licensed to write premiums in the District of Columbia and in the following states:

Alabama	Alaska	Arizona	Arkansas
California	Colorado	Delaware	Georgia
Hawaii	Idaho	Illinois	Indiana
Iowa	Kansas	Kentucky	Louisiana
Maine	Maryland	Massachusetts	Michigan
Mississippi	Missouri	Montana	Nebraska
Nevada	New Jersey	New York	North Dakota
Ohio	Oklahoma	Pennsylvania	Rhode Island
South Carolina	South Dakota	Texas	Utah
Vermont	Washington	West Virginia	Wisconsin
Wyoming			

The following table is a summary of the net insurance premiums written by the company in 2020. The growth of the company is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Mortgage guaranty	$12,312	$16,095	$0	$28,407
Total All Lines	$12,312	$16,095	$0	$28,407

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of six members. Six directors are elected annually to serve a one-year term. Officers are elected at the board of directors meeting following each annual shareholders meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members do not receive any compensation for serving on the board.

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Robert M. Schmeiser Chapel Hill, North Carolina	President, Chief Executive Officer, Chairman	2022
Cheryl A. Feltgen Greensboro, North Carolina	Executive Vice President, Chief Risk Officer	2022
John E. Gaines Winston Salem, North Carolina	Executive Vice President, Chief Actuary	2022
Thomas M. Hitt Colfax, North Carolina	Senior Vice President, Insurance Operations	2022
Thomas H. Jeter Chapel Hill, North Carolina	Executive Vice President, Chief Financial Officer	2022
Carl E. Tyree Darnestown, Maryland	Executive Vice President, Chief Sales Officer	2022

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office
Robert M. Schmeiser	President and Chief Executive Officer
Theresa M. Cameron	Vice President and Secretary
Tracie R. Cranford	Senior Vice President and Treasurer
Cheryl A. Feltgen	Executive Vice President and Chief Risk Officer
John E. Gaines	Executive Vice President and Chief Actuary
Thomas M. Hitt	Senior Vice President, Insurance Operations
Thomas H. Jeter	Executive Vice President and Chief Financial Officer
Brian J. Smith	Senior Vice President and Controller
Carl E. Tyree	Executive Vice President and Chief Sales Officer

