NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA

STATE OF NORTH CAROLINA	**BEFORE THE COMMISSIONER OF INSURANCE**
COUNTY OF WAKE	
REPUBLIC MORTGAGE INSURANCE COMPANY and REPUBLIC MORTGAGE INSURANCE COMPANY OF NORTH CAROLINA,	**NOTICE OF HEARING**
	Docket Number 1651 and Docket Number 1729
Petitioners,	
v.	
NORTH CAROLINA DEPARTMENT OF INSURANCE ,	
Respondent.	

TO: Kevin Henry
President and Chief Operating Officer
RMIC Companies, Inc.
Republic Mortgage Insurance Company
Republic Mortgage Insurance Company of North Carolina
101 N. Cherry Street, Suite 101
Winston-Salem, NC 27101

David W. Boone
M. Denise Stanford
Attorneys for the North Carolina Department of Insurance
North Carolina Department of Justice
P.O. Box 629
Raleigh, N.C. 27602-0629

I. NOTICE

Pursuant to North Carolina General Statutes §§ 58-30-25, 58-30-60, 58-30-62 and 11 NCAC 1.0413 through 11 NCAC 1.0430 and any other applicable statutes and regulations, NOTICE IS HEREBY GIVEN that a public administrative hearing will be convened before the Commissioner of Insurance, or before a Hearing Officer duly designated by him, on June 11, 2014 at 10:30 a.m. in the Jim Long hearing room (Room 3099) of the Dobbs Building located at 430 North Salisbury Street, Raleigh, North Carolina. The hearing may be subsequently moved to a more suitable room in the building.

The purpose of this hearing is to consider the Amended and Restated Corrective Plan ("Amended Plan") submitted to the Supervisor by Republic Mortgage Insurance Company ("RMIC") and Republic Mortgage Insurance Company of North Carolina ("RMIC-NC"), to determine whether the Final Order Approving Corrective Plan of RMIC dated November 28, 2012 and the Commissioner's Summary Order to RMIC-NC dated December 3, 2012 should be modified and extended, to determine whether the deferred payment obligation should be changed, and to determine whether the Amended Plan should be approved. A copy of the Amended Plan is attached hereto as Exhibit A.

II. NOTICE TO POLICYHOLDERS

1. RMIC is hereby ordered to give notice to its policyholders of this administrative hearing, including providing copies to policyholders of this Notice of Hearing and of Exhibit A on or before May 12, 2014. The hearing shall be open to the policyholders and to members of the public.

2. Parties to this hearing are the Supervisor, RMIC, and RMIC-NC. Motions to intervene are governed by 11 NCAC 1.0425.

III. HEARING PROCEDURE

1. At the hearing on June 11, 2014, RMIC and RMIC-NC, through their counsel, and the Supervisor will be given the opportunity to present evidence, examine and cross-examine witnesses, and present oral arguments. If the parties fail to do so, there will not be an opportunity to do so later.

2. RMIC, RMIC-NC, and any subsequently admitted parties are hereby notified that they are entitled to be represented by counsel at the hearing. A corporation must be represented by counsel pursuant to 11 N.C.A.C. 1.0427(e).

3. A continuance will only be granted for good cause shown as provided by 11 N.C.A.C. 1.0426.

4. Failure to appear at the hearing will not prevent the Commissioner from proceeding with the hearing and entering any order authorized by law.

This 6th day of May, 2014.

William K. Hale

William K. Hale
Hearing Officer
N.C. Department of Insurance

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served a copy of the foregoing NOTICE OF HEARING by mailing a copy of the same via certified U.S. mail, return receipt requested, in a first class postage prepaid envelope addressed as follows:

Joel H. Pasternak, Registered Agent
Republic Mortgage Insurance Company
Republic Mortgage Insurance Company of North Carolina
101 N. Cherry Street, Suite 101
Winston-Salem, N.C. 27101

Kevin Henry
President and Chief Operating Officer
RMIC Companies, Inc.
101 North Cherry Street
Winston-Salem, NC 27101-4013

D. Christopher Cash
Republic Mortgage Insurance Company
101 N. Cherry Street
Winston-Salem, NC 27101

This the 8th day of May, 2014.

