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September 25, 2013

Via Email (Kristin.Forsberg@wisconsin.gov) and U.S. Mail

Kristin L. Forsberg, CPA CFE
Insurance Financial Examiner/Licensing Specialist
Bureau of Financial Analysis and Examinations
Office of the Commissioner of Insurance
125 S. Webster St.
Madison, WI 53702

2013 SEP 27 PM 12:18
RECEIVED
WISCONSIN COMMISSIONER
OF INSURANCE

Re: In the Matter of the Acquisition of Control of CMG Mortgage Insurance Company, CMG Mortgage Assurance Company, and CMG Mortgage Reinsurance Company by Arch U.S. MI Holdings Inc. ("Arch MI")

Dear Ms. Forsberg:

Following up on our recent discussions, CMFG Life Insurance Company ("CUNA Mutual") and the Receiver of PMI Mortgage Insurance Co. in Rehabilitation ("Receiver") on behalf of PMI Mortgage Insurance Co. ("PMI"), as the Sellers under the Stock Purchase Agreement, hereby respectfully request that the Office of the Commissioner of Insurance ("OCI"), as part of its response to Arch MI's Form A filing, and in lieu of separate Form D requests by Sellers, permit the Sellers to: (1) terminate certain existing "Joint Venture Agreements," as required by Section 7.12 of the Stock Purchase Agreement; and (2) exchange existing Surplus Notes for equity in the form of paid in capital as required by Section 7.15 of the Stock Purchase Agreement.

As you know, a copy of the executed Stock Purchase Agreement ("SPA") was attached as part of the Form A filing recently made by Arch MI.

With respect to the "Joint Venture Agreements," Section 7.12 of the SPA provides that all such agreements are to be terminated, with the exception of four specified agreements. For ease of reference, attached hereto please find:

- Annex 1: Section 7.12 of the SPA
- Annex 2: List of all "Joint Venture Agreements" (Schedule 1.1(h) to the SPA)
- Annex 3: List of four agreements that are to remain in-force (Section 7.12 of Seller Disclosure Schedule)

Office of the Commissioner of Insurance
Attn: Kristin L. Forsberg, CPA CFE
September 25, 2013
Page 2

With respect to the Surplus Notes, Section 7.15 of the SPA provides that on or prior to the Closing Date the Sellers shall cause the Surplus Notes to be exchanged for equity in the form of paid in capital. Section 10.1(a)(v) of the SPA provides that the canceled Surplus Notes are to be delivered to the Purchaser. For ease of reference, attached hereto please find:

- Annex 4: Section 7.15 of the SPA
- Annex 5: Section 10.1(a)(v) of the SPA

In its Order relating to Arch MI's Form A, we respectfully request that OCI include language permitting the Sellers to terminate certain Joint Venture Agreements specified above, and exchange existing Surplus Notes for equity in the form of paid in capital, in accordance with the terms of the SPA.

If you have any questions, please contact the undersigned at 608.665.6474 or john.chosy@cunamutual.com. Thank you for your consideration.

Sincerely,



John Chosy,
Associate General Counsel
CUNA Mutual Group

cc: Steven J. Junior, Office of the Commissioner of Insurance
William J. Toman, Quarles & Brady
Louis T. Petrillo, Arch Capital Services, Inc.
Sean A. Dilweg, CUNA Mutual Group
Truitte D. Todd, Special Deputy Receiver, PMI Mortgage Insurance Co.
Andrew D. Cameron, PMI Mortgage Insurance Co.

Annex 1

7.10 Indemnification Escrow Agreement. Any fees due and payable to the Escrow Agent under the Indemnification Escrow Agreement (the "Escrow Agent Fees") shall be paid in full on or prior to the Closing Date; it being agreed that the Purchaser shall be responsible for fifty percent (50%) of the Escrow Agent Fees and that the Sellers shall be responsible for the other fifty percent (50%) of the Escrow Agent Fees on a pro rata basis based upon each Seller's Percentage Interest as of the date hereof.

7.11 Investments. Following receipt of all Governmental Approvals and prior to the Closing, the Sellers shall take such actions as are necessary to cause the CMG Companies' Investments to consist solely of the types of investments set forth in Schedule 7.11, other than the Governmental Deposits. Without limiting the foregoing, prior to the Closing, the Sellers shall cause the CMG Companies to sell, transfer or exchange any Investments, other than Governmental Deposits, that are not the types of investments set forth on Schedule 7.11.

