

**EXHIBIT H**

A version of this exhibit without redaction is being submitted under separate cover as a Confidential Supplement to the Form A.

**ARCH U.S. MI HOLDINGS INC. FORM A FILING FOR  
CMG COMPANIES**

**EXHIBIT H**

**PLAN OF OPERATIONS**

This Plan of Operations is being submitted in support of the Statement regarding the Acquisition of Control of or Merger with a Domestic Insurer (the "Statement") for the approval of the Wisconsin Office of the Commissioner of Insurance for the acquisition of control (the "Acquisition") of (a) CMG Mortgage Insurance Company (NAIC # 40266), a Wisconsin insurance company ("CMG MI"), (b) CMG Mortgage Assurance Company (NAIC # 29114), a Wisconsin insurance company ("CMG MA"), and (c) CMG Mortgage Reinsurance Company (NAIC # 10992), a Wisconsin insurance company and wholly-owned subsidiary of CMG MA ("CMG Re" and, collectively with CMG MI and CMG MA, the "CMG Companies"). The direct acquiring person is Arch U.S. MI Holdings Inc. (the "Applicant"), a Delaware corporation. The Applicant is a wholly-owned indirect subsidiary of Arch Capital Group Ltd. ("Arch Capital", and collectively with other Arch companies, the "Arch Group"), a company organized under the laws of Bermuda. Capitalized terms used but not defined in this Plan of Operations shall have the meaning assigned to such terms in the Statement.

Contents of this Plan of Operations:

|     |   |          |
|-----|---|----------|
| (a) | Extraordinary Dividends and Corporate Structure .....                         | 1        |
| (b) | Business Operations.....  | 2        |
|     | <i>Developments in the Mortgage Insurance Industry.....</i>                   | <i>2</i> |
|     | <i>Expected Competitive Strengths of the Arch Group's US MI Business.....</i> | <i>2</i> |
|     | <i>Two-Pronged Business Strategy .....</i>                                    | <i>3</i> |
|     | <i>Risk Management.....</i>   | <i>3</i> |
|     | <i>Benefits of Being Part of the Arch Group.....</i>                          | <i>4</i> |
| (c) | Company Structure .....   | 5        |
| (d) | Management Structure .....  | 6        |
| (e) | Sales and Underwriting.....   | 6        |
| (f) | Claims Management .....   | 7        |
| (g) | Administration .....  | 8        |
| (h) | Systems .....   | 9        |
| (i) | Ratings .....   | 9        |
| (j) | Reinsurance.....  | 9        |
| (k) | Effect on Competition.....  | 10       |
| (l) | Other Matters .....   | 10       |

(a) **Extraordinary Dividends and Corporate Structure**

Except as set forth herein, the Applicant has no present plans or proposals to: (i) have any of the CMG Companies declare an extraordinary dividend; (ii) liquidate any of the CMG Companies; (iii) sell the assets of any CMG Company to or merge any CMG Company with any person or persons; or (iv) make any other material change in the corporate structure of any CMG Company.

(b) **Business Operations**

*Developments in the Mortgage Insurance Industry*

The current conditions in the housing market and the mortgage insurance (“MI”) sector present a significant opportunity for entry of a well capitalized US mortgage insurer.

The industry is much healthier than in the past:

- The housing market is expected to recover and additional, significant house price declines are unlikely. A steady, sustainable recovery in house prices from current levels is expected to yield lower claim frequency and a reduction in claim severity.
- Expected, moderate and sustainable levels of house price appreciation along with prudent mortgage loan origination and MI underwriting rules support a positive outlook for MI loss ratios.
- Growth for the private MI industry is expected to be faster than growth in the overall mortgage market and to exceed \$200 billion of new mortgage insurance written (“NIW”) by 2020 from about \$80 billion in 2012. Changes in directives from the Federal Housing Administration are shifting prime mortgage business back to private mortgage insurers.
- Higher MI premium rates, combined with tighter underwriting guidelines, are expected to create profitable and sustainable returns on capital.
- Increases in interest rates that are expected over the next several years will likely lead to higher persistency rates than have been realized historically.

