

FORM A

Statement Regarding the
Acquisition of Control of or Merger with a Domestic Insurer

Filed with the

**OFFICE OF THE COMMISSIONER OF INSURANCE,
STATE OF WISCONSIN**

**CMG MORTGAGE INSURANCE COMPANY,
CMG MORTGAGE ASSURANCE COMPANY,
AND
CMG MORTGAGE REINSURANCE COMPANY**

BY

ARCH U.S. MI HOLDINGS INC.

Date: **September 24, 2013**

Name, Title, Address and Telephone Number of Individuals to Whom Notices and Correspondence Concerning This Statement Should be Addressed:

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This Statement regarding the Acquisition of Control of or Merger with a Domestic Insurer (this “Statement”) seeks the approval of the Wisconsin Commissioner of Insurance under Wis. Stat. § 611.72(2) for the acquisition of control of (a) CMG Mortgage Insurance Company (“CMG MI”) (NAIC # 40266), a Wisconsin insurance company, (b) CMG Mortgage Assurance Company (“CMG MA”) (NAIC # 29114), a Wisconsin insurance company, and (c) CMG Mortgage Reinsurance Company (“CMG Re” and, collectively with CMG MI and CMG MA, the “CMG Companies”, and each a “CMG Company”) (NAIC # 10992), a Wisconsin insurance company and wholly-owned subsidiary of CMG MA. All the issued and outstanding shares of common stock of each of CMG MI and CMG MA are currently directly owned 50% by CMFG Life Insurance Company (“CUNA Mutual”), an Iowa corporation, and 50% by PMI Mortgage Insurance Co. (“PMI” and, together with CUNA Mutual, the “Sellers”), an Arizona stock insurance corporation in rehabilitation under the receivership of the Arizona Department of Insurance. The direct acquiring person is Arch U.S. MI Holdings Inc. (“Arch MI”), a Delaware corporation. Arch MI 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 whose common shares are registered under the U.S. Securities Exchange Act of 1934 and listed on the NASDAQ Stock Exchange (ticker symbol: ACGL). Arch Capital is the “ultimate controlling person,” as defined in § Ins 40.01(12) of the Wisconsin Administrative Code, of Arch MI. As the direct acquiring person of each of CMG MI and CMG MA (and indirectly of CMG Re through acquisition of CMG MA), Arch MI is referred to in this Statement at times as the “Applicant.”

Arch MI will be the future U.S. holding company for the U.S. mortgage insurance business of the Arch Group. The Arch Group seeks to acquire the CMG Companies to establish the Arch Group’s mortgage insurance business in the United States, for which CMG MI will be the Arch Group’s primary U.S. mortgage insurance company.

ITEM 1. INSURERS AND METHOD OF ACQUISITION

(a) **Insurers**

The names and address of the domestic insurers to which this Statement relates are:

CMG Mortgage Insurance Company
CMG Mortgage Assurance Company
CMG Mortgage Reinsurance Company
5910 Mineral Point Road
Madison, Wisconsin 53705

(b) **Method of Acquisition**

Attached hereto as Exhibit B and Exhibit C, respectively, and incorporated herein by reference, are organizational charts showing (i) the current ownership of the CMG Companies,

and (ii) the ownership of the CMG Companies by the Applicant following the consummation of the proposed acquisition.

As shown in Exhibit B, CUNA Mutual currently directly owns 50% of the issued and outstanding shares of common stock of each of CMG MI and CMG MA (the “CUNA Mutual Shares”) and indirectly owns 50% of the issued and outstanding shares of common stock of CMG Re. PMI currently directly owns 50% of the issued and outstanding shares of common stock of each of CMG MI and CMG MA (the “PMI Shares” and, together with the CUNA Mutual Shares, the “Shares”) and indirectly owns 50% of the issued and outstanding shares of common stock of CMG Re.

Pursuant to that certain Stock Purchase Agreement (as amended, the “Purchase Agreement”), dated as of February 7, 2013, by and among The Receiver of PMI Mortgage Insurance Co. in Rehabilitation (the “Receiver of PMI”) on behalf of PMI, CUNA Mutual, solely for the purposes expressly set forth therein, CMG MI, Arch MI and, solely for the purposes expressly set forth therein, Arch Capital Group (U.S.) Inc., a Delaware corporation (“Arch US”), Arch MI intends to acquire 100% direct control of each of CMG MI and CMG MA and 100% indirect control of CMG Re through the acquisition (the “Acquisition”) of all of the issued and outstanding Shares. The Purchase Agreement is attached hereto as Exhibit A and incorporated herein by reference. Certain of the exhibits and schedules to the Purchase Agreement are being submitted as a Confidential Supplement to this Statement.