7.12 Termination of Joint Venture Agreements and Affiliate Transactions. At or prior to the Closing, the Sellers shall terminate the Joint Venture Agreements and all Affiliate Transactions, except as set forth on Section 7.12 of the Seller Disclosure Schedule, and each Seller and the CMG Companies shall execute, and the Sellers will cause their applicable Affiliates to execute, a termination and release agreement, which shall be in the form and substance attached as Exhibit I hereto (the "Releases"). Notwithstanding the foregoing, for a period of thirty (30) days following the Closing Date, the Sellers shall be permitted to invoice the CMG Companies for any accrued and unpaid amounts owing to Sellers or their Affiliates (other than any of the CMG Companies) pursuant to and in accordance with the Joint Venture Agreements, solely to the extent that such amounts relate to the period prior to Closing (collectively, the "Current Affiliate Obligations"). Any Current Affiliate Obligation not invoiced to the CMG Companies prior to the expiration of such thirty (30) day period shall be deemed discharged and the relevant Seller or its Affiliate shall forfeit any rights it may have to recover the same. Sellers agree not to seek and to cause their Affiliates not to seek any recovery of any such forfeited amount from the CMG Companies, Purchaser or any of their Affiliates. Purchaser shall cause the applicable CMG Companies to pay all Current Affiliate Obligations invoiced in accordance with this Section 7.12 within ten (10) Business Days following receipt of the corresponding invoice.

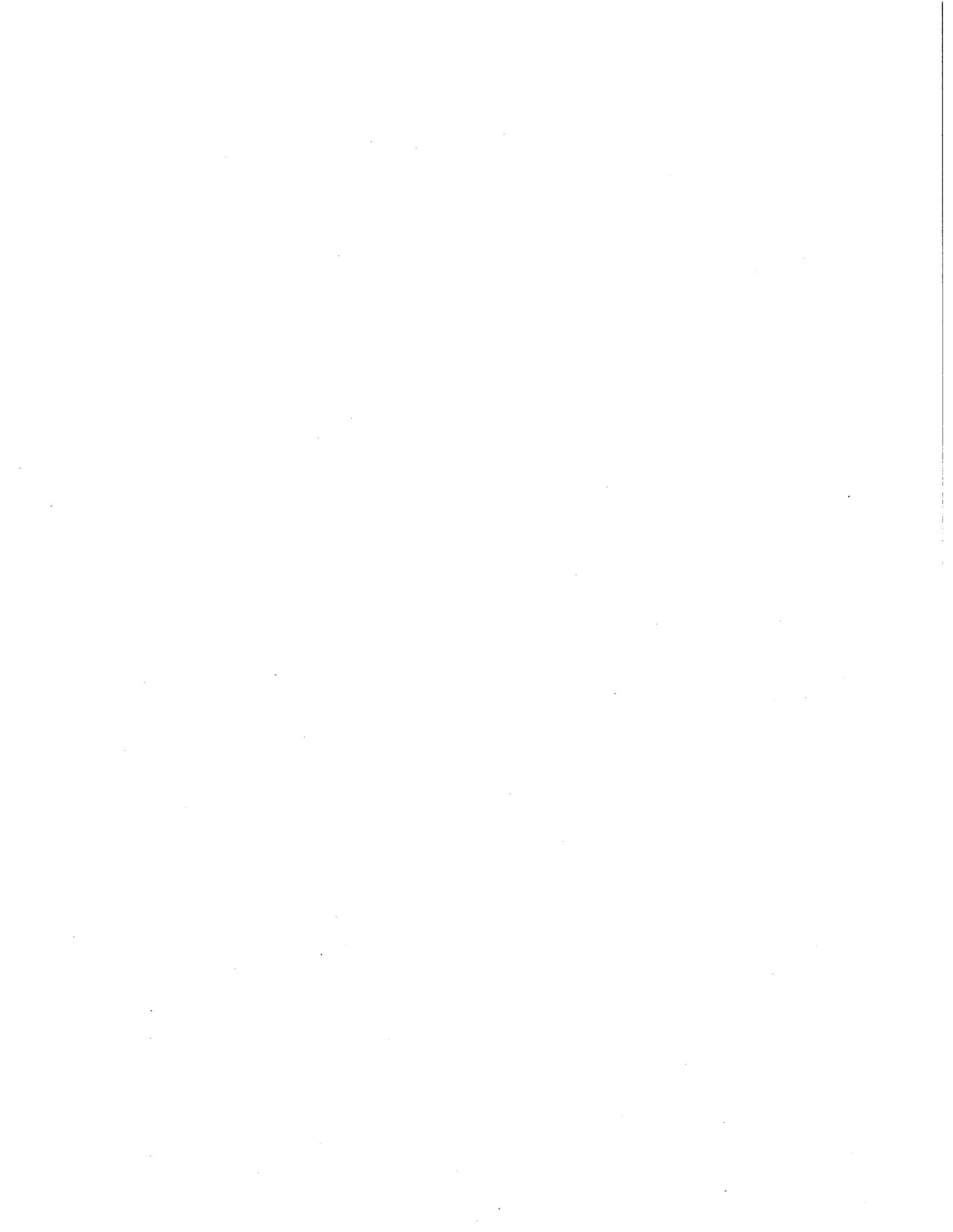
7.13 [Reserved].