*Expected Competitive Strengths of the Arch Group’s US MI Business*

The following will be the competitive advantages of the Arch Group’s US mortgage insurance business after the Acquisition:

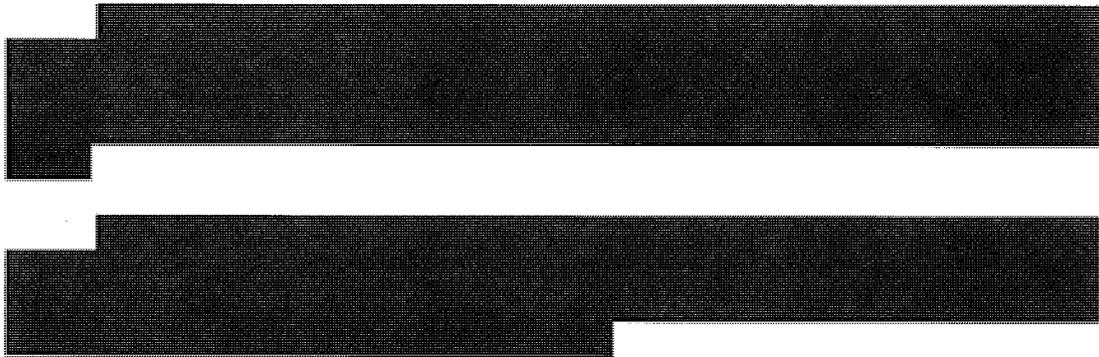
- Backing of a highly capitalized and highly rated parent company;
- A de-minimis legacy MI portfolio (small PMI Mortgage Assurance Company portfolio and CMG MI credit union portfolio);
- Turnkey operation that will facilitate rapid market entry and avoid protracted, costly infrastructure development phase;

- Insurance company licenses in all 51 principal U.S. jurisdictions; and
- Part of a diversified multi-line operating platform that provides a more resilient capital base and ability to shrink market presence during times of deteriorating underwriting and pricing conditions. The underwriting discipline that can be exercised as part of a multi-line will allow market share re-growth in the aftermath of a market correction.

*Two-Pronged Business Strategy*

The Arch Group will have a two-pronged business strategy following the Acquisition. First, the Arch Group will strive to transition and maintain the existing credit union business of CMG MI in as seamless a manner to the credit unions as possible. Customer facing employees will not be changed, and a goal will be to preserve the services levels. However, CMG MI employees from San Francisco will be moved to Walnut Creek, and CMG MI will gradually be rebranded over the medium-term to “Arch MI”.

The second part of the business plan is to develop and grow the insurance policies emanating from the traditional bank/lender channel using CMG MI as the issuing carrier. Our goal is to begin production of this business as quickly as possible following the closing of the Acquisition.



The other key assumptions in the business plan can be found in the relevant sections below and in the attached financial projections.

