



NC DEPARTMENT
of **INSURANCE**
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

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I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused Republic Mortgage Insurance Group as of December 31, 2021 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 28th day of June, 2023.



Mike Causey
Commissioner of Insurance

Monique D. Smith, CPA, CFE
Deputy Commissioner
Financial Examination Division

Republic Mortgage Insurance Group

Winston-Salem, North Carolina

Multi-Entity Report on Examination

As of December 31, 2021

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May 16, 2023

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

**Republic Mortgage Guaranty Insurance Corporation (“RMGIC”)
Republic Mortgage Insurance Company (“RMIC”)**

(hereinafter referred to as the “Group”), at its main administrative and statutory home office located at 101 North Cherry Street, Suite 101, Winston-Salem, North Carolina 27101.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of each company within the Group. This examination covers the period from January 1, 2017, to December 31, 2021, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of RMIC and RMGIC was as of December 31, 2016.

The purpose of this examination is to review and evaluate the Group business processes and controls to assist in assessing and monitoring its current financial condition and prospective solvency. Pursuant to GS §58-2-132, this Report on Examination comprises only facts appearing in the books, records, or other documents of the Group (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

This was a multi-state coordinated financial examination of twenty-one (21) insurance company subsidiaries of Old Republic International Corporation (“ORI”). Pennsylvania served as the Lead State for this coordinated examination of ORI and North Carolina served as the Facilitating State for the Mortgage Insurance Subgroup which includes RMGIC, RMIC, and Republic Mortgage Assurance Corporation (“RMAC”). Florida was a Participating State in the Mortgage Insurance Subgroup.

We conducted our examination in accordance with standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Group, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and

evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Group were considered in accordance with the Handbook risk-focused surveillance process and the following key functional activities were identified:

Premiums
Claims Handling and Reserving
Reinsurance
Ceding and Assuming
Related Parties
Investments
Capital and Surplus

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with statutory accounting principles. This examination does not attest to the fair presentation of the financial statements included herein.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to the Group.

The Group's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. Trial balance reconciliations of the Annual Statements were performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Group's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from the Group's management.

The books and records of the Group are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). KPMG of Chicago, Illinois, the designated independent public accountant of the Group, issued an unmodified opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2021, for the companies within the Group.

REPORT ABBREVIATIONS

Annual Statement	“AS”
Board of Directors	“Board”
Financial Condition Examiners Handbook	“Handbook”
General Statutes of North Carolina	“GS”
Information Technology General Controls	“ITGCs”
Information Technology Planning Questionnaire	“ITPQ”
National Association of Insurance Commissioners	“NAIC”
North Carolina Department of Insurance	“Department”
Old Republic Asset Management Corporation	“ORAM”
Old Republic International Corporation	“ORI”
Republic Financial Indemnity Group, Inc	“RFIG”
RMIC Companies, Inc.	“RMICC”
RMIC Corporation	“RMIC Corp.”
“Group” includes the following companies:	
Republic Mortgage Insurance Company	“RMIC”
Republic Mortgage Guaranty Insurance Corporation	“RMGIC”
“Mortgage Insurance Subgroup” includes the following insurance companies:	
Republic Mortgage Insurance Company	“RMIC”
Republic Mortgage Guaranty Insurance Corporation	“RMGIC”
Republic Mortgage Assurance Company	“RMAC”

SUMMARY OF SIGNIFICANT FINDINGS

1. Comments, Recommendations and Directives

- a. The Group’s executed conflict of interest statements were not fully completed as some officers and directors did not properly indicate whether conflicts existed for each year under examination. Pursuant to North Carolina Administrative Code Title 11 Chapter 11C.0117, the Group is directed to execute conflict of interest forms annually and properly disclose if conflicts exist.