7.14 No Solicitation.

(a) Subject to Section 7.14(b) and Section 7.14(f):

(i) each Seller shall, and shall cause its Representatives to, immediately cease any discussions or negotiations with any Persons that may be ongoing as of the date of this Agreement with respect to an Acquisition Proposal and any discussions that could reasonably be expected to lead to an Acquisition Proposal;

(ii) each Seller shall not, and shall not authorize or permit any of its Representatives to, directly or indirectly, (A) solicit, initiate or knowingly take any action to facilitate or encourage the submission of any Acquisition Proposal or the



Annex 2

Schedule 1.1(h) Joint Venture Agreements

CMG Companies

- **Procurement and Disbursement and Billing and Collections Service Agreement** dated December 20, 2007 between CUNA Mutual and its affiliates and subsidiaries identified in Exhibit A, including but not limited to CMG MI, CMG MA, and CMG Re.
 - Amendment to Procurement and Disbursement and Billing and Collections Service Agreement dated December 20, 2007, adding CUMIS Bermuda Limited to the list of entities in Exhibit A.
- **Assignment Agreement** among CUNA Mutual, CUNA Mutual Investment Corporation (“CMIC”), PMI, CMG MI, CMG MA and CMG Re dated June 30, 2009

CMG MI

- **Restated CMG Shareholders Agreement** between CMIC and PMI effective June 1, 2003
- **Restated CMIC Services Agreement** between CMIC and CMG MI effective July 16, 2003
 - First Amendment date November 29, 2005
- **Restated PMI Services Agreement** between PMI and CMG MI effective July 16, 2003
 - First Amendment dated December 4, 2003
 - Second Amendment dated November 29, 2005
 - Third Amendment dated January 1, 2007
- **Restated Trade Name License Agreement** between CUNA Mutual and CMG MI effective June 1, 2003
- **(Technology) Escrow Agreement** between PMI, CMG MI and Fort Knox Escrow Services, Inc. dated September 8, 1994
- **Letter Agreement – CMGMI Capital Support** between CUNA Mutual and PMI dated December 3, 2010
- **CMG Capital Support Agreement** by and among CUNA Mutual, PMI, and CMG MI dated December 10, 2010
- **Trust Agreement** among CUNA Mutual, CMIC, CMG MI and State Street Bank and Trust Company dated April 10, 2001
- **Amended and Restated Investment Advisory Agreement** between CMG MI and MEMBERS Capital Advisors, Inc. effective September 1, 2009
- **Excess Share Primary Mortgage Reinsurance Agreement** between CMG MI and CMG Re effective May 27, 1999
 - Amendment effective September 8, 2005
- **Excess Share Primary Mortgage Reinsurance Agreement** between CMG MI and PMI Insurance Co. (formerly known as PMI Reinsurance Co. and Residential Guaranty Co.) dated March 31, 1995

- First Amendment dated April 1, 1995
- Second Amendment dated January 1, 1996
- Third Amendment dated October 4, 1996
- Fourth Amendment dated June 3, 1997
- Fifth Amendment dated March 31, 1999