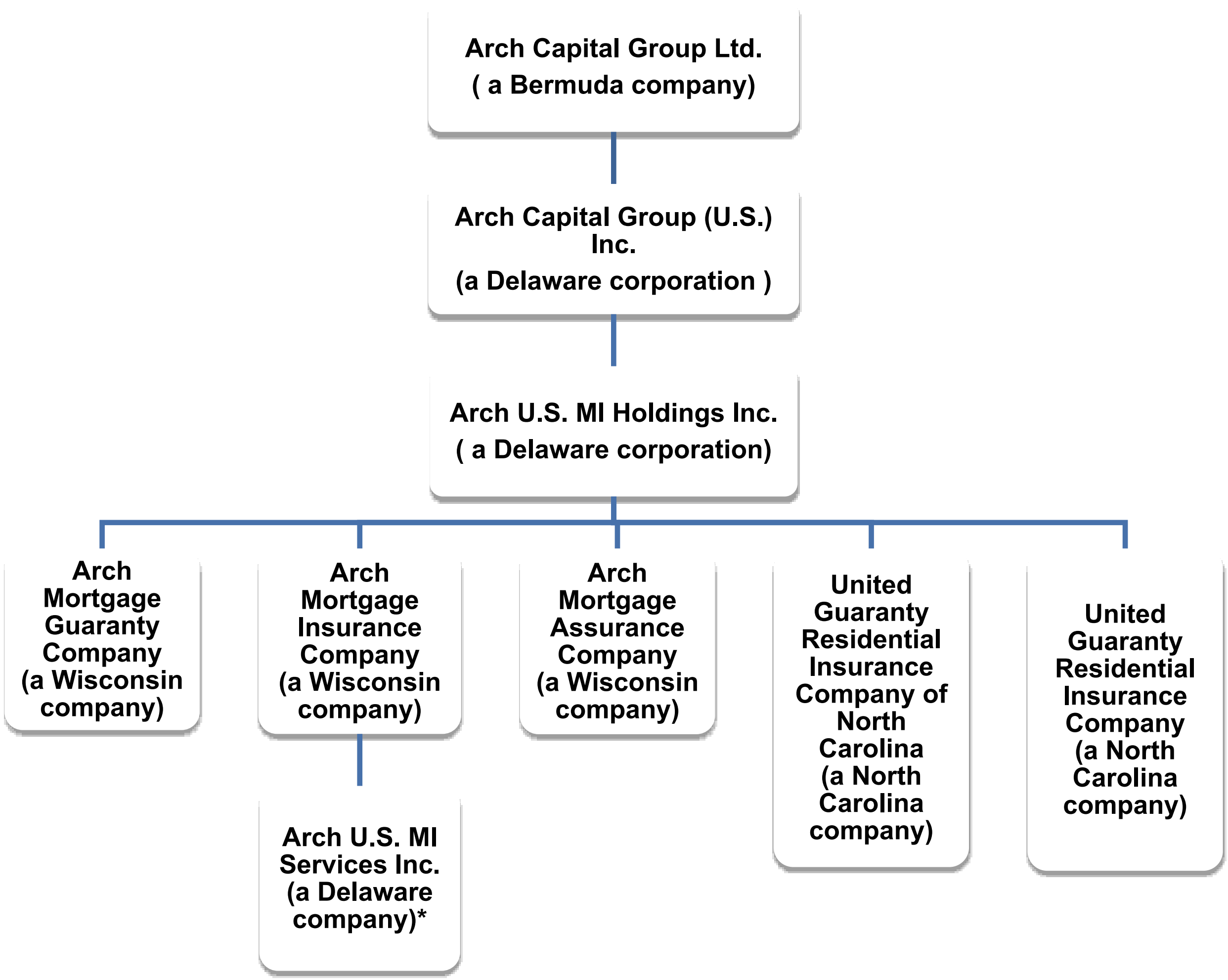
Committees of the Board

There are no committees of the board.

IV. AFFILIATED COMPANIES

Arch Mortgage Assurance Company is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates follows the organizational chart. Note that the organizational chart is a simplified version of the complete organization due to the size and complexity of the holding company system.

Organizational Chart
As of December 31, 2020



*Effective September 1, 2021, all shares of issued and outstanding stock of Arch U.S. MI Services Inc. were transferred to Arch U.S. MI Holdings Inc. via dividend. Arch U.S. MI Services Inc. is no longer a subsidiary of the company.

Arch Capital Group, Ltd.

Arch Capital Group Ltd. (ACGL), a Bermuda publicly traded company, is a global insurer and reinsurer with operations in Bermuda, the United States, Canada, Europe, and Australia. ACGL is the company's ultimate parent who owns 100% interest of the company. As of December 31, 2020, the audited GAAP consolidated financial statements of ACGL reported assets of $43.3 billion, liabilities of $29.3 billion, and shareholders' equity of $14.0 billion including ACGL's redeemable noncontrolling interests. Operations for 2020 produced net income of $1.4 billion.

Arch Capital Group U.S. Inc.

Arch Capital Group U.S. Inc. (ACG US) is a wholly owned, indirect subsidiary of ACGL. As of December 31, 2020, the unaudited GAAP financial statements of ACG US reported assets of $5.8 billion, liabilities of $1.1 billion, and shareholders' equity of $4.7 billion. Operations for 2020 produced net income of $325.2 million.

Arch U.S. MI Holdings Inc.

Arch U.S. MI Holdings Inc. (Arch U.S. MI Holdings) is a wholly owned subsidiary of ACG US, which is a wholly owned, indirect subsidiary of ACGL, a Bermuda company. Arch U.S. MI Holdings owns 100% of the shares of AMIC, Arch Mortgage Guaranty Company (AMGC), and AMAC. As of December 31, 2020, the unaudited GAAP financial statements of Arch U.S. MI Holdings reported assets of $4.0 billion, liabilities of $961.2 million, and shareholders' equity of $3.0 billion. Operations for 2020 produced net income of $348.0 million.

Arch Mortgage Insurance Company

Arch Mortgage Insurance Company (AMIC) is wholly owned subsidiary of Arch U.S. MI Holdings which is an indirect subsidiary of Arch Capital Group Ltd. AMIC is licensed to transact residential mortgage guaranty insurance business in all 50 U.S. states, the District of Columbia, Puerto Rico, and Guam. AMIC is approved as an eligible mortgage insurer for loans to be acquired by Fannie Mae and Freddie Mac, subject to maintaining compliance with certain ongoing requirements. As of December 31, 2020, the audited statutory financial statements of AMIC reported assets of $2.2 billion, liabilities of $1.9 billion, and policyholders' surplus of $243.5 million. Operations for 2020 produced net income of $38.9 million.

