

**NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA**

STATE OF NORTH CAROLINA

COUNTY OF WAKE

**REPUBLIC MORTGAGE INSURANCE
COMPANY and REPUBLIC MORTGAGE
INSURANCE COMPANY OF
NORTH CAROLINA,
Petitioners,**

v.

**NORTH CAROLINA DEPARTMENT
OF INSURANCE,
Respondent.**

**BEFORE THE COMMISSONER
OF INSURANCE**

**RESPONSE TO
NOTICE OF HEARING**

**Docket Number 1651
and
Docket Number 1729**

NOW COMES the Petitioners and, pursuant to the N.C. Gen. Stat. § 150B-38(d), and North Carolina Administrative Code, 11 N.C.A.C.1.0413 through 11 N.C.A.C. 1.0430, and other applicable statutes and regulations, responds to the Notice of Hearing in this matter as follows:

1. Based upon discussions between the Petitioners and the Supervisor, Regulatory Actions, the North Carolina Department of Insurance subsequent to the Notice of Hearing in this matter dated May 6, 2014, Petitioners wish to modify their proposed Amended and Restated Corrective Plan dated April 16, 2014 (the "Plan") in the following respects:
 - (a) Petitioners' ultimate controlling parent company, Old Republic International Corporation ("ORI"), will infuse the combined sum of \$125 million, rather than \$100 million, to the gross paid in and contributed surplus of Republic Mortgage Insurance Company ("RMIC"). The infusion will be in the form of \$75 million in cash and \$50 million in securities acceptable to the North Carolina Department of Insurance.

The references to a proposed surplus infusion of \$100 million, appearing under the caption *The Essential Elements of the Corrective Plan* on page 4 of the Plan and in item 2 under *Details of the Corrective Plan* on page 11, are modified to read instead, \$125 million. In return for the surplus contribution, RMIC will issue a Certificate of Contribution (or subordinated surplus note) substantially in the form appended hereto. The Certificate of Contribution will be issued to RMIC's immediate parent company, RMIC Companies, Inc.

(b) The references to a permitted statutory accounting practice with respect to Petitioners' statutory contingency reserves, appearing in the first unnumbered paragraph on page 4 of the Plan under *The Essential Elements of the Corrective Plan* and on page 11 in the unnumbered paragraphs and in item 3, are deleted and not to be considered as part of the Plan.

2. In all other respects the proposed Plan shall remain unchanged.

This the 30th day of May, 2014.

SMITH, ANDERSON, BLOUNT, DORSETT,
MITCHELL & JERNIGAN, L.L.P.

By: 

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*Attorneys for Petitioners Republic Mortgage
Insurance Company and Republic Mortgage
Insurance Company of North Carolina*

CERTIFICATE OF SERVICE

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

David W. Boone
M. Denise Stanford
North Carolina Department of Justice
P.O. Box 629
Raleigh, NC 27602-0629

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P.O. Box 831
Raleigh, NC 27602

This the 30th day of May, 2014.

SMITH, ANDERSON, BLOUNT, DORSETT,
MITCHELL & JERNIGAN, L.L.P.

By: 

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N.C. State Bar No. 26422
P.O. Box 2611
Raleigh, North Carolina 27602
(919) 821-1220
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*Attorneys for Petitioners Republic Mortgage
Insurance Company and Republic Mortgage
Insurance Company of North Carolina*

CERTIFICATE OF CONTRIBUTION

Certificate No. RMIC-003

THIS IS TO CERTIFY THAT **RMIC Companies, Inc.**, a Delaware Corporation (herein called "Contributor"), has advanced to **Republic Mortgage Insurance Company**, a North Carolina insurance corporation (hereinafter called "RMIC"), the sum of One Hundred Twenty-Five Million Dollars (\$125,000,000), in cash, lawful money of the United States and in debt securities issued by Old Republic General Insurance Group Incorporated, (hereinafter called the "Principal Sum").

I

This Certificate of Contribution is issued pursuant to the authority granted by the Commissioner of Insurance of the State of North Carolina, and is hereby designated "Certificate of Contribution No. RMIC-003.

