

OCT 20 2011

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY 

In the Matter of)
)
 PMI REINSURANCE CO., PMI MORTGAGE)
 GUARANTY CO., and RESIDENTIAL)
 INSURANCE CO.)
 (NAIC No. 12917, 10670, 10741))
)
 Respondents.)
)

Docket No. 11A-136-INS

**NOTICE OF DETERMINATION,
ORDER FOR SUPERVISION
AND NOTICE OF APPEAL RIGHTS**

The Arizona Department of Insurance (the "Department") has received evidence that PMI Reinsurance Co. ("PRI"), PMI Mortgage Guaranty Co. ("PMG"), and Residential Insurance Co. ("RIC") are out of compliance with the provisions of Arizona Revised Statutes ("A.R.S.") Title 20, for the reasons set forth below, without limitation.

FINDINGS OF FACT

1. Respondents PRI, PMG, and RIC are Arizona domiciled insurers and presently hold certificates of authority issued by the Department to transact mortgage guaranty insurance.

2. PRI, PMG and RIC are all direct wholly-owned subsidiaries of The PMI Group, Inc. ("TPG"), a publicly-owned holding company, incorporated in Delaware and traded on the New York Stock Exchange. TPG is the ultimate parent of 11 mortgage guaranty insurers, six of which are Arizona-domiciled. PRI, PMG, and RIC are all reinsurer sister companies of PMI Mortgage Insurance Co ("PMI"), the main mortgage insurance operating entity in the TPG holding company system. PMI is under the Department's Supervision as of August 19, 2011 due to its hazardous financial condition.

1 4. Respondents shall cease making any interest payments or payments under
2 capital support agreements with affiliates or parent company effective immediately.

3 5. Pursuant to A.R.S. § 20-170, the Director hereby appoints Truitte D. Todd, of
4 Tharp and Associates, Inc. as Supervisor of the Respondents.

5 6. Pursuant to A.R.S. § 20-170, the Director orders that Respondents, during the
6 period of Supervision, may not do any of the following things without the prior approval of the
7 Director or her Supervisor:

- 8 a. Dispose of, convey or encumber any of its assets or its business in force;
- 9 b. Withdraw any of its bank accounts;
- 10 c. Lend any of its funds;
- 11 d. Invest any of its funds;
- 12 e. Transfer any of its property;
- 13 f. Incur any debt, obligation or liability;
- 14 g. Merge or consolidate with another company;
- 15 i. Pay any dividends;
- 16 j. Enter into any affiliate transactions; or
- 17 k. Terminate any contracts.

18 7. In order to abate the Director's determination Respondents PRI, PMG and RIC
19 shall provide the Department with a plan satisfactory to the Department that cures the
20 deficiencies noted in the Findings of Fact.

21 8. If Respondents' fail to satisfy the requirements to abate the Director's
22 determination with in sixty (60) days from the date hereof, the Director may take appropriate
23 action including but not limited to commencing a conservatorship pursuant to A.R.S. § 20-171.

1 hold the conference at our office within 15 days after we receive your written request. We will
2 have a person with the authority to act on behalf of the Department present. If we do not
3 settle the case, please note that you waive all objections to our representative participating in
4 the final administrative decision of your matter.

5 You must address your hearing request or informal settlement conference request to:

6 Deputy Director
7 Arizona Department of Insurance
8 2910 North 44th Street, Suite 210
9 Phoenix, Arizona 85018-7256
10 Attn: Hearing Administration

11 COPY of the foregoing mailed/delivered
12 this 20th day of October, 2011, to:

13 Andrew Cameron
14 EVP, General Counsel & Secretary
15 The PMI Group, Inc.
16 3003 Oak Road
17 Walnut Creek, CA 94597-2098

18 J. Michael Low
19 Charles R. Cohen
20 Low & Cohen, PLLC
21 2999 North 44th Street, Suite 550
22 Phoenix, AZ 85018

23 Truitte D. Todd
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