As shown in Exhibit C, upon the consummation of the Acquisition, Arch MI will be the 100% direct owner of CMG MI and CMG MA and 100% indirect owner of CMG Re.

The proposed Acquisition, including the proposed change of control of the CMG Companies, is conditioned upon satisfaction of the conditions set forth in the Purchase Agreement, including (i) the closing of certain transactions contemplated by that certain Asset Purchase Agreement (as amended, the “Asset Purchase Agreement”), dated as of February 7, 2013, by and among the Receiver of PMI on behalf of PMI, Arch U.S. MI Services Inc. and Arch US, pursuant to which Arch U.S. MI Services Inc. intends to, among other transactions, purchase the mortgage insurance business operating platform and certain related assets of PMI as well as all of the issued and outstanding shares of PMI Mortgage Assurance Co., an Arizona corporation and a wholly-owned direct subsidiary of PMI, and (ii) the receipt of all necessary governmental and regulatory approvals.

The Applicant is providing a copy of this Statement to each of the CMG Companies.

Approval by the Commissioner of Insurance of the Acquisition is strongly supported by the boards and management of the CMG Companies, CUNA Mutual and PMI and by the Receiver of PMI.

The Purchase Agreement and the Asset Purchase Agreement were approved by the Arizona Superior Court, Maricopa County, in Case No. CV 2011-018944, on June 20, 2013. The approval order of the court is attached as Exhibit L hereto.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) The Applicant

The name and address of the Applicant seeking to acquire control of the CMG Companies is:

Arch U.S. MI Holdings Inc.
300 Plaza Three, 3rd Floor
Jersey City, New Jersey 07311

and its ultimate controlling person:

Arch Capital Group Ltd.
Wessex House
45 Reid Street
Hamilton HM 12
Bermuda

(b) The Applicant's Business Operations

Arch MI was incorporated in Delaware on February 4, 2013 as a wholly-owned direct subsidiary of Arch US. Upon the consummation of the Acquisition, Arch MI will be the 100% direct owner of CMG MI and CMG MA and 100% indirect owner of CMG Re. Arch MI will be the U.S. holding company for the future U.S. mortgage insurance business of the Arch Group.

Arch Capital was incorporated in Bermuda on September 20, 2000 and is headquartered in Hamilton, Bermuda. Arch Capital held its initial public offering in 2009 and its common shares are traded on the NASDAQ Stock Exchange (ticker symbol: ACGL). Arch Capital files annual, quarterly and other reports with the U.S. Securities and Exchange Commission. The Arch Group is a global insurance and reinsurance organization, providing a range of insurance and reinsurance products. With approximately \$5.57 billion in capital as of December 31, 2012 and approximately \$3.052 billion of net written premiums in 2012, Arch Capital, through its direct and indirect subsidiaries, writes insurance and reinsurance on a worldwide basis through its operations in Bermuda, the United States, Europe and Canada. Arch Capital's subsidiaries provide a full range of property and casualty insurance and reinsurance products on a global basis, with a focus on specialty lines of business. Arch Capital is the 100% indirect owner of

Arch MI and thus will be the 100% indirect owner of the CMG Companies upon consummation of the Acquisition.

(c) **Organizational Chart**

Attached hereto as Exhibit D, and incorporated herein by reference, is a chart presenting the identities of and interrelationships among the Applicant and all of its affiliates. Unless otherwise indicated on the chart, 100% of the voting securities of each such person is owned and controlled by its immediate parent corporation. As to each person set forth on such chart, each is a corporation with the state or other jurisdiction of domicile specified therein. No court proceedings involving a reorganization or liquidation are pending with respect to any person depicted in Exhibit D.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

A list of all directors and executive officers of the Applicant is attached hereto as Exhibit E and incorporated herein by reference. Exhibit F, consisting of biographical affidavits including all of the background information required by this item with respect to each such director and executive officer, will be submitted under separate cover as a Confidential Supplement to this Statement.

Arch Capital indirectly owns 100% of the voting securities of Arch MI.

Artisan Partners Limited Partnership (“Artisan”), a U.S. registered investment adviser that provides investment management services to institutional investors, currently owns approximately 17.8% of the outstanding voting securities of Arch Capital through discretionary client accounts of Artisan’s clients. Shares of Arch Capital that are held by Artisan’s clients in the client accounts are for investment purposes only. Artisan does not seek to obtain, change, or otherwise influence the control of the CMG Companies or Arch Capital through investing in shares of Arch Capital held in its client accounts. Artisan’s clients are the beneficial owners of such securities, which are registered in the name of a nominee for the applicable client’s custodian or sub-custodian. Artisan will file a disclaimer of control with respect to the CMG Companies under separate cover.