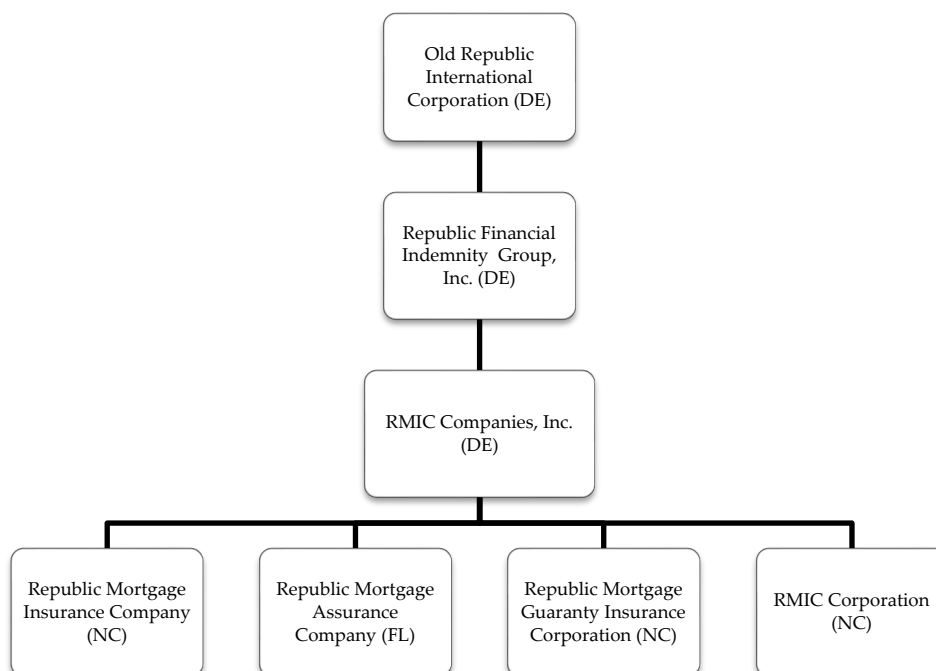
ORGANIZATIONAL STRUCTURE

The companies within the Group are part of an insurance holding company system as defined in GS § 58-19 and are wholly owned subsidiaries of RMIC Companies, Inc. (“RMICC”), a Delaware corporation. RMICC wholly owns 100% of all outstanding shares of the Group. RMICC is wholly owned by Republic Financial Indemnity Group, Inc. (“RFIG”). ORI is the ultimate parent and owns all of the outstanding

shares of RFIG. ORI is headquartered in Chicago, Illinois and all outstanding shares of ORI are owned by public investors.

ORGANIZATIONAL CHART

The 2021 AS Schedule Y for each of the companies within the Group contains a complete organizational chart. The following is a summarized organizational chart of the Group as of December 31, 2021:



INDIVIDUAL COMPANY HISTORY

RMGIC

RMGIC, formerly known as Republic Mortgage Insurance Company of North Carolina (“RMICNC”), was incorporated in the State of Maryland on March 13, 1973, as Mid Atlantic Mortgage Insurance, Inc. and commenced business on April 5, 1974. On December 10, 1976, Old Republic Mortgage Insurance Company acquired control of RMGIC. Subsequent to the acquisition, ownership was internally transferred within ORI and RMGIC became a wholly owned subsidiary of Old Republic Mortgage Guaranty Group, Inc. (“ORMGG”), an insurance holding company owned by ORI.

On June 14, 1977, the RMGIC changed its name to Old Republic Mortgage Assurance Company. Effective January 31, 1994, RMGIC re-domesticated to North Carolina and on May 4, 1994, changed its name to Republic Mortgage Insurance Company of North Carolina.

On March 21, 2012, ORI announced it was combining its Consumer Credit Indemnity division with its Mortgage Guaranty segment. The two operations offered similar insurance coverages, shared the same

senior management leadership, and had been operating in run-off mode since 2008 and 2011, respectively. RMGIC's license is restricted to No New Business. With this action, ORMGG was re-named RFIG and, in 2013, RFIG contributed the stock of RMGIC and RMIC Corporation ("RMIC Corp.") to RMICC, an insurance holding company domiciled in Delaware. RFIG wholly owns RMICC.

RMICC wholly owns RMIC, RMGIC, Republic Mortgage Assurance Company of Florida ("RMAC") and RMIC Corp. Effective July 3, 2017, RMICNC changed its name to RMGIC.

RMIC

RMIC was incorporated on December 7, 1972, under the laws of the State of North Carolina as a stock insurance company organized to write and issue mortgage guaranty policies. RMIC commenced business on March 26, 1973, with 500,000 shares of \$10 par value capital common stock authorized. To begin business, RMIC issued 100,000 shares of its common stock to RMIC Corp., at \$20 per share, providing RMIC with an initial capital and gross paid-in and contributed surplus of \$1.0 million each.

On February 14, 1980, control of RMIC was acquired by ORMGG. At the time of acquisition, RMIC had 139,750 shares outstanding, all of which were owned by RMIC Corp. On September 27, 1984, RMIC issued an additional 60,250 shares at par value to ORMGG, increasing its shares outstanding to 200,000 and paid-in capital to \$2.0 million.

On March 21, 2012, ORI announced it was combining its Consumer Credit Indemnity division with its Mortgage Guaranty segment. The two operations offered similar insurance coverages, shared the same senior management leadership, and had been operating in run-off mode since 2008 and 2011, respectively. RMIC's license is restricted to No New Business.

In June 2014, RMIC issued a surplus note for \$125 million to RMICC in exchange for \$75 million in cash and \$50 million in debt securities issued by an affiliate, Old Republic General Insurance Group. The \$50 million of debt securities has a maturity date of December 19, 2043, and interest is to be paid quarterly at a variable interest rate indexed to the one-month London Interbank Offering Rate ("LIBOR") plus 450 basis points. In June 2018, the Department approved RMIC to convert the \$125 million outstanding surplus note payable to RMICC to gross paid-in and contributed capital.

With this action, ORMGG was re-named RFIG and, in 2013, RFIG contributed the stock of RMIC and RMIC Corp. to RMICC. RFIG wholly owns RMICC.