M. Denise Stanford

M. Denise Stanford
Assistant Attorney General
N.C. State Bar Number 17601
N. C. Department of Justice
P.O. Box 629
Raleigh, NC 27602-0629
(919) 716-6610

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served a copy of the foregoing NOTICE OF ADMINISTRATIVE HEARING by mailing a copy of the same via first class U.S. mail, in a first class postage prepaid envelope addressed as follows:

A.C. Zucaro
Chairman and Chief Executive Officer
Old Republic International Corporation
307 North Michigan Avenue
Chicago, IL 60601

Spencer LeRoy III
Senior Vice President, General Counsel and Secretary
Old Republic International Corporation
307 North Michigan Avenue
Chicago, IL 60601

David Liggett
James Conner
Ragsdale Liggett, PLLC
2840 Plaza Place, Suite 400
Raleigh, NC 27612

Bill Barnett
Mitch Armbruster
Smith, Anderson, Blount, Dorsett, Mitchell & Jernigan, LLP
P.O. Box 2611
Raleigh, NC 27602-2611

John N. Ellison
Timothy P. Law
Reed Smith, LLP
2500 One Liberty Place
1650 Market Street
Philadelphia, PA 19103-7301

John Nichols
Executive Vice President and Chief Risk Officer
Fannie Mae
3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

Paige Wisdom
Executive Vice President and Chief Enterprise Risk Officer
Freddie Mac
P.O. Box 4180
Reston, VA 20190-1759

Gina Healy
Vice President-Special Asset Enterprise Risk Management
Freddie Mac
8000 Jones Branch Drive

McLean, VA 22102

Robert Schaefer
Vice President, Credit Enhancement Strategy and Management
3900 Wisconsin Avenue, NW
Washington, D.C. 20016-2892

Bradford Martin
Principal Advisor
Office of Conservatorship Operations
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Clay C. Wheeler
Kilpatrick Townsend & Stockton, LLP
4208 Six Forks Road, Suite 1400
Raleigh, NC 27609

Johnny M. Loper
Womble Carlyle Sandridge & Rice, LLP
150 Fayetteville Street, Suite 2100
P.O. Box 831
Raleigh, NC 27602

This the 8th day of May, 2014.

M. Denise Stanford

M. Denise Stanford
Assistant Attorney General
N.C. State Bar Number 17601
N. C. Department of Justice
P.O. Box 629
Raleigh, NC 27602-0629
(919) 716-6610

Exhibit A

Republic Mortgage Insurance Company

Republic Mortgage Insurance Company of North Carolina

AMENDED AND RESTATED CORRECTIVE PLAN

Submitted to the North Carolina Department of Insurance

April 16, 2014

Submitted by Republic Mortgage Insurance Company and Republic Mortgage Insurance Company of North Carolina (Subsidiaries of RMIC Companies, Inc.)

Preface

This Amended and Restated Corrective Plan ("Plan") is submitted to the North Carolina Department of Insurance ("NCDOI") pursuant to the provisions of Summary Orders issued by Commissioner Wayne Goodwin on January 19, 2012 and on December 3, 2012 (the "Summary Orders"), as modified by the Corrective Plan dated September 14, 2012 (the "2012 Plan") which was approved by Final Order dated November 28, 2012. The Summary Orders placed Republic Mortgage Insurance Company and Republic Mortgage Insurance Company of North Carolina, respectively ("RMIC", "RMICNC", or collectively, the "Companies") under administrative supervision in accordance with the provisions of N.C. Gen. Stat. Section 58-30-60. This Plan supersedes the 2012 Plan and proposes further modifications to the Summary Orders.

Pursuant to the 2012 Plan, RMIC and RMICNC have been authorized to run-off their in-force business under a NCDOI-supervised operating plan limiting all claim payments after January 19, 2012, to an initial 60% partial payment and deferring the balance as a claim reserve deferred payment obligation ("DPO"), to be paid at a future date as and when authorized by the NCDOI. As approved by the NCDOI the DPO claim reserves are considered in the determination of regulatory capital.

Based on improvements in the housing markets, employment levels and the economy in general, the Company's current statutory financial forecasts under a standard loss scenario indicate that with a certain capital contribution to RMIC and a permitted statutory accounting practice (as discussed below), RMIC would be statutorily solvent and in a position to pay off all outstanding DPOs and to pay all future valid settled claims without deferring any obligations. RMICNC, which is currently statutorily solvent, would likewise be able to pay off all of its outstanding DPOs and all future settled claims without any deferred payment obligations, while remaining statutorily solvent for the duration of the run-off.

Throughout the run-off process, the Companies will be obligated to keep the NCDOI fully informed of all material operational and financial matters and will adhere to regulatory directions including communications with other state regulators. The run-off will be conducted under the administrative supervision of the NCDOI to assure fair treatment of all insureds consistent with the terms of their policies. Meeting these obligations in a timely manner and without deferring any payment obligations is the prime objective of the Plan.