CMG MA

- **CMG Mortgage Assurance Company Shareholders Agreement** between CMIC and PMI effective October 1, 2000
- **Restated CMG/CMGA Services Agreement** between CMG MA and CMG MI effective November 2, 2004
- **Restated PMI/CMGA Services Agreement** between CMG MA and PMI effective September 3, 2003
 - First Amendment dated November 29, 2005
 - Second Amendment dated January 1, 2007
- **Restated CMIC/CMGA Services Agreement** between CMIC and CMG MA dated September 3, 2003
 - First Amendment dated November 29, 2005
- **Trade Name License Agreement** between CUNA Mutual and CMG MA effective October 1, 2000
- **Restated Investment Advisory Agreement** between CMG MA and MEMBERS Capital Advisors, Inc. effective July 3, 2008
- **Indemnification Agreement** between CMIC and PMI effective May 1, 2001

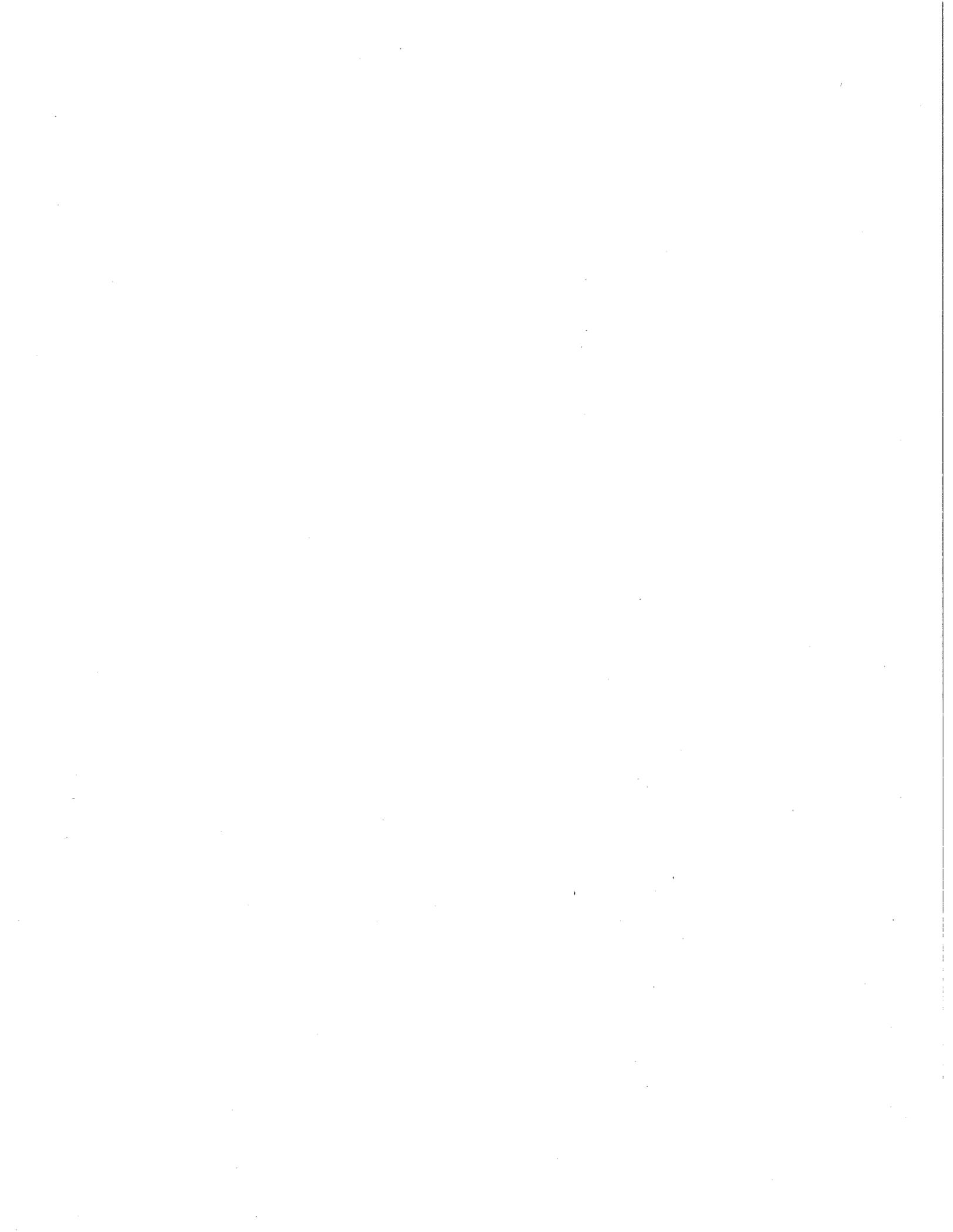
CMG Re

- **CMG Mortgage Reinsurance Company Shareholders Agreement** between CMIC and PMI effective May 27, 1999
- **Restated CMIC Reinsurance Services Agreement** between CMIC and CMG Re dated September 3, 2003
 - First Amendment dated November 29, 2005
- **Restated PMI Reinsurance Services Agreement** between PMI and CMG Re dated September 3, 2003
 - First Amendment dated November 29, 2005
- **Restated CMG Reinsurance Services Agreement** between CMG Re and CMGMI effective November 2, 2004
- **Amended and Restated Investment Advisory Agreement** between CMG Re and MEMBERS Capital Advisors, Inc. effective September 1, 2009
- **CMG Mortgage Reinsurance Company License Agreement** between CMG Re and CUNA Mutual effective May 27, 1999
- **Tax Sharing Agreement for CMG Mortgage Assurance Company and Its Subsidiary** dated December 31, 2009 between CMG MA and CMG Re

Section 7.12

Termination of Joint Venture Agreements and Affiliate Transactions

1. **Excess Share Primary Mortgage Reinsurance Agreement** between CMG MI and CMG Re effective July 1, 1999 (as amended)
2. **Excess Share Primary Mortgage Reinsurance Agreement** between CMG MI and PMI Insurance Co. (formerly known as PMI Reinsurance Co. and Residential Guaranty Co.), dated March 31, 1995 (as amended).
3. **Restated CMG/CMGA Services Agreement** between CMG MA and CMG MI effective November 2, 2004
4. **Restated CMG Reinsurance Services Agreement** between CMG Re and CMGMI effective November 2, 2004