Arch Mortgage Guaranty Company

Arch Mortgage Guaranty Company (AMGC) is a wholly owned subsidiary of Arch U.S. MI Holdings. AMGC is licensed to transact residential mortgage insurance business in all 50 states and the District of Columbia. AMGC is not subject to GSE mortgage insurer eligibility requirements and is not approved by the GSEs as an eligible GSE mortgage insurer. As of December 31, 2020, the audited statutory financial statements of AMGC reported assets of $47.6 million, liabilities of $2.7 million, and policyholders' surplus of $44.9 million. Operations for 2020 produced a net loss of $1.5 million.

Arch U.S. MI Services Inc.

Arch U.S. MI Services Inc. (Arch U.S. MI Services) is an affiliate of AMIC and was established to provide operational and technological support to the other companies within the Arch U.S. MI Holdings consolidated group. The vast majority of employees that provide operational, financial, and legal services to this group are employed by Arch U.S. MI Services. Arch U.S. MI Services entered into a services agreement with AMAC on January 30, 2014. The subject matter of the agreement is described further in the "Agreements with Affiliates" section of this report. Prior to September 1, 2021, Arch U.S. MI Services was a wholly owned subsidiary of AMIC. On September 1, 2021, AMIC contributed the common stock of Arch U.S. MI Services to Arch U.S. MI Holdings.

As of December 31, 2020, the unaudited GAAP financial statements of Arch U.S. MI Services reported assets of $159.8 million, liabilities of $86.1 million, and shareholders' equity of $73.6 million. Operations for 2020 produced a net loss of $6.4 million.

United Guaranty Residential Insurance Company

United Guaranty Residential Insurance Company (UGRIC) was incorporated on November 27, 1963, and commenced business on December 18, 1963. UGRIC provides private residential mortgage guaranty insurance to mortgage lenders and is approved as an eligible mortgage insurer for loans that are to be acquired by Fannie Mae and Freddie Mac (Government Sponsored Entities, or collectively "GSEs"). In addition to the GSEs, UGRIC's primary customers include banks, mortgage loan originators and servicers. UGRIC is licensed in all 50 states, the District of Columbia and the U.S. Virgin Islands.

As of December 31, 2020, the audited statutory financial statements of UGRIC reported assets of $1.9 billion, liabilities of $1.8 billion, and policyholders' surplus of $181.4 million. Operations for 2020 produced net income of $138.8 million.

United Guaranty Residential Insurance Company of North Carolina

United Guaranty Residential Insurance Company of North Carolina (UGRIC-NC) is a credit insurer licensed in 46 states and the District of Columbia. UGRIC-NC provided credit insurance that protected lenders from losses on second-lien mortgages. However, UGRIC-NC ceased writing this business in 2008 and is under a Voluntary Settlement Agreement with the North Carolina Department of Insurance to write no new business. UGRIC-NC's license has been restricted to "No New Business" accordingly, and it is in runoff, servicing its existing policies. In January 2021, the North Carolina Department of Insurance approved a request from UGRIC-NC to enter into a 100% quota share reinsurance agreement with affiliate AMAC to reinsure all existing junior lien mortgage business.

As of December 31, 2020, the audited statutory financial statements of UGRIC-NC reported assets of $37.5 million, liabilities of $13.2 million, and policyholders' surplus of $24.3 million. Operations for 2020 produced net income of $20.4 million.

Agreements with Affiliates

Service Agreement

Effective January 30, 2014, AMAC entered into a services agreement with Arch U.S. MI Services. Under this agreement, Arch U.S. MI Services provides various services to AMAC, including accounting, data processing, systems work, records information technology, employee administration, legal services, financial reporting, tax returns, and other services such as office space, general overhead items, advertising, allocation of expenses, arranging of separate insurance coverage, and collection and handling of insurance premiums. AMAC is liable to compensate Arch U.S. MI Services for the cost of the provided services by remitting payment for the amount billed. AMAC reimburses Arch U.S. MI Services for all reasonable and documented out-of-pocket expenses. The agreement can be terminated by giving at least 90 days' written notice or upon resolution approved by the boards of directors of the company, Arch U.S. MI Services and Arch U.S. MI Holdings expressing intent to terminate the agreement.

Effective January 1, 2021, AMAC entered into a services agreement with United Guaranty Services, Inc. (UGS), a North Carolina corporation. Under this agreement, UGS provides subrogation operations including debt collection services to AMAC. AMAC is liable to compensate UGS for the cost of the provided services by remitting payment for the amount billed. AMAC reimburses UGS for all reasonable and documented out-of-pocket expenses. The agreement can be terminated by giving at least 90 days' written notice.