*Risk Management*

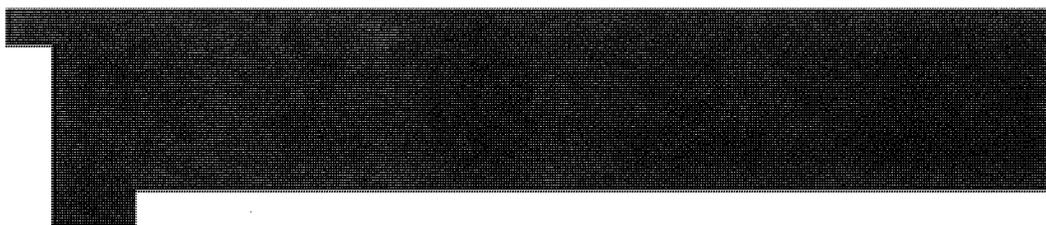
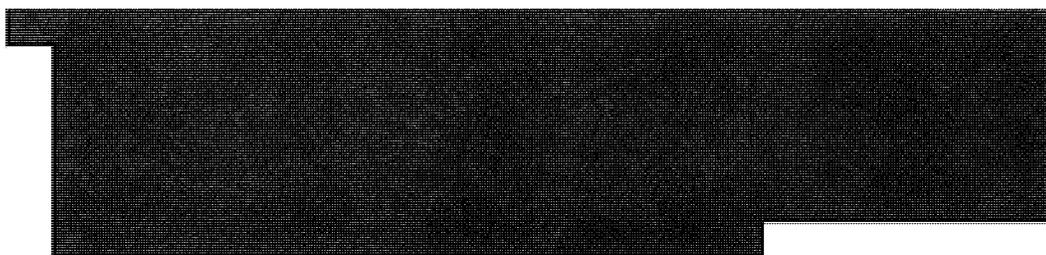
The biggest risk management challenges will be the ability to set and maintain an appropriate credit policy that incorporates economic factors external to the business and to manage the underwriting cycle while preserving relationships with internal and external stakeholders. Portfolio management will be required to monitor the business and protect against concentrations that could have an unexpected, adverse impact on results. This is especially true as macroeconomic factors can impact multiple book years and compound problems. The business will need to be managed to the following potential

aggregations: geographic area, loan characteristics, borrower characteristics, lender, regional vs. national accounts, and delegated authority vs. full underwriting. In addition to monitoring the portfolio for each of these items, the Arch Group will also try to tailor credit policy to allow more or less of the business onto Arch MI's books. This will allow the Arch Group to manage the underwriting cycle beyond just pricing.

The ability to create a culture of risk management at Arch MI could be a competitive advantage as existing players in the MI space struggle with their financial position and legacy business. The Arch Group believes that a well-capitalized company with a risk management focus and proven track record of success managing other insurance and reinsurance businesses should be a welcomed addition to the MI industry.

The MI space is exposed to significant contagion risk among underwriting years, more so than a traditional book of property/casualty (re)insurance. In addition, there is potential direct correlation with some portion of our investment portfolio, increasing our risk in the event of a downturn in the housing market.

While some of the specific parameters are still to be calibrated in relation to the Arch Group's overall risk profile and appetite for its proposed US MI business, below are some of the risk management policies the Arch Group plans to introduce in order to closely manage aggregate exposure to this segment going forward:



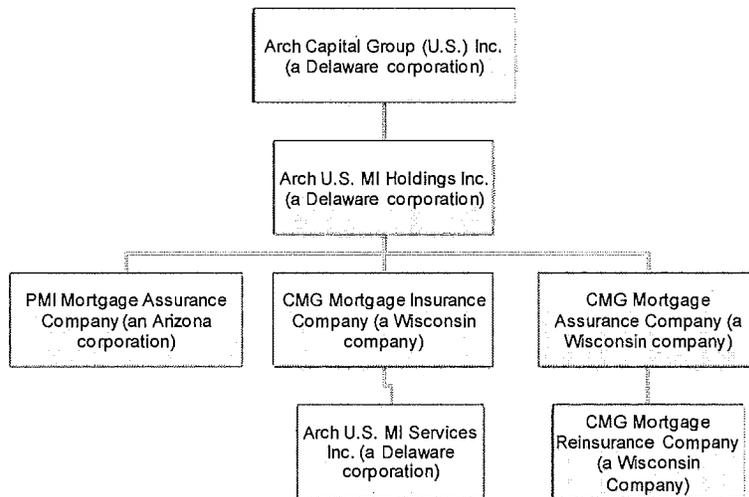
*Benefits of Being Part of the Arch Group*

By becoming a part of the Arch Group, the CMG Companies will reap the benefit of Arch Capital's financial strength and greater financial flexibility while retaining their distinct identity and operations as the core of the future Arch Group's mortgage insurance business. Moreover, for the CMG Companies, this transaction will provide clear long-term vision and stability.

