

NORTH CAROLINA DEPARTMENT OF INSURANCE

Raleigh, North Carolina

TO: Republic Mortgage Insurance Company
101 N. Cherry Street, Suite 101
Winston-Salem, NC 27101

COMMISSIONER'S SUMMARY ORDER

It appearing to the Commissioner of Insurance for the State of North Carolina (Commissioner) that Republic Mortgage Insurance Company ("RMIC") is subject to immediate administrative supervision pursuant to the provisions of N.C. Gen. Stat. §58-30-60 *et seq.* by the Commissioner because the Commissioner has reasonable cause to believe that RMIC is in such condition as to render the continuation of its business hazardous to the public or to holders of its policies or certificates of insurance. This opinion is based on the following findings of fact:

- (1) RMIC's September 30, 2011, quarterly statement reports a net loss of \$286,620,435 for the nine-month period ended September 30, 2011;
- (2) RMIC's September 30, 2011, quarterly statement reports that RMIC's capital and surplus has been reduced from \$224,629,011 as of December 31, 2010, to \$100,342,310 as of September 30, 2011, a decrease of 55%;
- (3) RMIC's Mortgage Guaranty Insurer Report of Policyholder's Position filed as of September 30, 2011, reports a deficiency of \$353,286,807 of the required minimum pursuant to N.C. Gen Stat. §58-10-125;

- (4) RMIC's September 30, 2011, quarterly statement reports that RMIC is out of compliance with the diversification requirements of N.C. Gen. Stat. §58-7-170(a) by \$61,932,934; and

It is THEREFORE ORDERED by the Commissioner that RMIC, effective January 19, 2012, be placed under the Commissioner's supervision pursuant to the provisions of N.C. Gen. Stat. §58-30-60(c) et seq. and that the Commissioner be vested with all authority to effect and apply the provisions of said statute.

IT IS FURTHER ORDERED that, during the period of supervision, RMIC shall not do any of the following acts without the prior written approval of the Commissioner or his appointed representative for supervision:

- (1) Dispose of, convey, or encumber any of its assets or its business in force;
- (2) Withdraw from any of its bank accounts (this condition shall be reevaluated once the supervisor has an opportunity to determine appropriate thresholds for the different types of withdrawals made by RMIC);
- (3) Lend any of its funds;
- (4) Invest any of its funds;
- (5) Transfer any of its property;
- (6) Incur any debt, obligation or liability;
- (7) Merge or consolidate with another company;
- (8) Enter into any new reinsurance contract or treaty;
- (9) Terminate any policy or contract of insurance, except for

- nonpayment of premiums due;
- (10) Make any material change in management;
 - (11) Increase salaries or benefits of officers or directors or make preferential payment of bonuses or other payments considered preferential; or
 - (12) Pay more than fifty percent of any claim allowed under any policy of insurance issued by RMIC. (The remaining fifty percent shall be deferred and credited to a temporary surplus account on the books of RMIC for an initial period not to exceed one year); or
 - (13) Make any other change in its operations that the Commissioner considers to be material.

The Commissioner's requirements to abate the determination as set forth in this Order are as follows:

- (1) Develop and implement a corrective plan designed to bring RMIC into compliance with all relevant and pertinent provisions of Chapter 58 of the North Carolina General Statutes;

IT IS FURTHER ORDERED that Sara K. Gosnell, Chief Regulatory Specialist for the North Carolina Department of Insurance, is appointed as supervisor of RMIC to carry out the provisions of this Order and Susan B. Coble, Senior Regulatory Specialist for the North Carolina Department of Insurance, is appointed as assistant supervisor of RMIC to act in the absence of the supervisor. The supervisor or her representatives shall conduct an examination of RMIC's operations and financial condition as the supervisor deems appropriate. The

administrative supervision of RMIC shall continue until the Commissioner shall release RMIC from supervision.

IT IS FURTHER ORDERED that the Commissioner hereby finds and concludes that it is in the best interest of the insurer, its insureds or creditors, and the general public that this Order, any proceeding arising out of this Order, any hearing conducted within such a proceeding, all evidence given at any hearing, and all notices pertaining to any hearing be made public after ten days from the date of this Order, and RMIC is hereby ordered to give notice of this Order to all of its policyholders ten days after the entry of this Order.

IT IS FURTHER ORDERED that an informal conference will be held, on Wednesday, February 22, 2012 at 10 o'clock A.M. in Room #3099 of the Dobbs Building, located at 430 North Salisbury Street, Raleigh, Wake County, North Carolina to resolve any disputes which may arise as to the terms or provisions of this Order or to narrow the issues as to any dispute, and RMIC is hereby ordered to give notice to its policyholders of such informal conference which shall be open to the policyholders and to members of the public.

Issued under my hand and seal this 19th day of January, 2012.



Wayne Goodwin
Wayne Goodwin
Commissioner of Insurance