Investment Manager Agreement

The company has an investment manager agreement with an indirect affiliate, Arch Investment Management Ltd. (AIM), effective January 30, 2014, for investment management services to be provided to the company. Under this agreement, AIM acts as the company's investment manager and assumes the responsibilities and obligations of a fiduciary with respect to the services subject of the agreement including investment advisory and oversight, investment market risk monitoring, investment credit risk monitoring, investment compliance monitoring, and asset allocation monitoring. AIM provides appraisals of investment accounts, performance tabulations, compliance certifications, summaries of purchases and sales, and any other reports agreed upon. The company compensates AIM by payment of a monthly asset management fee at an annual rate based on whether the services provided by AIM for the assets under management in the investment accounts are Investment Consulting and Oversight Services, or Direct Investment Management Services, with such allocation set forth in the investment manager's invoice. The agreement can be terminated by both parties at any time upon 45 days' prior written notice.

Tax Sharing Agreement

Effective November 1, 2014, AMAC was specifically named in the Third Amended and Restated Tax Sharing Agreement between ACG US and its subsidiaries. Effective January 1, 2017, the Fourth Amended and Restated Tax Sharing Agreement added North Carolina domestic insurers as parties to the agreement. Under the tax sharing agreement, ACG US files a consolidated U.S. Federal Income Tax Return that includes AMAC and other affiliates of the ACG US holding company group, whereby the income taxes are computed as if each subsidiary filed a separate tax return on a stand-alone basis, utilizing the applicable Group consolidated tax rate for the applicable taxable year or part thereof during which such subsidiary was a member of the Group. Tax payments are payable directly to the company's immediate parent, Arch U.S. MI Holdings, which will thereafter make any necessary payments of taxes to ACG US. Taxes payable to the parent are due within 90 days of the date the Group tax liability is paid. A credit is given to each company for any net operating losses or other items used in the consolidated tax return filed by ACG US, to the extent those losses or items may be utilized by each company on a separate return basis. The agreement also addresses the filing of consolidated state income tax returns on a state-by-state basis in a manner consistent with the approach provided in respect to the U.S. Federal Income Tax Return.

V. REINSURANCE

The company's reinsurance portfolio and strategy at the time of the examination are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

Affiliated Assuming Contracts

1.	Type:	Quota Share
	Reinsured:	UGRIC-NC
	Scope:	All business written in Iowa
	Retention:	0%
	Coverage:	100% of UNRIC-NC's liability for business covered
	Effective date:	Original agreement effective February 1, 2009, between UGRIC-NC, as the ceding insurer, and United Guaranty Credit Insurance Company, as the assuming insurer. Novated and amended October 1, 2019, to transfer all obligations to AMAC
	Termination:	No party may assign its rights, duties or obligations without prior written consent of the other parties
2.	Type:	Quota Share
	Reinsured:	UGRIC-NC
	Scope:	Junior lien policies in force at, or issued on or after the effective date of the agreement.
	Retention:	0%
	Coverage:	100% of UGRIC-NC's liability for business covered
	Effective date:	January 1, 2021
	Termination:	Continuous and may not be terminated by either party except with the written consent of the other

Nonaffiliated Assuming Contracts

1.	Type:	Quota Share
	Reinsured:	Poseidon Credit Insurance Company (current name)/United Guaranty Credit Insurance Company (previous name before sold to a third party)
	Scope:	Policies in force at, or issued prior to the effective date
	Retention:	0%
	Coverage:	100% of reinsured's liability for business covered

Effective date:	October 1, 2019
Termination:	Continuous and may not be terminated by either party except with the written consent of the other

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2020, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

Arch Mortgage Assurance Company
Assets
As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 5,899,668	$	$5,899,668
Cash, cash equivalents, and short-term investments	2,226,367		2,226,367
Investment income due and accrued	20,811		20,811
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	5,195		5,195
Receivable from parent, subsidiaries, and affiliates	574		574
Write-ins for other than invested assets:			
Licenses purchased	4,358,446	4,358,446	0
Other receivables	75		75
Total Assets	$12,511,136	$4,358,446	$8,152,690