Executive Summary

The following is an Executive Summary of this Plan:

RMIC and RMICNC ceased to be in compliance with North Carolina's minimum policyholders position requirements in the third quarter of July 2010 and 2011, respectively. Furthermore, the Companies were transferred to the Alternative Market Divisions of the NCDOI in August 2011, entered into Voluntary Settlement Agreements in October, 2011, and ceased writing new business. They have been running off their business since then. RMIC and RMICNC have both operated under close oversight by the NCDOI since August, 2011.

Though designated as a corrective plan, this Plan is in fact a resolution plan to avoid insolvency and a receivership proceeding and to supervise the run-off in such fashion as to bring to conclusion the ultimate claims that will be paid from the insurance contracts issued by Companies. The overarching ultimate objective of this Plan is to settle fully all valid policyholder claims and recoveries by all beneficiaries of the Companies. The Companies believe they can best accomplish this by taking all necessary steps to enhance the value of their assets and minimize the costs of their operations.

The Companies believe that this Plan will further these objectives and create certainty for policyholders. A commercial run-off under administrative supervision such as contemplated by the Plan realizes several benefits and advantages over a formal receivership proceeding mandated for an insolvent company. These include the following:

- A commercial run-off managed by the existing management team will maintain efficient claims handling structures that will continue to satisfy all valid policyholder claims and avoid disruptions and inefficiencies.

- Because there is no guaranty fund coverage for the mortgage insurance industry, policyholders and creditors can only depend on the values of the Companies' assets and accumulated future assets to satisfy valid claims. The existing management team is well situated to produce the greatest total value.

- The existing management team has deep industry expertise and relationships with government sponsored enterprises ("GSEs"), customers and other stakeholders, allowing for the maximization of premium collections and support in loss mitigation.

- The cornerstone of the Companies' corporate culture is high employee morale and motivation, allowing it to retain key talent and quickly align performance and compensation with achievement of the Plan's objectives.

The proposed Plan is not without risk. Management acknowledges that there are uncertainties and other considerations which bear on the success of the Plan. Some of the assumptions used in the Plan's underlying forecasts are subject to significant business, economic, and regulatory uncertainties, as well as to other contingencies which may ultimately be beyond the control of the Companies or the NCDOI. The success of the Plan also depends on effective execution, the retention of key individuals at the Companies who understand and are loyal to the business, and continued regulatory and policyholder support.

The Essential Elements of the Corrective Plan

The essence of the Plan is fourfold: to restore RMIC's statutory solvency through an infusion of $100 million of surplus; to introduce a permitted practice allowing the inclusion of a amount equal to the statutory contingency reserve as a component of the policyholders surplus accounts of both Companies; to allow each of the Companies to repay their outstanding DPOs in full and to pay all future valid settled claims in their entirety without any deferring portion thereof; and to retain the existing NCDOI regulatory supervision of RMIC and RMICNC and requirements as set forth in the Summary Orders.

A commercial run-off, as contemplated under this Plan, realizes several benefits and advantages over a judicial receivership proceeding which can be the path chosen for a traditional property and casualty insurer. The proposed Plan affords certainty to policyholders, with no interruption of claim settlements, and the amount of the claim payment is known. The existing management team possesses institutional knowledge that is critical to delivering maximum value to the endeavor. With its continued leadership, timely, responsive, and cost-effective business decisions can be made, while the delays, uncertainties, inefficiencies and asset-depleting costs inherent in a judicial receivership can be avoided.

The Plan as designed has several distinctive advantages for the benefit of policyholders including the following elements:

- The Companies' direct and assumed business will be subject to full payment on all settled claims.

- The Companies will continue their and the industry's custom of making payment of loss claims to the known designated servicing company or mortgage lender.

- Both Companies will continue to be subject to the Summary Orders, and any modifications thereto by the NCDOI, and to the monitoring and close oversight by the latter. Any material operational changes or transactions will require NCDOI approval.

