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November 14, 2013

HAND DELIVERY

Kristin Forsberg, CPA, CFE
Insurance Financial Examiner/Licensing Specialist
Bureau of Financial Analysis and Examinations
Office of the Commissioner of Insurance
GEF 3, 2nd Floor
125 South Webster Street
Madison, WI 53702

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 Kristin:

Thank you for your October 23, 2013 letter regarding this Form A filing. Your inquiries are set forth in italics below, followed by Applicant's responses.

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*

My apologies for this oversight. The requested biographical affidavits will be submitted under separate cover for addition to Exhibit F to the Form A, which was included with the Confidential Supplements to the Form A. These biographical affidavits contain confidential information, and should be kept with the Confidential Supplements, because the public value of the personal information in the biographical affidavits is outweighed by the possible harm to the persons submitting these affidavits, and, in particular, social security numbers are exempt from the public records law. *See* § VIII.E.4.a. (p. 24) of the Wisconsin Attorney General's September 2012 Public Records Law Compliance Outline ("Compliance Outline"). Also, OCI may withhold this information from public disclosure under Wis. Stat. § 601.465(1m)(a) and Wis. Admin. Code § Ins 40.05. In line with these provisions, we request that you do not release these biographical affidavits to the public.

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?

The Arch Group will bring its culture of risk management to CMG MI, so that CMG MI will set and maintain an appropriate credit policy that incorporates economic factors external to the business, and will manage the underwriting cycle while preserving relationships with internal and external stakeholders. This culture of risk management will also involve continuous monitoring of underwriting results and other factors to allow for adjustments to maintain the target risk-to-capital ratio. Arch undertakes a capital review at least annually to determine the need for access to the capital or debt markets, and the proper allocation of funding among its operating units.

In the event that CMG MI's risk-to-capital ratio varies or is projected to vary substantially from the target, Arch will decide, based on all of the facts and circumstances existing at the time, whether the situation should be addressed by a capital infusion, by changes to credit policy or pricing, or in some other fashion. As noted in the Plan of Operations, CMG MI will be in a position to implement changes to credit policy or pricing because it will be part of a diversified, multi-line group that provides a more resilient capital base and ability to shrink market presence during times of deteriorating underwriting and pricing conditions. Furthermore, the Arch Group has a strong financial position along with access to capital markets and debt financing, through private and public offerings, such that there are several potential sources that could be available to satisfy additional capital needs of CMG MI if the Arch Group decides to make a capital infusion.

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; and (d) [REDACTED]

Applicant's responses to your inquiries are set forth below. We are adding the responsive documents as a new Exhibit M to the Form A.

(a) Enclosed are copies of the summons and complaint; the Arch defendants' amended answer and counterclaims; the individual defendants' amended answer and counterclaims; plaintiffs' motion to dismiss counterclaims; and the plaintiffs' answer to counterclaims.

(b) Enclosed is a copy of the court's order dismissing the Arch defendants' counterclaims; the counterclaims of John Rafferty and Michael Price for deferred compensation;

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and the individual defendants' counterclaims for unjust enrichment as it relates to deferred compensation. This is the court's only substantive decision to date. The counterclaims that remain are David McElroy's counterclaim for deferred compensation; the individual defendants' counterclaims for indemnification; and the individual defendants' counterclaims for unjust enrichment as it relates to indemnity. Arch filed a notice of appeal and the plaintiffs filed a notice of cross appeal. Neither side perfected their appeals, so they will not proceed.

The court has also issued numerous orders regarding discovery issues; please let me know if you would like copies or summaries of those orders.

(c) The deadline for plaintiffs to file a Note of Issue, which indicates that they are ready for trial, is currently December 20, 2013. If this deadline is not extended, dispositive motions would be due on February 18, 2014. There are no other substantive deadlines or proceedings

mergers and acquisitions that are likely to result in a substantial lessening of competition in any relevant market.

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 PM/ 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.]*

The table enclosed with Exhibit O lists the exhibits and schedules referenced in the Asset Purchase Agreement, along an indication as to where those documents may be found in the Form A. The Asset Purchase Agreement documents you requested are enclosed as a new Exhibit O to the Form A, except those documents designated in the table as being submitted in a separate Confidential Supplement. The Joint Sales Agreement is submitted as a new Exhibit P to the Form A.

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.]*

Applicant anticipates that the only Form D filings required in connection with these acquisitions are those to be made by PMAC in Arizona, and Applicant will provide copies of the approval letters for those filings to your Office promptly upon receipt.

The investment guidelines for the CMG Companies are the same as the Acceptable Investments at Closing that is Schedule 7.11 to the Stock Purchase Agreement (which is Exhibit A to the Form A). Schedule 7.11 was in the Confidential Supplement submitted under cover of my September 24, 2013 letter.

7. *Provide the status on the extraordinary dividend request that is proposed to lower PMAC's net worth down to \$7 million.*

On November 6, 2013, PMAC filed with the Arizona Department of Insurance (DOI) notice of its proposal to pay the extraordinary dividend shortly before the closing of the Asset Purchase Agreement. Under Arizona law, PMAC may pay the dividend 30 days after such notice unless DOI disapproves the dividend within that period, or earlier if DOI approves the

dividend prior to the expiry of the 30-day period. We will advise you upon receipt of any communications from DOI regarding the report.

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.*

A financial statement for Arch U.S. MI Services Inc. as of September 30, 2013 will be provided as a new Exhibit Q to the Form A in a Confidential Supplement. Because Arch U.S. MI Services Inc. has not yet been fully funded, a copy of a letter from Arch Reinsurance Ltd. explaining how Arch U.S. MI Services Inc. will receive the assets needed to perform its obligations under the Asset Purchase Agreement will be provided as a new Exhibit R to the Form A in a Confidential Supplement.

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.*

A financial statement for Applicant as of September 30, 2013 is Exhibit Q in the Confidential Supplement. Because Applicant has not yet been fully funded, a copy of a letter from Arch Reinsurance Ltd. explaining how Applicant will receive the assets needed to perform its obligations under the Stock Purchase Agreement is Exhibit R in the Confidential Supplement.

* * * *

Please note that the materials noted above as being submitted under separate cover as Confidential Supplements to the Form A, other than the materials described under items 1 and 3(d), could put Applicant at a competitive disadvantage if they are released to the public. Applicant uses reasonable efforts to keep this information confidential. Therefore, the information is a "trade secret" under Wis. Stat. § 134.90(1)(c) because it "derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use [and] is the subject of efforts to maintain its secrecy that are reasonable under the circumstances." As you know, a trade secret is exempt from the public records law under Wis. Stat. § 19.36(5) and Wis. Admin. Code § Ins 6.13(2). Also, OCI may withhold this information from public disclosure under Wis. Stat. § 601.465(1m)(a) and Wis. Admin. Code § Ins 40.05. In line with these provisions, we request that you do not release the Confidential Supplements to the public.

Finally, I have enclosed (1) an original Consent to Jurisdiction Statement for Applicant, and (2) electronic copies of this letter with confidential information redacted and the public materials enclosed with this letter.

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If you have any questions, please do not hesitate to contact me, or Louis T. Petrillo,
President and General Counsel at Arch Capital Services Inc., at (914) 872-3610 or
lpetrillo@archcapservices.com. Thank you again for your consideration.

Very truly yours,

QUARLES & BRADY LLP

A handwritten signature in black ink, appearing to read "Bill Toman", with a long horizontal flourish extending to the right.

William J. Toman

WJT:mjw
Enclosure

cc(w/enc.): Louis T. Petrillo
Kurt Regner, Arizona DOI (enclosures Exhibit F, M and N only)