The Applicant's current intention is to maintain the CMG Companies' operations as separate and distinct with respect to the business of marketing and selling mortgage insurance. The Applicant has no current plans to seek to redomesticate any CMG Company out of Wisconsin. The process to determine the specifics of where and how to achieve potential operational efficiencies, and under what time frames, is currently underway.

(c) **Company Structure**

Set forth below is a proposed company structure for the CMG Companies after the Acquisition.



- The Applicant will be the holding company for Arch's US mortgage insurance operations. It will own either directly or indirectly all of the insurance operating entities and a service company that will, in turn, own the IT platform.
- CMG MI will be the flagship mortgage insurer of the Arch Group and will own Arch U.S. MI Services Inc.
- Arch U.S. MI Services Inc. ("Arch MI Services") will own the IT platform and enter into service agreements with the other entities to provide the use of the technology for the Arch US MI business.
- CMG MA will be reserved for future use. The Applicant is continuing to assess such future use of CMG MA.
- CMG Re will provide reinsurance to CMG MI for those policies with coverage greater than 25%, although this is not contemplated by the current business plan

as the quota share with Arch Reinsurance Ltd. ("ARL"), as described herein below, will make net coverage amounts greater than 25% unlikely.

[REDACTED]

The Arch Group intends to change the names of all non-Arch branded entities following the closing of the Acquisition and will make the required regulatory filings at the appropriate time.

(d) **Management Structure**

At the closing, the existing directors and officers of the CMG Companies will resign, and Applicant anticipates electing the following directors for each CMG Company, who will then appoint the following officers. Please note that all the CMG Companies will have the same directors and officers.

Directors

Marc Grandisson - Chairman  
David McElroy  
Dennis Brand  
Mark Lyons  
David Gansberg  
Preston Hutchings

Officers

David Gansberg, President and CEO  
Andrew Cameron, EVP and General Counsel  
Chris Hovey, EVP and Chief Operations Officer  
Tom Jeter, EVP and CFO  
Richard Izen, EVP, Sales and Marketing

The Applicant is continuing to evaluate the expected management needs of the CMG Companies following closing, and will update the information provided herein as it becomes available and as required under the Wisconsin Statutes. In addition to the officers identified above, the Applicant intends to appoint a Chief Risk Officer for Arch MI soon after the closing. Operational expertise will also be supplemented by resources from the Arch Group.

(e) **Sales and Underwriting**

The sales and underwriting for the CMG Companies will be handled by personnel from Arch MI Services, including the personnel who currently provide such services to the CMG Companies. The sales and underwriting team for the Arch Group's mortgage

insurance business will be expanded as needed to address the natural and anticipated growth of the mortgage insurance business within the CMG Companies in the years after closing.

In addition, pursuant to a Distribution Services Agreement between CMG MI, CMFG Life Insurance Company (“CUNA Mutual”), an Iowa insurance company, and for certain limited purposes, Arch Capital, CUNA Mutual will provide certain services related to the marketing and sale of certain of CMG MI’s mortgage insurance products to credit union organizations pursuant to the terms and conditions of that agreement. The Distribution Services Agreement shall have a term of two years unless it is terminated earlier for cause in accordance with its terms.

The underwriting guidelines for CMG MI and the other CMG Companies will remain generally consistent with the existing guidelines used by those companies. However, changes will be made to allow for the growth into non-credit union business.

The Arch Group is planning to implement a new Master Policy for CMG MI and addendums which will be submitted for all required regulatory reviews and approvals in accordance with applicable laws and regulations prior to use of such policy.

At this time, the Arch Group plans to use CMG MI’s existing rates for credit unions and file new rates for other bank lenders. The Arch Group will develop appropriate rates with an eye towards being competitive with other mortgage insurers on monthly payment policies and somewhat higher on single, upfront payment policies. Any rate changes or new rates will be submitted for all required regulatory reviews and approvals in accordance with applicable laws and regulations.