To the knowledge of the Applicant, there are no persons other than Artisan who own securities representing 10% or more of the total voting power of the outstanding voting securities of Arch Capital.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Description of Nature, Source and Amount of Consideration

The following summary is qualified in its entirety by reference to the Purchase Agreement attached hereto as Exhibit A, which is incorporated herein by reference.

On the Closing Date (as defined in the Purchase Agreement) of the Acquisition, Arch MI shall purchase, acquire and accept from the Sellers all of the issued and outstanding Shares.

The aggregate consideration for the Shares will be payable in cash and will consist of two components: (i) the “Closing Date Payment,” payable by Arch MI on the Closing Date of the Acquisition, and (ii) the “Deferred Consideration Payment,” payable by Arch MI within ninety (90) days following each of the third anniversary, fifth anniversary and sixth anniversary (and subject to further extension as set forth in the Purchase Agreement) of the Closing Date. The calculations of both the Closing Date Payment and Deferred Consideration Payment are set forth in the Purchase Agreement, as amended, and described briefly below.

The “Closing Date Payment” is defined as the sum of (i) eighty percent (80%) of the difference of (x) the greater of (1) the Sellers’ good faith estimate of the total shareholders’ equity of the CMG Companies as of the last day of the calendar month immediately preceding the Closing Date (the “Estimated Closing Date Book Value”) determined as set forth in the Purchase Agreement and (2) \$185,000,000, minus (y) the amount realized from the sale of securities to realize unrealized gains or capital infusions by either Seller that the Sellers reasonably deem necessary in order for the CMG Companies to comply with applicable minimum capital requirements imposed by applicable law or governmental authority or the capital support agreement between the Sellers and CMG MI (such amount, the “Seller Capital Contributions”), such amount not to exceed \$10,000,000 in the aggregate, minus (z) the Estimated Current Affiliate Obligations (as defined in the Purchase Agreement) to the extent not previously accrued and reflected in the Estimated Closing Date Book Value, plus (ii) 100% of the aggregate amount of any Seller Capital Contributions, up to \$10,000,000. The Closing Date Payment is subject to further adjustment following the closing of the Acquisition as provided in the Purchase Agreement.

The “Deferred Consideration Payment” will be an aggregate amount for each of the third anniversary, fifth anniversary and sixth anniversary (and subject to further extension as set forth in the Purchase Agreement) of the Closing Date equal to (i) the Applicable Percentage (50% at the third and fifth anniversaries and 100% at the sixth anniversary), multiplied by (ii) the difference between (A) the Adjusted Book Value (as defined in the Purchase Agreement) as of the applicable anniversary date and (B) the sum of the Final Closing Payment (i.e., the Closing Date Payment adjusted in accordance with the Purchase Agreement), minus any Seller Capital Contributions, up to \$10,000,000 in the aggregate and all Deferred Consideration Payments prior to the date of the Deferred Consideration Payment to be made in respect of such anniversary, subject to a cap on the total amount of all Deferred Consideration Payments plus the Final

Closing Payment equal to 150% of the Closing Date Book Value less any Seller Capital Contributions made prior to the Closing Date up to \$10,000,000 in the aggregate.

Please refer to the Purchase Agreement, as amended, for additional details regarding the calculation and components of the Closing Date Payment and the Deferred Consideration Payments. Arch Capital is a party to the Purchase Agreement for the sole purpose of guaranteeing the payment by Arch MI of the Closing Date Payment and any Deferred Consideration Payments.

While final details are yet to be confirmed, the Applicant currently anticipates funding the purchase price from internal cash resources. Any change in this plan will be filed pursuant to § Ins 40.14(2). Neither the stock of the CMG Companies nor any assets of the CMG Companies will be pledged or used as collateral for any financing of the Acquisition.

(b) **Criteria Used in Determining the Nature and Amount of Consideration**

The consideration for the Shares was determined through arm's length private negotiations between the representatives of the Arch Group, on the one hand, and the representatives of CUNA Mutual and the Receiver of PMI, on the other hand. The Applicant based the amount of consideration on an analysis of the value of the CMG Companies including the CMG Companies' operations, using information in the data room provided by the Sellers and discussions with the Sellers' management. For valuation purposes, the Applicant employed a number of customary valuation methodologies. The Applicant also factored into the consideration an estimate of the potential value of the CMG Companies once they will be integrated into the Arch Group organization.