CAPITAL STOCK

As of December 31, 2021, capitalization of the individual companies consisted of the following:

RMGIC

Description	Value
Number of authorized common capital shares	6,000,000
Number of shares issued and outstanding	2,500,000
Total common capital stock	\$2,500,000
Par value per share	\$1.00

No additional shares of RMGIC were issued during the period under examination. As of December 31, 2021, all outstanding shares of RMGIC were owned by RMICC. On December 31, 2021, RMGIC reported \$74.8 million in gross paid-in and contributed surplus and unassigned funds totaling (\$50.8) million.

RMIC

Description	Value
Number of authorized common capital shares	500,000
Number of shares issued and outstanding	250,000
Total common capital stock	\$2,500,000
Par value per share	\$10.00

No additional shares of RMIC were issued during the period under examination. As of December 31, 2021, all outstanding shares of RMIC were owned by RMICC. On December 31, 2021, RMIC reported \$118.1 million in gross paid-in and contributed surplus and unassigned funds totaling (\$28.7) million.

DIVIDENDS TO STOCKHOLDER

Dividends on common stock are paid as declared by the Board of Directors (“Board”) of the Group. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which the Group may pay to shareholders is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. Any amounts in excess of this are considered extraordinary.

RMIC paid extraordinary dividends to RMICC totaling \$88,000,000 and \$31,250,000 in 2021 and 2020, respectively. RMGIC paid extraordinary dividends to RMICC totaling \$12,000,000 and \$6,250,000 in 2021 and 2020, respectively.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

The companies within the Group have the same directors and principal officers. The companies occupy the same home office space and share accounting systems and personnel. All personnel are employees of RMIC.

Shareholders

The bylaws for each insurance company within the Group provide that an annual meeting of the shareholders be held at such time and place as the Board may appoint. Special meetings of the shareholders may be called at any time by the chairman of the Board or secretary or by any two members of the Board.

Board of Directors

The business of the Group is conducted by its management team and is subject to review by the Board. The bylaws for RMGIC and RMIC specify that the number of directors shall not be less than five (5) or more than nine (9). Directors are elected at the annual meeting of shareholders or by the written consent of the shareholders, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors as of December 31, 2021:

Name	Location	Principal Occupation
Kevin John Henry	Winston-Salem, NC	President & Chief Operating Officer – RMIC, RMGIC, and RMAC
Spencer LeRoy III	LaGrange, IL	Senior Vice President & General Counsel (retired) - ORI
Jimmy Allen Dew	Bermuda Run, NC	Director (retired) – ORI, RMIC, RMGIC and RMAC
Richard Scott Rager	Oak Brook, IL	President & Senior Vice President - ORI
Craig Richard Smiddy	Chicago, IL	Chief Executive Officer - ORI

The Board has the authority to establish committees and has appointed ORI's Executive and Audit Committees to act on behalf of the Group.

The following individuals served on committees for each company in the Group at December 31, 2021:

Executive Committee

Arnold Steiner
Craig Smiddy, Chair
Fredricka Taubitz
John Dixon
Spencer Leroy
Steven R. Walker

Audit Committee

Michael D. Kennedy
Barbara A. Adachi
Fredricka Taubitz, Chair
Charles J. Kovaleski
Steven R. Walker
Steven J. Bateman

Peter B. McNitt
Glenn W. Reed

Officers

The bylaws provide that the Board will elect the officers, which shall consist of a chairman of the Board, president, secretary, treasurer, and any other officers deemed necessary. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified. Any two offices may be held by the same person unless the certificate of incorporation or the bylaws otherwise provide.

The following individuals served as officers of each company in the Group as of December 31, 2021:

Name	Title
Kevin John Henry	President & Chief Operating Officer
Cynthia L. Lowe	Secretary & Assistant Vice President
Randy Lee Hollifield	Treasurer

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Group has established policies and procedures to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Group requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed that some of the conflict-of-interest statements were not fully completed to indicate whether there were conflicts. (Refer to the Summary of Significant Findings)

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. Based on our review, it appears that the minutes documented the Group's significant transactions and events, and that the directors approved these transactions and events.

The articles of incorporation and bylaws were reviewed for any changes during the period under examination. There have been no changes to the articles of incorporation or bylaws since the Department's last examination.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The 2021 AS Schedule E, Part 3 contains a complete description and listing of the statutory deposits by state for each company within the Group.

ACCOUNTS AND RECORDS

The Group's books and records are maintained at its main administrative office located at 101 North Cherry Street, Winston-Salem, North Carolina.

The Group utilizes information systems to establish service and maintain customer policies, as well as to gather and report financial data. The environment for internal controls over financial reporting is highly automated and includes application controls and system generated reports supporting its financial reporting functions. Significant applications are hosted on multiple servers at the data center located in Winston-Salem, North Carolina. The majority of the Group's financially significant applications are vendor supported but processed in-house.

INFORMATION TECHNOLOGY CONTROLS

The Pennsylvania Insurance Department performed a risk-based assessment and review of all the ORI's legal entities' Information Technology General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the ORI's ITGCs were derived from Exhibit C Part 1 - Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 – Information Technology Work Program (collectively, "Exhibit C").