II

The Principal Sum of this Certificate, for One Hundred Twenty-Five Million Dollars (\$125,000,000), shall, upon presentation for any partial payment, or upon complete surrender for cancellation in return for final payment in full, be payable by RMIC at its Home Office at 101 North Cherry Street, Winston-Salem, North Carolina 27101, only out of the excess of the admitted assets of RMIC over the sum of:

1. All liabilities (including, but not limited to claims, losses, reserves, reinsurance, policyholder dividends, production and administrative expenses, taxes, loans and advances), but excluding any amounts for or on account of any outstanding Certificates of Contribution, including this Certificate; and
2. An amount (of surplus) equal to the larger of (a) or (b) hereinafter:
 - (a) The amount required by the laws of North Carolina at the time of such repayment for the issuance of a Certificate of Authority to transact the classes of insurance which it is then transacting anywhere, or which it is authorized to transact in North Carolina, or the amount required by the laws of any other jurisdiction for the retention of its Certificate of Authority in that jurisdiction, whichever is the largest amount; or

- (b) The amount of minimum capital and surplus required by the Insurance Code of North Carolina of \$1,250,000 on a statutory basis.

III

The Principal sum of this Certificate shall not be payable in whole or in part, except upon approval of a majority of the Directors of RMIC made and recorded at a regular or special meeting; provided, however, that the Directors of RMIC shall be required to exercise such option and vote payment of such Principal Sum, either in whole or in part, whenever the condition of RMIC is such that it no longer reasonably requires the sum proposed to be paid upon the Principal Sum of this Certificate; provided, further, that in no event shall the principal sum be payable in whole or in part except upon approval in writing by the Commissioner of Insurance.

IV

(1) Interest at a variable rate equal to 450 basis points (4.50%) over the one month London Interbank Offering Rate (1 month LIBOR) not to exceed 850 basis points (8.50%), not compounded, shall be due and payable quarterly on March 31, June 30, September 30 and December 31 by RMIC, at its Home Office, upon the unpaid balance of the Principal Sum of this Certificate to the extent, and only to the extent, that the funds of RMIC exist on each such due date (a) to discharge all liabilities within the meaning of Paragraph II (1) hereinabove plus the amount of surplus required by the laws of any jurisdiction in which it is licensed to do business to retain unimpaired its Certificate of Authority there and (b) such amounts have been approved in writing by the Commissioner of Insurance. If no such funds in whole or in part exist on any such date, such interest for which no funds for payment exist shall not become due or payable but shall accrue and shall become due and payable when and to the extent such funds do come into existence thereafter and such amounts have been approved in writing by the Commissioner of Insurance. Any interest both due and payable by the terms of this paragraph shall create a cause of action in the Contributor and be a liability of RMIC.

(2) Subject to the approval in writing by the Commissioner of Insurance, RMIC reserves the right, at its option, to prepay the whole or a part of the principal sum of this Certificate, plus accrued interest thereon, at any time, by giving not less than 30 days prior written notice to the Contributor. Notwithstanding the foregoing, no partial prepayment of this Certificate shall be permitted unless it is in an amount not less than \$100,000.00. Prepayments shall be applied first to unpaid penalties, next to unpaid interest, and only then to the outstanding principal balance hereof.

V

The obligation evidenced by this Certificate shall not be a liability or claim against RMIC or its fund or assets at any time except to the extent that the Principal Sum hereof, in whole or in part, shall be due and payable in accordance with the provisions of Paragraphs II and III hereof and except to the extent that interest on this Certificate, in whole or in part, shall be due and payable in accordance with the provisions of Paragraph IV hereof. The Contributor shall have no right of offset for amounts due under this Certificate with regard to any reinsurance balances due or to become due or against any other obligations owed RMIC by Contributor.

VI

Should RMIC at any time discontinue the insurance business, then, after the payment or provisions for payment of all the obligations described in subdivision (1) of Paragraph II hereof, following the determination of such facts by the Commissioner of Insurance of the State of North Carolina, any remaining funds or assets of RMIC shall first be applied to the payment of any interest accrued hereon, then to the remaining unpaid balance of the Principal sum of this Certificate.

VII

Nothing in this Certificate of Contribution shall be construed to prevent the Board of Directors of RMIC from declaring and paying dividends or savings to policyholders in the manner and to the extent permitted by law.

VIII

It is understood and agreed that the Contributor has made the foregoing contribution upon the terms and conditions herein set forth, after having been furnished with a copy of the approval of the Commissioner of Insurance of the State of North Carolina authorizing the issuance of this Certificate and having read the same, and that this Certificate evidences the complete understanding and agreement between the Contributor and RMIC.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, RMIC has executed this Certificate at Winston-Salem, North Carolina, this _____ day of _____, 2014.

REPUBLIC MORTGAGE INSURANCE COMPANY

By: _____
President

And by: _____
Secretary

APPROVED AND ACCEPTED:

RMIC COMPANIES, INC.
(Contributor)

By: _____
President

And by: _____
Secretary