Financial Overview

The Companies' respective financial positions as of December 31, 2013 and March 31, 2014, as well as operating results for the most recent five years ended December 31, 2013 and for the three months ended March 31, 2014 are summarized below.

as of and for the period ended	RMIC (Statutory / $ in Millions)									
	Cash & Invested Assets		Admitted Assets		Loss & LAE Reserves		Statutory Capital (2)		Net Income (Loss)	
12/31/2007	$	1,733.0	$	1,811.4	$	501.8	$	1,186.6	$	(108.4)
12/31/2008		1,918.4		2,000.7		1,051.9		753.4		(428.9)
12/31/2009		2,006.0		2,098.5		1,428.5		557.6		(281.2)
12/31/2010		1,635.6		1,762.6		1,254.8		396.9		(162.5)
12/31/2011		1,220.7		1,397.2		1,267.5		40.5		(347.2)
12/31/2012 (1)		1,360.4		1,755.6		1,572.5		113.5		(214.6)
12/31/2013 (1)		1,320.1		1,932.8		1,460.1		424.1		104.5
03/31/2014 (1)	$	1,341.8	$	1,988.3	$	1,432.9	$	504.8	$	36.8

(1) Admitted Assets, Loss & LAE reserves and Statutory Capital reflect accumulated deferred payment amounts of $301.3, $553.2 and $605.9 million as of December 31, 2012, December 31, 2013 and March 31, 2014, respectively.

(2) Statutory capital is the sum of reported policyholders surplus and the statutory contingency reserve.

as of and for the period ended	RMIC of North Carolina (Statutory / $ in Millions)									
	Cash & Invested Assets		Admitted Assets		Loss & LAE Reserves		Statutory Capital (2)		Net Income (Loss)	
12/31/2007	$	578.0	$	618.8	$	132.6	$	444.0	$	10.1
12/31/2008		614.4		643.8		309.1		279.8		(159.8)
12/31/2009		670.8		697.2		504.1		143.4		(188.9)
12/31/2010		475.9		517.0		333.4		110.0		(32.2)
12/31/2011		380.9		441.9		321.5		66.2		(68.4)
12/31/2012 (1)		333.3		381.1		334.8		14.6		(63.8)
12/31/2013 (1)		303.9		391.0		287.9		81.3		20.4
03/31/2014 (1)	$	303.5	$	396.1	$	277.8	$	97.2	$	7.0

(1) Admitted Assets, Loss & LAE reserves and Statutory Capital reflect accumulated deferred payment amounts of $14.2, $62.2 and $71.9 million as of December 31, 2012, December 31, 2013 and March 31, 2014, respectively.

(2) Statutory capital is the sum of reported policyholders surplus and the statutory contingency reserve.

Based on the Companies' most recent standard loss scenario forecast, each is expected to realize positive net operating income for the remainder of the period through 2022. Based on the resolution plan outlined herein, which contemplates a full payment of all settled claims and introduction of the permitted practice noted above , the Companies' invested asset base will be sufficient to fully cover the accumulated reserves and DPO liability currently and 100% of all future settled claims.

The Companies, under the investment management of their affiliate, Old Republic Asset Management Corporation, have consistently maintained a conservatively managed, publicly traded portfolio of high quality and liquid assets. As of March 31, 2014, the Companies invested asset bases, by credit quality and maturity were as follows:

Republic Mortgage Insurance Company

	Credit quality & maturity schedule: Invested Assets as of March 31, 2014 *(in millions)*						
	1 year or less	Over 1 year thru 5 years	Over 5 years thru 10 years	Over 10 years thru 20 years	Over 20 years	Total	*% of total*
Bond Portfolio							
Class 1	$ 56	$ 76	$ 291	$ 1	$ -	$ 424	*32%*
Class 2	15	59	209	-	50	333	*25%*
Class 3	-	5	-	-	-	5	*0%*
Below Class 3	-	-	-	-	-	-	*0%*
	71	140	500	1	50	762	*57%*
Cash & Short-term	579	-	-	-	-	579	*43%*
Invested assets	$ 650	$ 140	$ 500	$ 1	$ 50	$ 1,341	*100%*
% of total	*48%*	*10%*	*37%*	*0%*	*4%*	*100%*	

Republic Mortgage Insurance Company of North Carolina

	Credit quality & maturity schedule: Invested Assets as of March 31, 2014 *(in millions)*						
	1 year or less	Over 1 year thru 5 years	Over 5 years thru 10 years	Over 10 years thru 20 years	Over 20 years	Total	*% of total*
Bond Portfolio							
Class 1	$ 11	$ 39	$ 52	$ -	$ -	$ 102	*34%*
Class 2	5	10	34	-	-	49	*16%*
Class 3	-	1	-	-	-	1	*0%*
Below Class 3	-	-	-	-	-	-	*0%*
	16	50	86	-	-	152	*50%*
Cash & Short-term	151	-	-	-	-	151	*50%*
Invested assets	$ 167	$ 50	$ 86	$ -	$ -	$ 303	*100%*
% of total	*55%*	*17%*	*28%*	*0%*	*0%*	*100%*	

Forecasts:

Updated financial forecasts for the period 2014- 2022, without the impact of the 40% deferred payment obligation as to all settled claims for RMIC and RMICNC have, as requested, been submitted confidentially to the NCDOI.