The Group's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

The Department's objectives were to obtain reasonable assurance about whether:

1. The Group had a process in place to effectively identify, mitigate and manage its IT risks;
2. The Group's control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
3. The Group was complying with those policies and procedures.

The objectives above were achieved through a combination of reviewing the ORI's policies and procedures, testing in key areas related to Exhibit C, interviewing the ORI's IT management, reviewing IT risk assessment processes, and leveraging relevant risk assessment procedures performed by KPMG and the ORI's Corporate Audit Department.

Based upon the risk-based assessment and review, the Group's ITGCs were determined to be effective.

FIDELITY BONDS AND OTHER INSURANCE

The companies in the Group are named insureds under a fidelity bond, which provides ORI and its affiliates with coverage totaling \$40 million in aggregate and \$20 million per occurrence. The coverage exceeded the minimum amount of fidelity bond coverage recommended by the Handbook for ORI on a consolidated basis.

In addition, the Group is covered by various corporate property and liability policies issued to ORI, which appeared to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

The Group has no employees, and Group operations are conducted by RMICC pursuant to a related party management services agreement. With the exception of the RMIC and Affiliates Profit Sharing Plan, which the Group sponsors and administers, employee benefit plans are administered through the Group's ultimate parent, ORI.

RELATED PARTY AGREEMENTS

Pursuant to various agreements, services such as financial management, operational management, accounting, payroll, internal audit, human resources management, tax, legal, investment advisory, and data processing are provided by affiliates as follows:

The Group is included in a services and shared expenses agreement with RMIC Corp., effective January 1, 2001. Under this agreement, certain general services such as executive management, marketing, treasury, personnel, legal, accounting, finance, regulatory compliance, and other administrative support services are provided. Expenses are allocated among the affiliated companies based on estimated time and usage and intercompany balances are to be settled on a quarterly basis. Service fees incurred under this agreement totaled \$11,719,861 for RMIC and \$364,279 for RMGIC for the year ended December 31, 2021.

The Group has an investment counsel services agreement with Old Republic Asset Management Corporation (“ORAM”), effective July 1, 2012, whereby ORAM has the authority to manage, purchase, and sell securities in certain accounts in accordance with the Group’s investment policy. The Group pays ORAM an annual fee in quarterly installments based on the market value of all securities under ORAM’s supervision. Fees incurred under this agreement totaled \$121,314 for RMIC and \$39,578 for RMGIC in 2021.

The Group has a mortgage services agreement with RMIC Corp., effective January 1, 1998, whereby the Group outsources underwriting, quality control review, support, and staffing services to RMIC Corp. The contract underwriting revenues received by RMIC Corp. are to be remitted to the Group on a monthly basis. There were no fees incurred and no activity by the Group under this agreement during the examination period.

The Group is included in a consolidated federal income tax return in accordance with a federal income tax allocation agreement with ORI, effective December 31, 2004. The provisions for federal income tax are computed as if the Group were filing separate income tax returns. Benefits, which arise from tax credits and net operating losses, are allocated to the Group producing such results to the extent they are utilized in the consolidated income tax provisions. Intercompany tax balances are to be settled within 45 days after filing of the consolidated tax returns.

The Group is provided with certain legal and advisory services from Old Republic General Services due to its run-off status and centralized investments policy. The expenses incurred by RMIC totaled \$1,110 in 2021.

TERRITORY AND PLAN OF OPERATION

RMGIC

On December 31, 2021, RMGIC was licensed in the District of Columbia and all states except Illinois and Minnesota. RMGIC's license was restricted to No New Business Written or Assumed effective September 1, 2011, and entered into a Voluntary Settlement Agreement on October 12, 2011, consenting to cease writing. On November 9, 2017, in accordance with the Deferred Payment Obligation, RMGIC and RMIC issued payments of \$19.3 million to its policyholders related to discretionary investment income. As of December 8, 2017, RMGIC is no longer under supervision. RMGIC services the runoff of its existing business written in Missouri, New York, and Ohio.

RMGIC operates as a mono-line company providing only mortgage guaranty insurance on first lien mortgages primarily on residential properties incorporating one-to-four family dwelling units. Mortgage guaranty insurance protects mortgage lenders and investors from default-related losses on residential mortgage loans made primarily to homebuyers who make down payments of less than 20% of the home's purchase price. Master policies are issued to lenders and applications for coverage on individual loans submitted to RMGIC. RMGIC issues certificates of insurance under the terms of the master policy.

RMIC

On December 31, 2021, RMIC was licensed in the District of Columbia and all states except New York. RMIC's license was restricted to No New Business Written or Assumed effective September 1, 2011, and entered into a Voluntary Settlement Agreement on October 12, 2011, consenting to cease writing. On November 9, 2017, in accordance with the Deferred Payment Obligation, RMIC and RMGIC issued payments of \$19.3 million to its policyholders related to discretionary investment income. As of December 8, 2017, RMIC is no longer under supervision.