Arch Mortgage Assurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2020

Losses		$ 302,758
Other expenses (excluding taxes, licenses, and fees)		15,188
Current federal and foreign income taxes		2,141
Unearned premiums		20
Payable to parent, subsidiaries, and affiliates		4,586
Write-ins for liabilities:		
Contingency reserve		140,005
Total Liabilities		464,698
Common capital stock	$ 2,500,000	
Gross paid in and contributed surplus	29,725,563	
Unassigned funds (surplus)	(24,537,571)	
Surplus as Regards Policyholders		7,687,992
Total Liabilities and Surplus		$8,152,690

Arch Mortgage Assurance Company
Summary of Operations
For the Year 2020

Underwriting Income		
Premiums earned		$ 29,041
Deductions:		
Losses incurred	$ (7,277)	
Other underwriting expenses incurred	63,845	
Write-ins for underwriting deductions:		
Change in contingency reserve	14,520	
Total underwriting deductions		71,088
Net underwriting gain (loss)		(42,047)
Investment Income		
Net investment income earned	13,736	
Net realized capital gains (losses)	9,040	
Net investment gain (loss)		22,776
Other Income		
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		(19,271)
Federal and foreign income taxes incurred		(190,451)
Net Income (Loss)		$171,180

Arch Mortgage Assurance Company
Cash Flow
For the Year 2020

Premiums collected net of reinsurance		$ 30,215
Net investment income		20,773
Total		50,988
Benefit- and loss-related payments	$ 2,439	
Commissions, expenses paid, and aggregate write-ins for deductions	66,844	
Federal and foreign income taxes paid (recovered)	(249,324)	
Total deductions		(180,041)
Net cash from operations		231,029
Proceeds from investments sold, matured, or repaid:		
Bonds	2,618,825	
Cost of investments acquired (long-term only):		
Bonds	4,221,846	
Net cash from investments		(1,603,021)
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	(6,345)	
Net cash from financing and miscellaneous sources		(6,345)
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(1,378,337)
Cash, cash equivalents, and short-term investments:		
Beginning of year		3,604,704
End of Year		$2,226,367

Arch Mortgage Assurance Company
Policyholders' Position Calculation
December 31, 2020

Surplus as regards policyholders		$7,687,992	
Contingency reserve		140,005	
Total policyholders' position			$7,827,997
Net minimum policyholders' position:			
Junior liens—individual loans:			
Loan-to-value more than 75%	$ 11,970		
Junior liens—group loans			
Equity 20-50%, or equity plus prior insurance or a deductible 25-55%	13,216		
Equity less than 20%, or equity plus prior insurance or a deductable less than 25%	133,960		
Equity more than 50%, or equity plus prior insurance or a deductable more than 55%	562		
Total junior liens		159,708	
Deduct aggregate minimum policyholder Position for certain loans with established reserves		265	
			159,443
			$7,668,554

Arch Mortgage Assurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2020

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	2020	2019	2018	2017	2016
Surplus, beginning of year	$7,516,812	$5,884,053	$18,524,597	$17,521,667	$15,591,884
Net income	171,180	132,759	359,456	1,002,930	1,929,783
Change in net deferred income tax	(52,771)	(57,800)	110,571		
Change in nonadmitted assets	52,771	57,800	(110,571)		
Capital changes:					
Transferred from surplus				500,000	
Surplus adjustments:					
Paid in		1,500,000			
Transferred to capital				(500,000)	
Dividends to stockholders			(13,000,000)		
Surplus, End of Year	$7,687,992	$7,516,812	$ 5,884,053	$18,524,597	$17,521,667

Arch Mortgage Assurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2020

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

	Ratio	2020	2019	2018	2017	2016
#1	Gross Premium to Surplus	0%	0%	1%	1%	0%
#2	Net Premium to Surplus	0	0	1	1	0
#3	Change in Net Premiums Written	71*	-58*	-78*	-28	-24
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	296*	31	0	0	368*
#6	Investment Yield	0.2*	1.2*	1.2*	0.7*	0.0*
#7	Gross Change in Surplus	2	28	-68*	6	14
#8	Change in Adjusted Surplus	2	2	-68*	6	14
#9	Liabilities to Liquid Assets	6	6	7	2	9
#10	Agents' Balances to Surplus	0	0	0	0	0
#11	One-Year Reserve Development to Surplus	0	1	0	-1	0
#12	Two-Year Reserve Development to Surplus	1	0	-1	-6	0
#13	Estimated Current Reserve Deficiency to Surplus	0	0	0	0	0

Ratio No. 3 measures the change in net premiums written from the prior year. The exceptional result in 2018-2019 was primarily due to the company's continued runoff of its legacy business. The exceptional results in 2020 were primarily due to the reinsurance agreements executed in October of 2019, which resulted in an increase in assumed premium.