In developing the forecasts, the Companies utilize a proprietary model to evaluate the potential long-term performance of their books of business. Of necessity, the model takes into account actual premium and claim experience of prior periods, as well as a number of assumptions and judgments about future outcomes that are highly sensitive to a wide range of estimates. Many of these relate to matters over which the Companies have no control, including:

- The conflicted interests, as well as the mortgage servicing and foreclosure practices of a large number of insured lending institutions.
- General economic and industry specific trends and events.
- The evolving or future social and economic policies of the U.S. Government vis-a-vis such critical sectors as the banking, mortgage lending, and housing industries, as well as its policies for resolving the insolvencies and future role of Fannie Mae and Freddie Mac.

In general, the model utilizes observed premium persistency and paid loss development patterns to forecast future premiums and paid losses, on both a direct and net of reinsurance basis. Historical loss ratio trends are then considered when estimating the timing of future incurred losses.

The Companies' books of business are analyzed on a consolidated basis and then, for purposes of company-level forecasting, are subjected to the terms of existing captive and intercompany reinsurance contracts. Their pool business is analyzed separately and is likewise subjected to the existing intercompany quota share reinsurance agreement in order to allocate the consolidated underwriting results among the three mortgage insurers within the group.

Beyond the premium and loss forecasts, operating expenses are based solely on the costs necessary to implement and manage the run-off plan for the existing portfolio of insurance in force. The forecasted expense ratios for the Companies over the next six years are expected to be at or below historical levels, but rise in years 2018 through 2022 as the reduction in premium revenue becomes more pronounced.

Earnings on the invested asset base are assumed to remain roughly constant at an assumed long-term portfolio yield of 2.0%. Other than the gains recognized in the first quarter of 2014, the forecasts do not contemplate any realized investment gains or losses from securities trades.

In summary, the forecasts provided confidentially to the NCDOI by RMIC and RMICNC support the elimination of the 40% deferred payment plan and the full repayment of all accrued DPO obligations and full payment of all future settled claims.

Uncertainties: The Need to Continue Supervision:

While the forecasts indicate that all of the claim and reinsurance obligations can be paid in full, significant uncertainties continue to exist with respect to premium and loss development and in regards to the economic and legal climate in which the Companies currently operate.

More specifically, these risks and uncertainties include the following:

- *Risks associated with declines in premium persistency:* Premium projections are based on currently observed persistency patterns. Such patterns are subject to change during the run-off period. Should persistency levels decline from currently observed levels the amount of premium revenue earned in the future would likely be lower than the forecast.

  Persistency is generally affected by the level of interest rates and availability of mortgage credit. However, in recent years persistency has also been impacted by the significant increase in delinquent loans and claim settlements, and by government and other refinance and modification programs which could enable borrowers to refinance existing loans. Changes in home price trends, mortgage interest rates, availability of mortgage credit or introduction of new mortgage finance programs by mortgage lenders or by government agencies, would likely have an impact on realized persistency over the course of the run-off period.

- *Risk associated with changes in claim development patterns:* Future incurred losses have been projected on the basis of observed trends in paid loss development. In recent years, delays in foreclosure activity resulting from the unprecedented level of seriously delinquent loans, the various refinancing and loan modification programs that many of delinquent loans have been subjected to, the moratoriums that have been placed voluntarily or involuntarily on servicers of delinquent loans and delays inherent in jurisdictions where foreclosure cannot proceed without judicial intervention have extended the time frame in which loans proceed to claim. Development patterns have also been affected by the levels of coverage rescissions and claim denials. These factors, among others, have had a significant effect on historical claim development patterns. The risk exists that currently observed claim development patterns may not be indicative of ultimate loss development and therefore forecasted paid losses could be understated.

- *Risk of inadequate loss reserves:* The Companies establish reserves for loss and loss adjustment expenses based upon mortgage loans reported to be in default as well as estimates of those in default but not yet reported. Of necessity, the reserves are best estimates by management, taking into consideration its judgments and assumptions regarding the housing and mortgage markets, unemployment rates and economic trends in general. During the recent widespread, sustained economic downturn, loss reserve estimates became subject to greater uncertainty and volatility. The rate and severity of actual losses could prove to be greater than expected and require the Companies to effect material increases in their loss reserves. Depending upon the magnitude, such increases could have a materially adverse impact on the Companies' forecasts.