RMIC operates as a mono-line company providing only mortgage guaranty insurance on first lien mortgages primarily on residential properties incorporating one-to-four family dwelling units. Mortgage guaranty insurance protects mortgage lenders and investors from default-related losses on residential mortgage loans made primarily to homebuyers who make down payments of less than 20% of the home's purchase price. Master policies are issued to lenders and applications for coverage on individual loans submitted to RMIC. RMIC issues certificates of insurance under the terms of the master policy. RMIC services the runoff of its existing business written in their licensed states.

TRENDS OF THE COMPANIES

The data obtained from AS filed with the Department, as reflected in Appendix B, illustrates the trends of the companies within the Group for the five-year period ended December 31, 2021. (Refer to Appendix B)

ACTUARIAL OPINION

Every property and casualty insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-10-150 and GS § 58-10-155.

The statutory reserves and related items for 2021 were reviewed and certified by the Group's Appointed Actuary, Kevin G. Dickson, FCAS, MAAA of Old Republic General Services. Actuarial opinions regarding the Group's reserves for loss and loss adjustment expenses were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the Group for reasonableness and consistency of the loss and loss adjustment expense reserve. According to the actuarial opinions, the Group's reserve on the losses and loss adjustment expenses met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid loss and loss expense obligations of the Group.

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

RMGIC

Quota Share Contract

RMGIC has a quota share contract with RMIC effective July 1, 2009, whereby RMGIC cedes substantially all of its direct business written to RMIC. RMGIC ceded premiums totaling approximately \$870,000 to RMIC under this contract in 2021.

Excess of Loss Coverage

RMGIC has an excess of loss contract with RMAC effective November 1, 2010, whereby RMGIC retains the risk on the first 25% of the insured loan amount and cedes the risk in excess of 25% to RMAC. RMGIC did not cede premiums to RMAC in 2021.

RMIC

Excess of Loss Coverage

In accordance with the laws and regulations of certain states in which it insures business, RMIC retains, after consideration of the quota share reinsurance noted below, no more than 25% of the loan amount of loans insured on a direct or assumed basis, with the excess over 25% ceded to RMGIC under an excess of loss agreement effective July 1, 2009. In 2021, RMIC ceded premiums of approximately \$1,281,000 to RMGIC under this agreement.

Quota Share Coverage

RMIC has a quota share contract with RMAC, whereby RMIC cedes 1.5% of the unexpired net retained liability on all policies written on or after July 1, 1994. In 2021, RMIC ceded premiums totaling approximately \$466,000 to RMAC under this contract.

RMIC has a quota share contract with RMGIC effective January 1, 2008, whereby RMIC cedes 43.5% of its direct pool business written. In 2021, RMIC ceded premiums totaling approximately \$113,000 to RMGIC under this contract.

RMIC also has a quota share contract with RMGIC effective July 1, 2009, whereby RMIC cedes 11.5% of the unexpired net retained liability on all policies written and assumed. In 2021, RMIC ceded premiums totaling approximately \$3,519,000 to RMGIC under this contract.

REINSURANCE ASSUMED

Quota Share Coverage

RMGIC

RMGIC has a quota share contract with RMIC effective January 1, 2008, whereby RMGIC assumes 43.5% of the direct pool business written by RMIC. In 2021, RMGIC assumed premiums totaling \$113,000 under this contract.

RMGIC also has quota share contract with RMIC effective January 1, 2009, whereby RMGIC assumes 11.5% of the unexpired net retained liability on all policies written and assumed by RMIC. In 2021, RMGIC assumed premiums totaling \$3,519,000 from RMIC under this contract.

Excess of Loss Coverage

RMGIC has an excess of loss contract with RMIC effective July 1, 2009, whereby RMGIC assumes the excess risk over 25% (after taking into consideration the quota share contracts noted above) on all direct and assumed risks insured by RMIC with contractual coverage in excess of 25% of the insured loan amount. In 2021, RMGIC assumed premiums totaling approximately \$1,281,000 from RMIC under this contract.

RMIC

Under a quota share contract effective July 1, 2009, RMIC assumes substantially all of the direct business written by RMGIC. In 2021, RMIC assumed premiums of \$870,000 from RMGIC under this contract.

FINANCIAL STATEMENTS

The financial statements in the Appendix A are based on the statutory financial statements filed with the Department and present the financial condition of each company in the Group for the period ending December 31, 2021. The supporting tables and exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statement information related to the prior year is unexamined and is presented for comparative purposes only.

COMMENTS ON FINANCIAL STATEMENTS

Basis of Presentation and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Group are as follows:

Bonds: Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value. Bonds not backed by other loans are stated at amortized cost using the scientific method.

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

Common stocks: Carried at fair value except investments in stock of subsidiaries, which are carried at a value determined under the equity method.

Premiums: Insurance premiums, net of premiums ceded to reinsurers, are earned over the terms of the policies. The portion of direct premiums written applicable to the unexpired terms of the policies is recorded as unearned premium. Premiums are earned on a pro rata basis.