ITEM 5. FUTURE PLANS FOR INSURER

Exhibit H, which is a proposed plan of operations describing the anticipated future operations of the CMG Companies including financial projections, is being submitted under separate cover as a Confidential Supplement to this Statement. Set forth below is a brief summary of the proposed plan.

The Arch Group expects that the Acquisition will enable it to enter the rapidly improving United States mortgage insurance marketplace and will broaden its existing mortgage insurance and reinsurance capabilities. Arch MI will be the future U.S. holding company for the U.S. mortgage insurance business of the Arch Group, and CMG MI will be the Arch Group's primary U.S. mortgage insurance company. Although the CMG Companies currently focus solely on providing mortgage insurance to the credit union segment, the Arch Group plans to expand the scope of business of the CMG Companies, particularly CMG MI, to cover non-credit union business. However, the CMG Companies will continue to serve credit union customers.

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.

The business of the CMG Companies will be serviced with the PMI operating platform to be purchased and employees of PMI to be hired by Arch U.S. MI Services Inc. pursuant to the Asset Purchase Agreement. Immediately after the closing of the Acquisition, the CMG Companies will enter into certain services, tax sharing and investment agreements with affiliates.

As grounds for approval of this Statement, the Applicant states that Acquisition of the CMG Companies by Applicant will not violate the law or be contrary to the interests of the insureds of the CMG Companies or of the Wisconsin insureds of any participating nondomestic insurer and that:

(a) After the Acquisition, the CMG Companies will continue to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which they are presently licensed;

(b) The effect of the Acquisition will not be to create a monopoly or substantially to lessen competition in insurance in Wisconsin;

(c) The financial condition of the Applicant and its affiliates is not likely to jeopardize the financial stability of the CMG Companies or prejudice the interests of their Wisconsin policyholders;

(d) The Applicant has no plans or proposals to liquidate any CMG Company, sell the assets of any CMG Company, or consolidate or merge any CMG Company with any person or make any other material change in its business or corporate structure or management unless any such plans or proposals are fair and reasonable to policyholders of such CMG Company or in the public interest; and

(e) The competence and integrity of those persons who will control the operation of the CMG Companies are such that it would be in the interest of the policyholders of the CMG Companies and of the public to permit the Acquisition.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

As noted in Item 4 above, on the Closing Date of the Acquisition, pursuant to the Purchase Agreement, Arch MI will acquire all of the issued and outstanding Shares, and, as a result of the Acquisition, Arch MI will hold directly 100% of the voting securities of each of CMG MI and CMG MA and indirectly 100% of the voting securities of CMG Re.

Please refer to Items 1 and 4 above for a discussion of the terms of the Purchase Agreement, and to the discussion in Item 4 of the criteria used in determining the nature and amount of the consideration set forth in the Purchase Agreement, and the negotiation of the Purchase Agreement, for a statement of the method by which the fairness of the Acquisition was determined.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

Except as discussed herein and pursuant to the terms of the Purchase Agreement, neither the Applicant nor its affiliates or, to the Applicant's knowledge, any person listed in Item 3 beneficially owns or has the right to acquire beneficial ownership of any voting security of the CMG Companies.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Other than the Purchase Agreement attached hereto as Exhibit A and incorporated by reference herein, neither the Applicant nor its affiliates or, to the Applicant's knowledge, any person listed in Item 3 is involved in any contracts, arrangements or understandings with respect to any voting security of any CMG Company, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Neither the Applicant nor its affiliates or, to the Applicant's knowledge, any person listed in Item 3 has acquired any voting securities of any CMG Company during the twelve calendar months preceding the filing of this Statement, other than that Arch MI and Arch Capital have entered into the Purchase Agreement attached hereto as Exhibit A and incorporated by reference herein, whereby Arch MI proposes to acquire direct ownership of the stock of each of CMG MI and CMG MA and indirect ownership of the stock of CMG Re on the terms and subject to the conditions set forth therein.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Neither the Applicant nor its affiliates or, to the Applicant's knowledge, any person listed in Item 3 has made any recommendations to purchase any voting security of any CMG Company during the twelve calendar months preceding the filing of this Statement, nor has any person, to the Applicant's knowledge, made any such recommendations based upon interviews or at the suggestion of the Applicant, its affiliates or any person listed in Item 3.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