- *Risk related to arbitration and litigation:* A few policyholders or beneficiaries of the coverage who have experienced high rates of coverage rescissions have instituted or threatened to institute litigation or arbitration proceedings challenging RMIC's position on rescissions. Whether the current rates of rescission continue or decrease, it is possible that there may be further litigation or arbitral challenges to the

Companies' rescissions of coverage. If any of the challenges are successful, they could have a materially adverse effect on the Companies' projections. Even if such challenges are unsuccessful, the costs of addressing them may not be inconsequential.

Given the risks associated with the uncertainties outlined above and the impact they could have, the Companies nonetheless believe that the proposed recalibration of the loss payments throughout the remainder of the run-off period and full repayment of the accrued DPOs is supported by the forecasts and sustainable.

The Corrective Plan

Corrective Plan Elements

The proposed Plan is a voluntary run-off plan and is not designed to bring the Companies into compliance with all of the applicable requirements in North Carolina Insurance Law which could allow them to re-qualify to underwrite mortgage guaranty insurance in North Carolina or any other state. The Companies do not intend to resume, in the foreseeable future, the underwriting of such business, therefore, what the Companies propose is instead a resolution plan that will best serve their existing policyholders in a voluntary, supervised run-off. Given the long-tailed nature of mortgage guaranty insurance, the resolution must encompass a long-term plan and one that can be adjusted from time to time, if need be, as economic conditions change. The Plan will satisfy the following six objectives for the benefit of policyholders:

1. Maximize the assets available by prudently managing expenses.

2. Maximize the assets available through an orderly run-off plan that will allow premium payments to continue to flow to the Companies, as well as amounts due from reinsurers.

3. Ensure that all valid claims of are paid fully and timely whenever the insured losses may occur during the life of an insured loan.

4. Conduct a run-off of the Companies' business in a responsible and professional manner by retaining key staff that can continue to service, administer and provide an accurate accounting for the remaining policies in-force.

5. Keep the Companies statutorily solvent in order to avoid the costs and delays of receivership proceedings that invariably sacrifice the interests of policyholders.

6. Provide for independent monitoring and oversight of the Plan by the NCDOI so that policyholders know that the above five objectives are being satisfied.

Details of the Corrective Plan

The substance of the Plan is to continue the run-off under the supervision of the NCDOI. RMIC's ultimate parent company would infuse $100 million of capital to restore RMIC's statutory solvency, which when taken in concert with the permitted practice described in greater detail below, would allow the Companies to pay off all outstanding DPOs and settle all valid future claims in cash without further deferrals.

In a manner consistent with the permitted practice currently observed in regards to the DPO, the NCDOI would permit the Companies to report as a credit to policyholders surplus of each Company an amount equal to the statutory contingency reserve required to be maintained during the run-off period such that Companies' reported policyholders surplus would be reflective of the total statutory capital available to satisfy future claim obligations.

The continuation of this approach will permit present and future assets to deliver maximum values to policyholders on all settled claims as they are incurred over time. The elements of the Plan cannot be evaluated in isolation or to the exclusion of this overriding objective. The following sets forth the essential elements of the Plan:

1. The run-off of RMIC's in-force direct policies of insurance will, subject to the Plan, continue in accordance with the terms and conditions of those policies. This provision will allow the continuing collection of the contract premium and the servicing of insurance on a seamless basis for the fair and equitable benefit of all policyholders.

2. RMIC's ultimate controlling parent company, Old Republic International Corporation ("ORI") will contribute $100 million in cash and securities to the surplus of RMIC in return for a Capital Contribution Note (subordinated surplus note) from RMIC. The terms and provisions of the note will be subject to the prior review and approval of the NCDOI.

3. The NCDOI would allow the Companies to apply the permitted practice described above with respect to the statutory contingency reserve for the duration of the supervised run-off, in accordance with the broad discretionary authority of the NCDOI Commissioner under N.C. Gen. Stat. §§58-30-60 and 58-30-62.

4. The Companies will be permitted to pay in full their respective outstanding DPO balances and will be permitted to pay all outstanding and future approved claims settlements in cash, without deferring the payment of any portion.

5. Barring any material adverse developments, the combination of items 2 and 3 above will permit both of the Companies to remain statutorily solvent throughout the run-off and to extinguish their DPO balances and avoid having to defer any future claims settlement payments. Their continued statutory solvency will permit the NCDOI to avoid having to initiate a formal, judicially

supervised rehabilitation or liquidation proceeding against either of the Companies.