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are accounted for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported net of balances ceded to reinsurers. Uncollateralized amounts from unauthorized reinsurers are deducted directly from capital and surplus through a provision for unauthorized reinsurance. Changes to the provision are credited or charged directly to surplus.

Non-admitted assets: Certain assets, such as premiums over 90 days past due, excess of book value over market value for securities, prepaid expenses, furniture, equipment, electronic data processing equipment and software, and deferred tax assets, are "non-admitted" and are charged against surplus.

Unpaid loss & loss adjustment expense: Liabilities for estimated losses determined from case estimates based on the number of reported loan defaults and loss reports and amounts, based on experience, for losses

incurred but not reported. Estimated amounts of salvage and subrogation and reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets

RMGIC had the following assets that were not admitted at December 31, 2021: \$4,023 in prepaid expenses.

RMIC had the following assets that were not admitted at December 31, 2021: \$156,100 in furniture and equipment and \$22,996 in prepaid expenses.

Reinsurance Activity

The Group participates in various types of reinsurance contracts to minimize their exposure to losses. Reinsurance contracts do not relieve the companies of their primary obligation to policyholders, and failure of the reinsurers to discharge their obligations could result in losses to the companies.

Direct, assumed, and ceded premiums written and earned were as follows:

RMGIC

	2021	2020
Direct and assumed written	\$5,783,779	\$7,776,941
Ceded written	869,754	1,109,926
Net written	4,914,025	6,667,015
Direct and assumed earned	5,827,000	7,949,000
Ceded earned	872,000	1,120,000
Net earned	\$4,955,000	\$6,829,000

RMIC

	2021	2020
Direct and assumed written	\$32,462,321	\$44,286,912
Ceded written	5,378,870	7,288,409
Net written	27,083,451	36,998,503
Direct and assumed earned	32,683,000	45,129,000
Ceded earned	5,414,000	7,441,000
Net earned	\$27,269,000	\$37,688,000

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described in the Reinsurance Program Overview.

Summary of Reserves

The following provides a reconciliation of the reserves for losses and loss adjustment expenses:

RMGIC	2021	2020
Reserve for losses and loss adjustment expenses, beginning of year	\$23,830,150	\$22,345,565
Add:		
Provision for losses and loss adjustment expenses, current year	3,577,971	8,799,897
Change in estimated losses and loss adjustment expenses, prior years	(4,158,411)	(1,947,422)
Total incurred	(580,440)	6,852,475
Deduct:		
Losses and loss adjustment expenses paid, current year	42,952	179,753
Losses and loss adjustment expenses paid, prior year	2,787,219	5,188,137
Total paid	2,830,171	5,367,890
Reserve for losses and loss adjustment expenses, end of year	20,419,539	23,830,150
Increase (decrease) in reserve for losses and loss adjustment expenses	(\$3,410,611)	\$1,484,585

RMGIC reduced reserves by anticipated salvage and subrogation of approximately \$107,000 at December 31, 2021.

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under RMGIC's reinsurance contracts. At December 31, 2021, the liability for losses and loss adjustment expenses was reduced by approximately \$8,943,232 for amounts to be recovered from reinsurers.

RMIC	2021	2020
Reserve for losses and loss adjustment expenses, beginning of year	\$102,056,465	\$94,960,881
Add:		
Provision for losses and loss adjustment expenses, current year	15,553,593	39,374,541
Change in estimated losses and loss adjustment expenses, prior years	(16,680,386)	(9,693,749)
Total incurred	(1,126,793)	29,680,792
Deduct:		
Losses and loss adjustment expenses paid, current year	200,613	1,001,279
Losses and loss adjustment expenses paid, prior year	11,394,358	21,583,929
Total paid	11,594,971	22,585,208
Reserve for losses and loss adjustment expenses, end of year	89,334,701	102,056,465
Increase (decrease) in reserve for losses and loss adjustment expenses	(\$12,721,764)	\$7,095,584

RMIC reduced reserves by anticipated salvage and subrogation of approximately \$823,000 at December 31, 2021.

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under RMIC's reinsurance contracts. At December 31, 2021, the liability for losses and loss adjustment expenses was reduced by approximately \$21,956,746 for amounts to be recovered from reinsurers.

Capital and Surplus

The following, in conjunction with the Statutory Statement Capital and Surplus in Appendix A, represents the changes in capital and surplus since the Department's last examination as of December 31, 2016:

RMGIC	2020	2019	2018	2017
Capital and surplus, beginning of year	\$22,077,945	\$20,533,723	\$20,349,802	\$19,545,038
Capital and surplus increases (decreases):				
Net income(loss)	(441,756)	(7,509,458)	7,149,898	8,161,864
Change in net unrealized capital gain (loss)	(808,917)	3,499,079	(1,303,763)	1,357,491
Change in net deferred income tax	342,905	(31,513)	(98,199)	(269,269)
Change in non-admitted assets	6,546	4,354	(595)	3,919
Paid in surplus	(6,250,000)	-	-	-
Statutory contingency reserve	(3,414,580)	(4,418,240)	(5,563,420)	(8,449,241)
Early release of contingency reserve	6,250,000	10,000,000	-	-
Release of contingency reserve	4,462,000	-	-	-
Change in surplus as regards policyholders for the year	146,198	1,544,222	183,921	804,764
Capital and surplus, end of year	\$22,224,143	\$22,077,945	\$20,533,723	\$20,349,802