Finally, as part of its sales and underwriting management, the Arch Group will seek to satisfy and remain in compliance with all requirements of Fannie Mae and Freddie Mac for eligible mortgage insurers, including all the restrictions and requirements for sales and underwriting that apply to eligible mortgage insurers.

(f) **Claims Management**

Any claims on policies of the CMG Companies shall be handled in accordance with claims management guidelines that shall be adopted for the CMG Companies at or shortly after the Closing Date. Such claims management guidelines are expected to be similar to the existing guidelines used by the CMG Companies currently and shall be in accordance with all applicable laws and regulations that may apply to the CMG Companies.

The claims management function for the CMG Companies will be handled by personnel from Arch MI Services, including the personnel who currently provide such services to the CMG Companies. However, the claims management team for the Arch Group’s mortgage insurance business will be expanded as needed to address the natural

and anticipated growth of the mortgage insurance business within the CMG Companies in the years after closing including based on the expansion into non-credit union business.

(g) **Administration**

Simultaneously with the closing of the proposed Acquisition, Arch MI Services will acquire the mortgage insurance business operating platform and certain related assets of PMI as well as all of the issued and outstanding shares of PMAC, pursuant to that certain Asset Purchase Agreement (the "APA"), dated as of February 7, 2013, by and among the Receiver of PMI on behalf of PMI, Arch MI Services and Arch US. Arch MI Services will provide mortgage insurance business administration services to the CMG Companies pursuant to a proposed Services Agreement attached to the Form A as Exhibit G-1. The Arch Group intends that Arch MI Services will be the entity within the group that (with support from Arch Capital Services Inc. ("ACSI") as set out below) will provide administration services to all the future mortgage insurance businesses of the Arch Group. The Arch MI Services Agreement and the ACSI Services Agreement described below will also allow for the appropriate sharing of costs between such mortgage insurance businesses.

In addition, through the Services Agreement with ACSI, which is attached to the Form A as Exhibit G-2, the services of the employees of ACSI will be available to the CMG Companies. The scope of services provided to the Arch Group companies by ACSI include certain legal, accounting, financial, tax, regulatory and human resources and employee benefits services, such as administration of employee stock purchase plans. The services are not duplicative of services to be provided by Arch MI Services employees, but rather directed towards supporting the Arch Group-wide initiatives and standards.

The CMG Companies' assets will be managed by Arch Investment Management Ltd. ("Arch Investment"), which is headed by the Chief Investment Officer of Arch Capital. The selection of investments for the CMG Companies will be based on risk management, regulatory, tax, legal and overall group wide investment considerations and will be matched to expected claim payments. As is the case with other Arch Group companies, the CMG Companies will enter into an Investment Management Agreement ("IMA") with Arch Investment. A draft form of the IMA is attached to the Form A as Exhibit G-3 (including the draft investment guidelines). The IMA is based on commercial terms and priced as an arms-length agreement. Arch Investment will consult closely with the CMG Companies' senior management and, if necessary external advisors, to ensure that the investment guidelines which are part of the IMA will be consistent with risk management, capital management, regulatory, legal and tax requirements applicable to the CMG Companies.

The Finance and Investment Committee of the Arch Capital Board establishes investment policies and creates guidelines for all internal and external investment managers. As indicated earlier in this Application, the Arch MI and CMG Companies' Boards will adopt the Arch group policies modified as appropriate for local

circumstances. The Arch Capital Finance and Investment Committee will review the implementation of the investment strategy (which, as noted above, will also apply to the CMG Companies) on a regular basis and their current approach stresses preservation of capital, market liquidity and diversification of risk. Any changes that affect the CMG Companies will be submitted to the Arch MI and CMG Companies' Boards for their review and consideration.