6. As directed by the November 28, 2012 Final Order, the NCDOI may, in its discretion, consider allowing interest at a to-be-determined appropriate rate, on the DPO balances from the date of claim settlement to the payment date of the DPO, which interest would be paid from the surplus remaining in the Companies' respective policyholders' surplus accounts at the conclusion of their supervision and a successful execution of this Plan. Notice and an opportunity to be heard would first be provided to all interested parties.

7. Consistent with long term arrangements, it is proposed that all essential services and management continue to be provided by RMIC Corporation, an affiliate of the Companies, for the duration of the Plan.

8. The assistance of NCDOI is requested in order to maintain the certificates of authority to conduct business in good standing in the various states.

9. The Plan assumes that the NCDOI's supervisions, oversight and control will continue as set forth in the Summary Orders as modified by the Final Order of November 28, 2012 and this Plan. The Companies acknowledge that the NCDOI will continue to refine specific procedures and requirements with regards to the Plan as circumstances may warrant.

10. The Companies will not be required to recognize any assignment, transfer, hypothecation or similar transaction that may have occurred with respect to the DPO claim reserves to the payee of the original claim by any policyholder, trustee, servicing company or beneficiary of right, title or interest in the deferred payment obligation.

Explanation of Why the Proposed Corrective Plan is in Policyholders' Best Interests

The Companies believe that a supervised commercial run-off such as contemplated by the Plan realizes several distinctive benefits and advantages. These include the following:

- A commercial run-off serviced and managed for the duration of the Plan by RMIC Corporation's existing employees and management team will maintain efficient claims handling structures that will continue to satisfy all valid policyholder claims and avoid disruptions and inefficiencies.

- Because there is no guaranty fund coverage for the mortgage insurance industry, policyholders and creditors can only depend on the values of the Companies' assets and accumulated future assets to satisfy valid claims. RMIC Corporation's management team is well situated to produce the greatest value.

- The existing management team has deep industry expertise and relationships with government sponsored enterprises ("GSEs"), customers and other stakeholders, allowing for the maximization of premium collections and support in loss mitigation.

- The cornerstone of RMIC's Corporation's corporate culture is high employee morale and motivation, allowing it to retain key talent and quickly align performance and compensation with achievement of the Plan's objectives.

Run-off Priorities

As stated earlier, the Plan proposed by the Companies is not a plan to return them to full statutory compliance but instead a resolution or run-off plan to wind-up their policy obligations in an effective and efficient manner. This objective necessitates the establishment of the following priorities:

Priority 1 – Employee Retention

Through its employees and management team RMIC Corporation has run a very efficient business from an expense ratio standpoint. This has been helped in part by a long-term focus on utilizing a mix of full-time associates and contract employees to help manage the volume fluctuations in the business.

Since 2011, RMIC Corporation has undergone several major staff reductions in order to right-size the business for the existing market conditions and to ultimately position the Company for a successful run-off of the book. Prior to entering run-off in the summer of 2011 the business had 329 full-time associates. As of March 31, 2014 the Company employed 100 full-time associates.

Several steps have been taken to assure the retention and continued service of associates who are deemed most important to the run-off. As the run-off evolves, RMIC Corporation will continue to adjust staffing levels in relation to the amount of business remaining in-force.

- RMIC Corporation's first step in assuring continued employment has been to pay severance to all of the associates who have been terminated. The established severance package at RMIC Corporation allows for two weeks of salary for each year of service.

- The next step was to offer retention bonuses to key associates who will be of needed assistance in the run-off. RMIC Corporation believes that it is more efficient to retain existing staff with solid knowledge of its business than to attempt to attract new people to a run-off insurance operation in Winston-Salem.

- RMIC Corporation will strive to maintain a positive work environment to encourage tenure by the most qualified associates needed in a run-off operating mode.

Priority 2 – Leadership and Staffing

The management of the Companies in run-off operating mode is presented with unique human resource challenges:

- How to retain managers and staff with irreplaceable institutional knowledge.

- How to retain and motivate individuals in an environment that is uncertain except for the near certainty that many will eventually lose their jobs.

- How to attract and retain the best people as the run-off evolves.

- How to retain people with essential core competencies, especially when they will be required to do more with less support as the organization shrinks.

- How to retain senior management that will execute the run-off plan when they may have better opportunities available to them with an operating enterprise.

- How to create an organizational culture that is at once motivated and challenged by run-off operating mode that best serves policyholder interests.