RMIC	2020	2019	2018	2017
Capital and surplus, beginning of year	\$90,559,142	\$52,141,054	\$49,956,356	\$51,206,417
Capital and surplus increases (decreases):				
Net income(loss)	2,309,913	(55,805,344)	37,529,169	42,154,220
Change in net unrealized capital gain(loss)	(3,188,916)	18,863,306	(3,894,750)	3,193,149
Change in net deferred income tax	1,291,675	(186,417)	(467,907)	(1,351,388)
Change in non-admitted assets	178,885	148,073	136,840	459,236
Change in surplus notes	-	-	(125,000,000)	-
Paid in surplus	(31,250,000)	-	125,000,000	-
Statutory contingency reserve	(18,844,037)	(24,601,530)	(31,118,654)	(45,705,278)
Early release of contingency reserve	31,250,000	-	-	-
Release of contingency reserve	16,489,000	100,000,000	-	-
Change in surplus as regards policyholders for the year	(1,763,480)	38,418,088	2,184,698	(1,250,061)
Capital and surplus, end of year	\$88,795,662	\$90,559,142	\$52,141,054	\$49,956,356

CONTINGENCIES AND COMMITMENTS

The Group disclosed various contingencies in its 2021 AS Notes to Financial Statements and accrues an estimated loss only if the loss is probable and reasonably estimable. The Group does not believe it probable that any of the actions disclosed will have a material adverse effect on its financial condition, results of operations, or cash flows. It is uncertain whether the Group's run-off status and limited capital will have an effect in the legal actions filed against the Group.

SUBSEQUENT EVENTS

During the first quarter of 2022, the Group divested all of its common stocks and reinvested most of the funds into bonds.

On March 3, 2022, RMIC and RMGIC paid extraordinary dividends to RMICC totaling \$27,500,000 and \$7,500,000, respectively.

On June 1, 2022, RMIC and RMGIC paid extraordinary dividends to RMICC totaling \$27,500,000 and \$7,500,000, respectively.

On July 31, 2022, Treasurer Randy Hollifield retired from the Group.

On September 1, 2022, RMIC and RMGIC paid extraordinary dividends to RMICC totaling \$27,500,000 and \$7,500,000, respectively.

On December 1, 2022, RMIC and RMGIC paid extraordinary dividends to RMICC totaling \$27,500,000 and \$7,500,000, respectively.

On January 23, 2023, RMIC and RMGIC declared dividends of \$20 million and \$5 million, respectively.

Republic Mortgage Insurance Group
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2021

Cindie Lowe, Secretary
101 North Cherry Street, Suite 101
Winston-Salem, North Carolina 27101

Kevin Henry, President
101 North Cherry Street, Suite 101
Winston-Salem, North Carolina 27101


CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that RMIC and RMGIC are in compliance with the capital and surplus requirements of GS § 58-7-75 and the policyholder position requirements of GS § 58-10-125, for the kind of insurance that the companies have been authorized to write. The companies are required to maintain the greater of \$1,250,000 minimum capital and surplus pursuant to GS § 58-7-75 or a minimum policyholder position of not less than one twenty-fifth of the insurer's aggregate insured risk outstanding pursuant to GS § 58-10-125(a) unless the Commissioner grants a waiver from the requirements of GS § 58-10-125(a).

The courteous cooperation and assistance extended by the officers and employees of the companies during the examination is hereby acknowledged.

Respectfully submitted,



Monique D. Smith, CPA, CFE
Deputy Commissioner
North Carolina Department of Insurance

May 16, 2023

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Keith Greene, Examination Supervisor, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this multi-entity report on examination, subscribed by him is true and correct to the best of his knowledge and belief.

Signature: Keith Greene Date: May 16, 2023

Sworn and subscribed before me this 16th day of May, 2023.

Notary Public Signature: Christine M Williams Notary Public Seal:



Republic Mortgage Insurance Group
Appendix A
December 31, 2021

2021 Statutory Statement of Admitted Assets

	RMIC	RMGIC
Bonds	\$222,051,863	\$58,477,381
Common stocks	146,832,419	32,577,927
Cash and short-term investments	22,192,884	3,421,318
Total cash and invested assets	391,077,166	94,476,626
Investment income due and accrued	1,633,981	362,799
Premiums and agents' balances in course of collection	1,008,396	956,820
Reinsurance recoverable	390,501	170,432
Receivable from parent, subsidiaries, and affiliates	4,514	-
Accounts receivable – other	95,649	242
Total admitted assets	\$394,210,207	\$95,966,919