The Applicant does not have any agreement, contract or understanding with any broker-dealer as to solicitation of voting securities of any CMG Company for tender, and no fees, commissions or other compensation is to be paid to broker-dealers with regard thereto. There are agreements between CUNA Mutual and Lazard Ltd. ("Lazard") and PMI and Lazard, pursuant to which Lazard will receive a fee upon the closing of the Acquisition.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) **Exhibits**

The following financial statements and exhibits are being submitted in connection with this Statement:

Exhibit	Description
A*	Purchase Agreement dated as of February 7, 2013, as amended
B	Organizational chart of the CMG Companies (pre-acquisition)
C	Organizational chart of the CMG Companies (post-acquisition)
D	Organizational chart of the Applicant
E	List of directors and executive officers of the Applicant
F*	Biographical affidavits for directors and executive officers of the Applicant
G1	Proposed Services Agreement between the CMG Companies and Arch U.S. MI Services Inc.
G2	Proposed Services Agreement between the CMG Companies and Arch Capital Services Inc.
G3	Proposed Investment Management Agreement between the CMG Companies and Arch Investment Management Ltd.
G4	Proposed Tax Sharing Agreement between the CMG Companies and the other Arch Group U.S. subsidiaries
G5	Proposed Quota Share Reinsurance Agreement

Exhibit	Description
	between CMG MI and Arch Reinsurance Ltd.
H*	Proposed plan of operations for the CMG Companies, including financial projections
I	Arch Capital's First Quarter 2013 report to shareholders (including consolidated audited financial statements for the quarter ended March 31, 2013)
J	Arch Capital's 2012 annual report to shareholders (including consolidated audited financial statements for the year ended December 31, 2012)
K	Arch Capital's 2011 annual report to shareholders (including consolidated audited financial statements for the year ended December 31, 2011)
L	Order of the Arizona Superior Court, Maricopa County, in Case No. CV 2011-018944, regarding Petition No. 24, dated June 20, 2013

* Certain of the exhibits and schedules to the Purchase Agreement (Exhibit A), as well as Exhibits F and parts of Exhibit H are being submitted under separate cover as Confidential Supplements to this Statement. The Applicant respectfully requests confidential treatment of such Confidential Supplements.

(b) **Financial Statements**

Arch Capital's consolidated audited financial statements for the periods ended March 31, 2013, December 31, 2012, and December 31, 2011 are attached as Exhibits I, J, and K, respectively, and Arch Capital's consolidated audited financial statements for the periods ended December 31, 2010, December 31, 2009, and December 31, 2008 are incorporated by reference pursuant to Wis. Admin. Code § Ins 40.12(1).

(c) **Other Information**

Other than as described in this Statement, there are no tender offers for, requests or invitations for, tenders of, exchange offers for or agreements to acquire or exchange any voting securities of any CMG Company, or additional soliciting material relating thereto.

The proposed Services Agreement between the CMG Companies and Arch U.S. MI Services Inc., the proposed Services Agreement between the CMG Companies and Arch Capital Services Inc., the proposed Investment Management Agreement between the CMG Companies and Arch Investment Management Ltd., and the proposed Tax Sharing Agreement between the CMG Companies and the Arch Group's other US subsidiaries are attached as Exhibits G1, G2,

G3 and G4. There are no other proposed employment, consultation, advisory or management contracts concerning any CMG Company.

Neither the CMG Companies nor the Applicant prepares annual reports to stockholders. Arch Capital's 2012 and 2011 annual reports to shareholders are attached as Exhibits J and K, respectively.

ITEM 13. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Wis. Admin. Code Ch. Ins 40, ARCH U.S. MI HOLDINGS INC. has caused this application to be duly signed on its behalf in the City of White Plains and State of New York on the 18th day of September, 2013.

(No seal)

ARCH U.S. MI HOLDINGS INC.

By


Name: Mark Lyons
Title: Director

Attest:


(Signature of Officer)

Name: Jennifer Mangino

Title: Executive Vice President

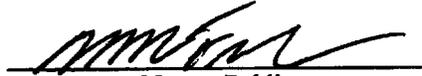
CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated September 24th, 2013, for and on behalf of ARCH U.S. MI HOLDINGS INC., that deponent is the Director of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information, and belief.

Signature 

Name: Mark Lyons
Title: Director

Subscribed and sworn to before me this 18 day of SEPT, 2013.


Notary Public

My Commission Expires: MATTHEW F. CAHILL
No. 03-4622574
Notary Public, State of New York
Qualified in Rockland County
My Commission Expires July 31, 2014