



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

November 22, 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 (collectively, the “CMG Companies”) by Arch U.S. MI Holdings Inc. (“Applicant”)

Dear Mr. Petrillo:

The State of Wisconsin Office of the Commissioner of Insurance (the “OCI”) has completed its 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 which require additional 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 (but no later than December 4, 2013):**

1. Service Agreement (Exhibit G-1): Paragraph 7 of the Service Agreement between Arch U.S. MI Services, Inc. (“Service Corporation”) and the CMG mortgage insurance companies (collectively, the “Company”) states: “Company shall pay to Service Corporation as compensation for the services set forth in Paragraph 2... the costs incurred by Service Corporation in providing said services. In situations where the Service Corporation has incurred an expense on behalf of the Company, and such expense is already inclusive of a mark-up charged by an affiliate Service Corporation, such expense shall not bear any additional mark-up...”

With respect to the Service Agreement, we believe that services should be provided on an actual cost basis in Paragraph 7, at least by the Wisconsin-domiciled insurers. The profits of the Wisconsin-domiciled insurers can be distributed through the payment of ordinary dividends or through extraordinary dividends with regulatory review.

Please amend this agreement to provide that compensation paid by the Wisconsin-domiciled insurers will be paid on an actual cost basis.

2. Administrative Support Services Agreement (Exhibit G-2): Section 3 of the Administrative Support Services Agreement between Arch Capital Services, Inc. (“Arch Services”), Arch Capital Group Ltd. (“ACGL”) and other direct and indirect Arch Subsidiaries states that “ACGL and each Arch Subsidiary each agree to pay to Arch Services as compensation for services rendered to such party under this Agreement such arm’s-length amounts as such party and Arch Services shall agree to from time to time.”

With respect to the Administrative Support Services Agreement, we believe that services should be provided on an actual cost basis in Section 3, at least by the Wisconsin-domiciled insurers. The profits of the Wisconsin-domiciled insurers can be distributed through the payment of ordinary dividends or through extraordinary dividends with regulatory review.

Please amend this agreement to provide that compensation paid by the Wisconsin-domiciled insurers will be paid on an actual cost basis. Alternatively, perhaps there could be a separate agreement between Arch Capital Services, Inc. and the Wisconsin-domiciled insurers.

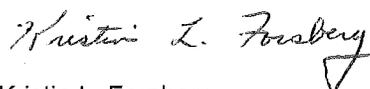
3. ARL Quota Share Reinsurance Agreement (Exhibit G-5): Section 15.02 of the ARL Quota Share Reinsurance Agreement between CMG MI and Arch Reinsurance Ltd. ("ARL") states that: "As the Reinsurer is not licensed or accredited in the Company's state of domicile, the Reinsurer shall establish and maintain security, at its sole expense, in the amount of the Required Balance in accordance with the remaining provisions of this Section 15.02 and in accordance with the applicable requirements of Wisconsin Insurance Regulation 3.09."

While we understand and appreciate the full variety of reinsurance security options listed in Section 15.02, it is OCI's expectation that the trust account option would be used under the already approved form of reinsurance trust agreement. If special circumstances arise, we would certainly discuss use of the other options with you.

Please confirm that the Applicant will use of the trust account option, under the already approved form of reinsurance trust agreement.

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

Sincerely,



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