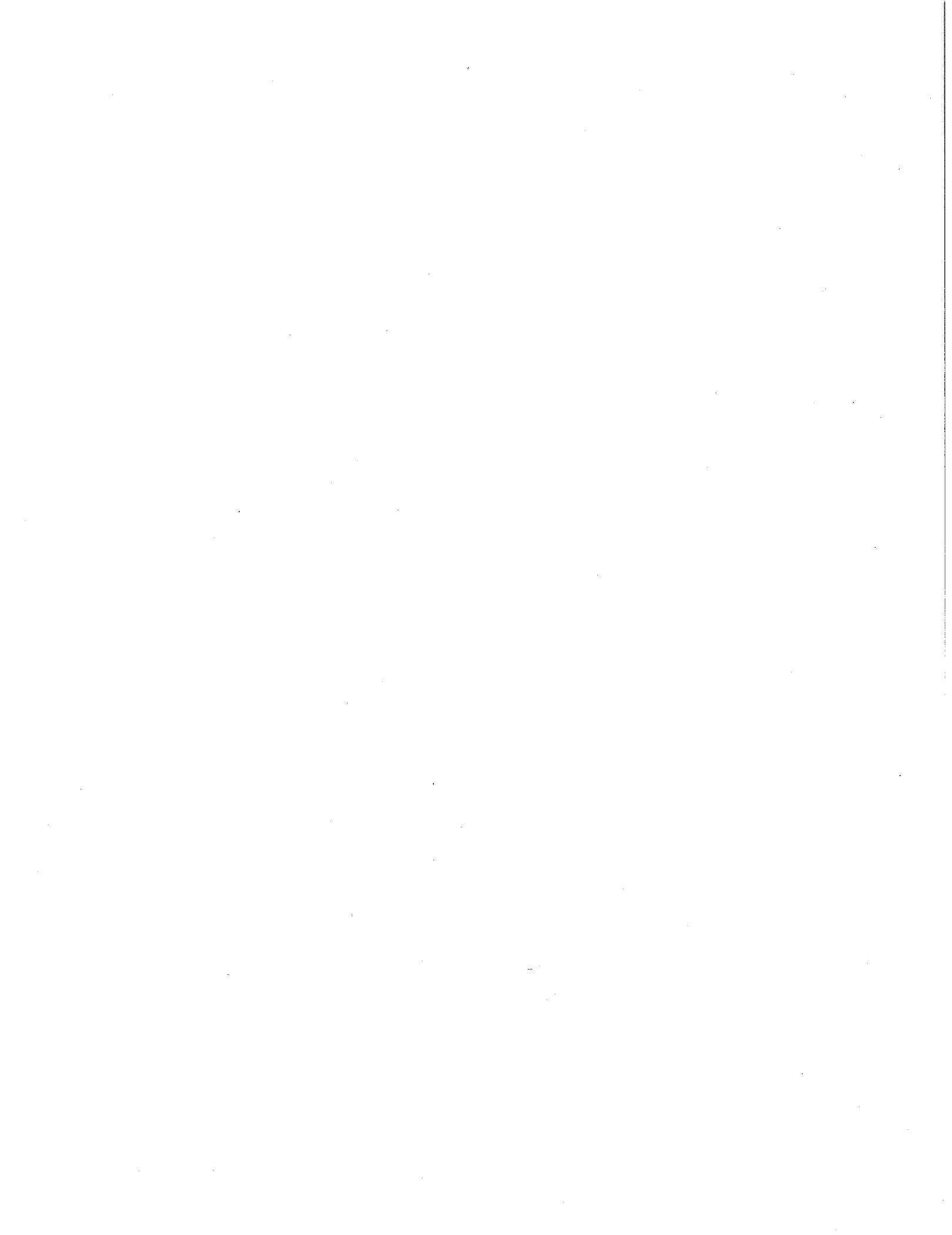


Annex 4

(v) “Superior Proposal” means an unsolicited, bona fide, written Acquisition Proposal received from a Potential Buyer that (A) the Receiver concludes in good faith to be more favorable from a financial point of view than the Transaction and the transactions contemplated by the Transaction Documents and the Asset Purchase Agreement and the Transaction Documents defined therein, considered in their entirety, including the Break-Up Fee contemplated herein and in the Asset Purchase Agreement that would be payable if such Superior Proposal were pursued, and (B) the CUNA Board concludes in good faith to be more favorable from a financial point of view than the Transaction and the transactions contemplated by the Transaction Documents, considered in their entirety, including the Break-Up Fee contemplated herein that would be payable if such Superior Proposal were pursued, and that in each case contains terms that are no less favorable to each of PMI and CUNA Mutual than those set forth in the Purchase Agreements, (i) after receiving the advice of its financial advisors, (ii) after taking into account the likelihood of consummation of such transaction on the terms set forth therein, giving due consideration to all of the conditions contemplated therein and the likelihood of receipt of all required Governmental Approvals and other third party consents (iii) after taking into account all legal (with the advice of outside counsel), financial (including the financing terms of any such proposal and the conditions to any required third party financing), regulatory and other aspects of such proposal (including any expense reimbursement provisions and conditions to closing) and any other relevant factors permitted under applicable Law, (iv) after considering the ability of the Potential Buyer to perform its obligations under any services or other agreements to be performed after consummation of such Acquisition Proposal and (v) after taking into account any revisions to the terms of the Purchase Agreements proposed by the Potential Buyer, as contemplated by Section 7.14(b).

7.15 Termination of the Surplus Notes. On or prior to the Closing Date, the Sellers shall cause the Surplus Notes to be exchanged for equity in the form of paid in capital.

