



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor  
Theodore K. Nickel, Commissioner

Wisconsin.gov

October 23, 2013

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LOUIS T PETRILLO ESQ  
PRESIDENT & GENERAL COUNSEL  
ARCH CAPITAL SERVICES INC  
360 HAMILTON AVE SUITE 600  
WHITE PLAINS NY 10601 2908

Re: Form A – Acquisition of Control of CMG Mortgage Insurance Company, CMG Mortgage Assurance Company, and CMG Mortgage Reinsurance Company by Arch U.S. MI Holdings Inc. (“Applicant”)

Dear Mr. Petrillo:

The State of Wisconsin Office of the Commissioner of Insurance (the “Department”) has completed its initial review of the above-referenced Form A filing submitted on September 24, 2013 by Arch U.S. MI Holdings Inc. (“Applicant”). Our review identified certain items that were either missing from the application, or which require follow-up, as indicated below. **To ensure that the Form A review continues to move forward expeditiously, please provide the following information at your earliest convenience:**

1. Biographical Affidavits: Please submit a current (no older than 6-months from the date of this letter) Biographical Affidavit on NAIC Form 11 for the following individuals:
  - Andrew Cameron
  - Chris Hovey
  - Tom Jeter
  
2. Pro Formas: The Pro Formas indicate that the Applicant expects to maintain a Risk to Capital ratio of at least [REDACTED] through 20[REDACTED]. In the event the Applicant’s actual underwriting results are lower than expected, will additional capital infusions be made to ensure that the [REDACTED] Risk to Capital ratio is maintained? If not, what is the contingency plan?
  
3. Hartford Financial Services Group Inc. vs. Arch Capital Group Ltd. litigation (09/602062, Supreme Court of the State of New York): Please provide a synopsis of the developments in this case, including:
  - (a) A copy of the original complaint and response.
  - (b) A summary of all court decisions and appeals.
  - (c) A timeline for any pending court hearings/decisions.
  - (d) [REDACTED]
  
4. Hart-Scott-Rodino (HSR) Anti-Trust Determination: Please provide a copy of the FTC’s determination as to whether the proposed transaction will/will not adversely affect U.S. commerce under the federal anti-trust laws (when available).

*In addition, please provide copies of the Applicant's response to the October 18, 2013 Arizona Dept. of Insurance request regarding the proposed acquisition of PMI Mortgage Assurance Co. (from Kurt Regner, Assistant Director, Financial Affairs Division), which is restated below:*

5. Provide copies of all Exhibits and Schedules as referenced in the Asset Purchase Agreement. This also includes the Seller Disclosure Schedule and Purchase Disclosure Schedule and Joint Sales Agreement. **[Comment: Please provide only copies of any Exhibits/Schedules which were not included in the original Form A filing.]**
6. Provide Form D filings to accompany the agreements submitted under the G1-G4 Exhibits. Please include the draft investment guidelines. **[Comment: For Wisconsin, the "Form D filing" was incorporated into the Form A filing – so no additional information is necessary. However, please provide the approval letters for any Form D filings made in other states.]**
7. Provide the status on the extraordinary dividend request that is proposed to lower PMAC's net worth down to \$7 million.
8. Provide a current financial statement for Arch U.S. MI Services Inc. that discloses its ability to perform on the purchase price (\$90 million) as required by the Asset Purchase Agreement. If the financial statement does not disclose the ability to perform, provide a letter of commitment from the contributing affiliate disclosing their obligation to provide the necessary funding and ability to perform.
9. Provide a current financial statement for Arch U.S. MI Holdings Inc. that discloses its ability to perform the purchase price as required by the CMG Stock Purchase Agreement.

Please feel free to call me at (608) 266-9896, or email me at [kristin.forsberg@wisconsin.gov](mailto:kristin.forsberg@wisconsin.gov) if you have any questions.

Sincerely,



Kristin L. Forsberg  
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Bureau of Financial Analysis and Examinations  
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