As previously noted, the Companies believe that a combination of the existing severance plan and a reasonable retention plan for those associates most important to the run-off operating mode will contribute significantly to a stable employee base as circumstances develop. In spite of these initiatives, the Companies recognize that it will be a challenge to keep those associates necessary to effectuate a successful run-off. With this in mind, the Companies will continue to evaluate the qualifications of key associates within individual departments who can be capable of taking additional responsibilities in the event of departures of associates currently identified as most important to the run-off.

Priority 3 – Lender and Beneficiary Communication Efforts

The primary objective of the Plan is to satisfy all valid insurance obligations due to Companies' policyholders. As further discussed elsewhere herein, the Plan is subject to various risks and uncertainties that may require a substantial change to the Plan in the future. Such an alteration would of course require NCDOI approval and any necessary participation by the Companies' policyholders and any recommendations regarding possible modifications. For this to occur, policyholders will need to be kept informed on the progress of the Plan and its results.

For these reasons, and the simple fact that the Companies' policyholders will benefit from implementation of the Plan or any modifications thereto, the Companies intend to be openly transparent in their accountability to them.

The Companies have always maintained close lender and policyholder relationships. The significant relationships with Fannie Mae and Freddie Mac in particular are maintained in the Winston-Salem home office of the Companies through continuing associates in the most important areas of everyday operations. The Companies maintain a significant web presence that allows servicers to access such matters as claims status and updates of various issues impacting the servicing of their books of business. The Companies' website will continue to be the primary medium for communication and access to financial statements and any other pertinent news relative to the Plan.

Priority 4 – Run-Off Expertise

Since its inception, RMIC has been a growth oriented company focused on customer service, prudent risk management and shareholder value. Managing RMIC and RMICNC in a run-off operating mode is a challenge of the utmost importance. The Companies, their operating infrastructure and their existing group of associates have the necessary experience and institutional knowledge that is well suited to successfully execute the Plan. The Companies also have experience in running off the TICOR mortgage insurance book of business on a third-party basis during the 1990's. Several of the key associates from that TICOR run-off continue to be employed with RMIC Corporation.

Priority 5 – Alignment of Investment Portfolio

The Companies, under the investment management of its affiliate, Old Republic Asset Management Corporation will continue to manage, with the appropriate approvals from the NCDOI, the investment portfolio with a focus on high-quality liquid investments of a duration that matches fairly the timing of anticipated claims obligations.

Priority 6 – Reinsurance

Management and staff will continue to pursue all reinsurance ceded recoveries to which the Companies are entitled under various reinsurance arrangements. Any amendments, commutations or novations of RMIC's existing reinsurance contracts will be approved in advance by the NCDOI.

Priority 7 – Strategic Initiatives

The Companies are focusing on the following issues as key to the successful execution of the run-off plan:

- Assure the seamless operation and integrity of all of the systems that serve the policy servicing, claims, and financial accounting areas of the Companies.
- Maintain pro-active relationship with the key stakeholders in the process:
    - The North Carolina Department of Insurance (NCDOI).
    - Fannie Mae and Freddie Mac.
    - Large servicers of mortgages particularly those who hold significant numbers of insured loans in their mortgage portfolios.
    - Maintain key contacts with the government entities that are driving the modification activity on delinquent loans.
- Manage the current and prospective legal exposures to the best possible outcome for the Companies.
- Continue to pursue all possible modification opportunities on loans in the portfolio, particularly any new programs potentially related to principal reduction.
- Continue to aggressively enforce all of the rights under master policies particularly those related to misrepresentation and the servicers' obligation to help mitigate the insurers' loss.

Certain Considerations and Risk Factors

This document sets forth the Companies' proposal for a commercially feasible run-off designed to be in the best interests of their policyholders, claimants and other constituencies. The Plan complies with applicable laws and regulations. Without limiting the scope of its duties and responsibilities, the management of the Companies acknowledge that there are many uncertainties, including those associated with financial forecasts and other considerations which will bear on the success of the Plan. These risks include but are not limited to the following:

- The Plan and Financial Forecasts Involve Subjective Professional Judgments
- Improving Forecasted Results will Require Successful Execution on all Fronts
- The Plan's Success will Depend on Cost-Effectively Retaining and Adding Skill Sets to Management and Staff
- Continued Regulatory Support will be Critical to Success
- Further Adverse Development in the Housing and Mortgage Markets Could Cause Much Higher Losses than Any Forecasted to Date
- Litigation Risks Remain