7.16 Purchaser Acknowledgments. Notwithstanding anything to the contrary contained herein, neither Seller nor any of their respective Affiliates makes any representation or warranty with respect to, and nothing contained in this Agreement, the Transaction Documents or any other agreement, document or instrument to be delivered in connection with the transactions contemplated hereby or thereby is intended or shall be construed to be a representation or warranty (express or implied) of either Seller or any of their respective Affiliates, for any purpose of this Agreement, the Transaction Documents or any other agreement, document or instrument to be delivered in connection with the transactions contemplated hereby or thereby, with respect to: (i) the adequacy or sufficiency of any of the Insurance Reserves with respect to the CMG Business, (ii) other than as set forth in Section 5.16, whether or not such Insurance Reserves were determined in accordance with any actuarial, statutory or other standard, (iii) the future profitability of the CMG Business or (iv) the effect of the adequacy or sufficiency of such Insurance Reserves on any “line item” or asset, liability or equity amount. Furthermore, each of the Purchaser Parties acknowledges and agrees that no fact, condition, development or issue relating to the adequacy or sufficiency of the Insurance Reserves may be used, directly or indirectly, to demonstrate or support the breach of any representation, warranty, covenant or agreement contained in this Agreement, the Transaction Document or any other agreement,



Distribution Services Agreement and the CUNA Mutual Quota Share Reinsurance Agreement (including effectiveness of the Guaranty) by the parties thereto shall be a condition to the Sellers' obligations under this Agreement unless the parties thereto have not obtained approval from Fannie Mae and Freddie Mac or any other required Governmental Approval for the CUNA Mutual Quota Share Reinsurance Agreement on or prior to the Closing. In the event that such Governmental Approvals required for the CUNA Mutual Quota Share Reinsurance Agreement are not obtained on or prior to the date on which all other conditions to Closing have otherwise been satisfied (other than those conditions that by their nature are to be satisfied at Closing), then the execution and delivery of the CUNA Mutual Quota Share Reinsurance Agreement and the Distribution Services Agreement by the parties thereto shall not be a condition to Closing.