2021 Statement of Liabilities, Surplus and Other Funds

	RMIC	RMGIC
Losses	\$88,232,054	\$20,266,160
Reinsurance payable on paid losses and loss adjustment expenses	170,432	361,437
Loss adjustment expenses	1,102,647	153,379
Other expenses	55,341	16,444
Taxes, licenses and fees	90,594	-
Current federal and foreign income taxes	934,810	231,401
Net deferred tax liability	8,044,766	2,040,328
Unearned premiums	188,740	39,176
Ceded reinsurance premiums payable	1,020,099	169,983
Remittances and items not allocated	18,648	-
Payable to parent, subsidiaries, and affiliates	857,400	74,553
Unclaimed checks	74,333	-
Statutory contingency reserve	201,510,484	46,065,129
Total liabilities	302,300,348	69,417,990
Common capital stock	2,500,000	2,500,000
Gross paid in and contributed surplus	118,077,430	74,817,874
Unassigned funds	(28,667,571)	(50,768,945)
Total capital and surplus or surplus as regards policyholders	91,909,859	26,548,929
Total liabilities, capital, and surplus	\$394,210,207	\$95,966,919

2021 Statutory Statement of Income

	RMIC	RMGIC
Underwriting Income (Loss)		
Premiums earned	\$27,269,158	\$4,955,051
Deductions		
Losses incurred	(2,156,341)	(730,458)
Loss adjustment expenses incurred	1,029,548	150,018
Other underwriting expenses incurred	11,349,786	1,170,995
Total underwriting deductions	10,222,993	590,555
Net underwriting gain (loss)	17,046,165	4,364,496
Investment Income		
Net investment income earned	9,021,243	2,082,121
Net realized capital gains	467,494	66,042
Net investment gain	9,488,737	2,148,163
Net income before dividends to policyholders	26,534,902	6,512,659
Federal income taxes incurred	4,973,877	1,215,374
Net Income	\$21,561,025	\$5,297,285

2021 Statutory Statement of Capital and Surplus

	RMIC	RMGIC
Capital and surplus, beginning of year	\$88,795,662	\$22,224,143
Capital and surplus increases(decreases):		
Net income	21,561,025	5,297,285
Change in net unrealized capital gains	17,331,090	4,563,727
Change in net deferred income tax	(287,899)	(60,370)
Change in non-admitted assets	144,560	1,670
Statutory contingency reserve	(13,634,579)	(2,477,526)
Release of contingency reserve	66,000,000	9,000,000
Surplus adjustments to paid-in capital	(88,000,000)	(12,000,000)
Change in capital and surplus as regards policyholders for the year	3,114,197	4,324,786
Capital and surplus, end of year	\$91,909,859	\$26,548,929

2021 Statutory Statement of Cash Flow

	RMIC	RMGIC
Cash From Operations		
Premiums collected net of reinsurance	\$27,083,560	\$5,218,750
Net investment income	12,175,459	2,662,261
Total	39,259,019	7,881,011
Benefit and loss related payments	10,164,469	3,058,806
Commissions, expenses paid and aggregate write-ins	12,436,383	1,313,769
Federal income taxes paid	2,644,448	691,244
Total	25,245,300	5,063,819
Net cash from operations	14,013,719	2,817,192
Cash Used By Investments		
Proceeds from investments sold, matured, or repaid	104,223,073	17,573,291
Cost of investments acquired	47,289,896	18,286,453
Net cash used by investments	56,933,176	(713,162)
Cash (Used By) From Financing and Miscellaneous Sources		
Capital paid in surplus, less treasury stock	(88,000,000)	(12,000,000)
Other cash (applied) provided	(445,875)	71,470
Net cash (used by) from financing and miscellaneous sources	(88,445,875)	(11,928,530)
Reconciliation of Cash and Short-Term Investments		
Net change in cash and short-term investments	(17,498,979)	(9,824,500)
Cash and short-term investments, beginning of year	39,691,863	13,245,818
Cash and short-term investments, end of year	\$22,192,884	\$3,421,318

Republic Mortgage Insurance Group
Appendix B
December 31, 2021

Trends of the Company

RMGIC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income(Loss)
2021	\$95,966,919	\$26,548,929	\$5,783,779	\$4,955,000	\$5,297,285
2020	100,326,943	22,224,143	7,776,941	6,829,000	(441,756)
2019	109,007,117	22,077,945	9,996,087	8,837,000	(7,509,458)
2018	122,901,324	20,533,723	12,525,157	11,127,000	7,149,898
2017	139,790,619	20,349,802	19,091,174	16,899,000	8,161,864

RMIC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2021	\$394,210,207	\$91,909,859	\$32,462,321	\$27,269,000	\$21,561,025
2020	451,420,828	88,795,662	44,286,912	37,688,000	2,309,913
2019	479,653,822	90,559,142	57,151,105	49,203,000	(55,805,344)
2018	549,942,301	52,141,054	72,261,282	62,237,000	37,529,169
2017	586,375,200	49,956,356	106,930,253	91,411,000	42,154,220