Finally, effective on the closing, the CMG Companies will become parties to the Amended and Restated Tax Sharing Agreement (the "Tax Sharing Agreement") between Arch Capital Group (U.S.) Inc. and all its direct and indirect US subsidiaries. Pursuant to the terms of the Tax Sharing Agreement, the CMG Companies will agree to the submission of consolidated or combined tax returns with other US affiliates within the Arch Group and the allocation of the tax liabilities among such affiliates. A draft form of the Tax Sharing Agreement is attached to the Form A as Exhibit G-4.

The Applicant hereby requests that approval of the Acquisition be deemed to satisfy the requirement to file the Services Agreements, the IMA and the Tax Sharing Agreement under § 617.21(2) and § Ins 40.04(2)(d).

(h) **Systems**

The Arch Group will use the systems developed by PMI, which are generally recognized as one of the best in the MI industry and which will be acquired into Arch MI Services pursuant to the APA. Although PMI is not actively issuing new policies, CMG MI has continuously used this system and full functionality has been maintained, and in addition PMI continues to use the system to service its runoff business and handle HARP refinances. The system is ready to use in its current form and will not require significant development work prior to implementation. It is also currently connected to Fannie Mae and Freddie Mac and many lenders.

(i) **Ratings**

The Arch Group will work with the rating agencies towards the goal of obtaining ratings from S&P. The Arch Group believes that a rating for CMG MI in the "A" range is achievable; however, discussions are ongoing and the ultimate outcome is subject to uncertainty on timing and level.

(j) **Reinsurance**

The Arch Group expects three quota share ceded reinsurance agreements for CMG MI that will all take effect upon the closing of the Acquisition.

First, as contemplated under the Purchase Agreement, CMG MI will enter into a reinsurance agreement with PMI Insurance Company ("PIC"), pursuant to which CMG MI will cede 20% of all NIW to PIC up to an agreed amount.

Second, as also contemplated under the Purchase Agreement, CMG MI will enter into a reinsurance agreement with a reinsurance company of CUNA Mutual. This reinsurance agreement will cover only credit union business and the share will increase by book year from 2.5% in 2014 to 5.0% in 2015 to 7.5% in 2016 and beyond.

Third, effective as of the Closing Date, CMG MI will enter into a quota share reinsurance agreement (the "Affiliated Reinsurance Agreement") with ARL. Pursuant to this Affiliated Reinsurance Agreement, CMG MI will reinsure a 50% quota share of all the mortgage insurance policies written by CMG MI with ARL, net of cessions to other reinsurance, such that ARL will receive 50% of all premiums for the reinsurance, subject to a deduction for a ceding commission for CMG MI, and ARL will assume 50% of all losses and loss adjustment expenses arising from such policies. A trust account will be established for the benefit of CMG MI to allow CMG MI to receive statutory credit for reinsurance. This agreement will provide CMG MI policyholders with support from the full capital base of Arch Reinsurance Ltd for claims on the 50% cession and will significantly enhance the claims paying ability of CMG MI, especially compared to other mortgage insurers. A draft form of the Affiliated Reinsurance Agreement is attached to the Form A as Exhibit G-5. The Applicant hereby requests that approval of the Acquisition be deemed to satisfy the requirement to file the Affiliated Reinsurance Agreement under § 617.21(2) and § Ins 40.04(2)(c).

(k) **Effect on Competition**

Because the Arch Group currently writes no mortgage insurance, there will be no change in the combined market share of the involved insurers in any line of business as an immediate result of the proposed acquisition of the CMG Companies by the Applicant. A "market" means direct written insurance premium in this state for a line of business as contained in the annual statement required to be filed by insurers licensed to do business in this state. Based on the standards promulgated by the NAIC, it is not anticipated that the proposed acquisition of control of the CMG Companies by the Applicant will have a material impact on competition in any line of business.

(l) **Other Matters**

After the Closing Date, the Arch Group will replace the existing independent accountants for the CMG Companies with PricewaterhouseCoopers LLP, which is the current external auditing firm for the Arch Group.

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