(c) No Bankruptcy or Receivership. Neither of the Purchaser Parties nor any other Person shall have filed any petition or commenced any Proceeding with respect to the Purchaser Parties under any provision or chapter of the United States Bankruptcy Code or any other similar federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization, the Purchaser Parties shall have not have made a general assignment for the benefit of their respective creditors and no Order for relief shall have been entered against either of the Purchaser Parties under any state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization of a Purchaser Party. The Purchaser Parties shall not be subject to any Order appointing a custodian, trustee or receiver for either of the Purchaser Parties or all or any material portion of its assets or authorizing the taking of possession of the assets of either of the Purchaser Parties.

(d) Asset Purchase Agreement. The closing of the transactions contemplated by the Asset Purchase Agreement shall have occurred.

ARTICLE X

CLOSING DELIVERIES

10.1 Closing Deliveries.

(a) Deliveries by the Sellers. At or prior to the Closing, the Sellers shall deliver, or cause to be delivered, to the Purchaser:

- (i) a receipt for payment of the Closing Date Payment;
- (ii) certificates on behalf of each of the Sellers, containing the certifications contemplated by Section 9.2(a) and Section 9.2(b), each executed by an officer of the applicable Seller;
- (iii) certificates representing all of the Shares, accompanied by stock powers duly executed in blank or duly executed instruments of transfer, in each case, in form and substance reasonably acceptable to the Purchaser;
- (iv) subject to Section 9.2(b) and Section 9.3(b), all Transaction Documents to which either Seller or any of its Affiliates is a party, dated as of the Closing Date and duly executed by the Sellers or such Affiliates, as applicable;;

- (v) the canceled Surplus Notes;
- (vi) evidence of the release of all Liens, other than Permitted Liens;
- (vii) a certificate of non-foreign status as described in Section 1.1445-2(b)(2) of the Treasury Regulations, in substantially the form of substance attached as Exhibit J hereto (a "FIRPTA Certificate");
- (viii) except as otherwise specified by the Purchaser, resignations from each officer and director of each of the CMG Companies, in form and substance reasonably acceptable to Purchaser; and
- (ix) such other agreements, certificates, instruments and documents as the Purchaser may reasonably request in order to fully consummate the transactions contemplated by and carry out the purposes and intent of this Agreement.

(b) Deliveries by the Purchaser. At or prior to the Closing, the Purchaser shall deliver, or cause to be delivered, to the Sellers:

- (i) the Closing Date Payment by wire transfer to the account or accounts designated by the Sellers in the Flow of Funds Memorandum;
- (ii) evidence of the funding of the Indemnification Escrow Amount;
- (iii) a certificate executed by an officer of the Purchaser, containing the certifications contemplated by Section 9.3(a) and Section 9.3(b);
- (iv) subject to Section 9.2(b) and Section 9.3(b), all Transaction Documents to which the Purchaser or any of its Affiliates is a party, dated as of the Closing Date and duly executed by the Purchaser or such Affiliates, as applicable; and
- (v) such other agreements, certificates, instruments and documents as the Sellers may reasonably request in order to fully consummate the transactions contemplated by and carry out the purposes and intent of this Agreement.

ARTICLE XI

TERMINATION

11.1 Termination Events. This Agreement may be terminated, by written notice given at any time prior to the Closing Date:

- (a) subject to the final paragraph of this Section 11.1, (i) by the Purchaser if a material breach of any provision of this Agreement has been committed by either Seller or if any representation or warranty of either Seller herein is breached (and such breach has not been waived by Purchaser in writing) and such breach or inaccuracy would reasonably be expected to result in the conditions to Closing set forth in Section 9.2 not being satisfied or (ii) by either Seller if a material breach of any provision of this Agreement has been committed by either of