Ratio No. 5 measures the company's profitability over the previous two-year period. There were exceptional results in 2016 and 2020. The exceptional results are largely due to the fact that the company is in runoff, it is to be expected that this ratio will continue to increase as operations continue to wind down.

Ratio No. 6 measures the average return on the company's investments. The low investment yields in each year under the examination were mainly due to the company's conservative investment portfolio. The low-interest-rate environment also contributed to the exceptional results.

Ratio No.7 represents the change in policyholders' surplus from prior year. Ratio No. 8 measures the improvement or deterioration in the insurer's financial condition during the year and concentrates on the effect of operational results. The substantial decline in surplus in 2018 was primarily due to the $13 million dividends paid to its direct parent, Arch U.S. MI Holdings.

Growth of Arch Mortgage Assurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2020	$8,152,690	$464,698	$7,687,992	$171,180
2019	7,983,955	467,143	7,516,812	132,759
2018	6,291,094	407,041	5,884,053	359,456
2017	18,953,065	428,468	18,524,597	1,002,930
2016	22,469,743	4,948,077	17,521,666	1,929,783
2015	14,115,666	238,302	13,877,364	(66,305)

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2020	$28,407	$28,407	$29,041	-25.1%	275.9%	250.8%
2019	16,585	16,585	16,911	345.0	599.7	944.7
2018	39,773	39,773	39,361	-50.8	286.1	235.3
2017	181,373	181,373	183,675	29.1	-375.8	-346.7
2016	250,659	250,659	252,220	-252.4	-172.2	-424.6
2015	67,195	67,195	68,920	110.9	225.5	336.4

During the period under examination, the company continued to runoff the junior lien residential mortgage loan policies and did not write any new business. The increase in surplus in 2017 was primarily due to the merger of AMRe in 2017. The substantial decline in surplus in 2018 was primarily due to the $13 million dividends paid to its direct parent, Arch U.S. MI Holdings. Loss reserves and aggregate write-ins for liabilities decreased significantly in 2017 primarily due to the de-risking of AMRe. In 2019, the company entered into two separate reinsurance agreements with UGRIC-NC and Poseidon Credit Insurance Company (current name), which slightly increased net premium written. The COVID-19 Pandemic had minimal impact on the company's operations.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2020, is accepted.

Examination Reclassifications

No reclassifications were made as a result of the examination.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were three specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Executive Compensation—It is recommended that the company properly complete the Report on Executive Compensation as required by s.611.63 (4), Wis. Stat.

   Action—Compliance.

2. Actuarial Report—It is recommended that future actuarial reports contain sufficient documentation for another actuary practicing in the same field to evaluate the entirety of the work by providing a thorough description of the methodology used including how it works and why it is appropriate for the dataset.

   Action—No longer applicable.

3. Actuarial Opinion Summary—It is recommended that future Actuarial Opinion Summaries include all elements for which the appointed actuary provides an estimate, including both a range and point estimate if both are calculated in the appointed actuary's analysis.

   Action— No longer applicable.

Summary of Current Examination Results

There were no adverse or material examination findings as a result of the current examination of the company.

VIII. CONCLUSION

Arch Mortgage Assurance Company continued to runoff the junior lien residential mortgage loan policies and did not write any new business during the current examination period. The increase in surplus in 2017 was primarily due to the merger of AMRe in 2017. The substantial decline in surplus in 2018 was primarily due to the $13 million dividends paid to its direct parent, Arch U.S. MI Holdings, as mentioned previously. Loss reserves and aggregate write-ins for liabilities decreased significantly in 2017 primarily due to the de-risking of AMRe. In 2019, the company entered into two separate reinsurance agreements with UGRIC-NC and Poseidon Credit Insurance Company (current name). COVID-19 Pandemic had minimal impact on the company's operations.

The prior examination resulted in three examination recommendations. The company has complied with one recommendation, and two other recommendations are no longer applicable. There were no recommendations made as a result of the current examination. No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2020, is accepted. No reclassifications were made as a result of the examination.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no recommendations made as a result of this examination.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Xiaozhou (Zoey) Ye	Examiner-in-Charge
Gregory Mielke	Insurance Financial Examiner
Reed Tierney	Insurance Financial Examiner
Eleanor Lu, CISA	IT Specialist
Nicholas Hartwig	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

Levi Olson

Levi Olson, CFE
Insurance Financial Examiner Chief