

REPORT ON EXAMINATION
OF
REPUBLIC MORTGAGE INSURANCE
COMPANY OF FLORIDA
TAMPA, FLORIDA
AS OF
DECEMBER 31, 2009

BY THE
OFFICE OF INSURANCE REGULATION

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TALLAHASSEE, FLORIDA

December 20, 2010

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, and Rule 69O-138.005, Florida Administrative Code and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2009, of the financial condition and corporate affairs of:

**REPUBLIC MORTGAGE INSURANCE COMPANY OF FLORIDA
1408 NORTH WESTSHORE BOULEVARD, SUITE 800
TAMPA, FLORIDA 33607**

Hereinafter referred to as, the "Company". Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2005, through December 31, 2009. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2004. This examination commenced with planning at the Office on July 5, 2010, to July 7, 2010. The fieldwork commenced on August 9, 2010, and concluded as of December 20, 2010.

This financial examination was a statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The Financial Condition Examiners Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

SUMMARY OF SIGNIFICANT FINDINGS

Current Exam Findings

There were no material findings or exceptions noted during the examination as of December 31, 2009.

Prior Exam Findings

There were no findings, exceptions or corrective action to be taken by the company for the examination as of December 31, 2004.

SUBSEQUENT EVENTS

Events subsequent to the Examination date of December 31, 2009 were reviewed and the following were noted:

In 2010, the Company changed their external auditor to KPMG LLP of 303 East Wacker Drive, Chicago, IL 60601-5212.

The Company requested, and the Florida Office of Insurance Regulation approved, a 2nd release of contingency reserve in the amount of \$7,000,000. This release was approved by the Office as of June 30, 2010.

HISTORY

General

The Company was incorporated in Florida on December 10, 1974, under the laws of the State of Florida, as a stock property and casualty insurer and commenced business on March 10, 1975. In 1980, the Company, along with its parent, became a part of the Old Republic International Corporation (ORIC), a Delaware insurance holding company system. On June 30, 1994, ownership of the Company was transferred from Republic Mortgage Insurance Company (RMIC) to its current parent Old Republic Mortgage Guaranty Group, Inc. (ORMGG), also a Delaware company, which is 100% owned by ORIC. In May 2009, the Office approved the insertion of a new holding company, ORI Mortgage Guaranty Holdings, Inc., a Delaware company, as the immediate parent and 100% owner of the Company.

The Company was authorized to transact mortgage guaranty business, in the State of Florida, on March 10, 1975. The Company does not write any direct business but serves as a reinsurer and assumes premiums from RMIC which is an affiliate.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2009:

Mortgage Guaranty

The Bylaws of the Company were amended effective February 1, 2009, to include the following: the directors shall be classified with respect to the time for which they shall severally hold office by dividing them equally, as the total number of directors will permit, into three classes. All directors shall hold office until their successors are elected and qualified. The directors of Class One shall be elected for a term expiring at the shareholders' annual meeting in 2009. The directors of Class

Two shall be elected for a term expiring at the shareholders' annual meeting in 2010. The directors of Class Three shall be elected for a term expiring at the shareholders' annual meeting in 2011. At each annual meeting, the successors to the class of directors whose terms then expire shall be elected to hold office for a term of three years, so that the term of office of only one class of directors shall expire in each year.

Dividends to Stockholders

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder in 2007, 2006 and 2005 in the amounts of \$350,000, \$800,000 and \$800,000, respectively.

Capital Stock and Capital Contributions

As of December 31, 2009, the Company's capitalization was as follows:

Number of authorized common capital shares	66,667
Number of shares issued and outstanding	66,667
Total common capital stock	\$2,533,346
Par value per share	\$38.00

Control of the Company was maintained by its parent, ORMGG, who owned 100% of the stock issued by the Company.

Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales Through Reinsurance

There were none during the examination period.

CORPORATE RECORDS

The recorded minutes of the shareholder, Board of Directors (Board), and various internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events in accordance with Section 607.1601, Florida Statutes, including the authorization of investments as required by Section 625.304, Florida Statutes.

Conflict of Interest

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

MANAGEMENT AND CONTROL

Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2009, were:

Directors

Name and Location

Principal Occupation

Harrington, Bischof
Barrington, Illinois

President/CEO Pandora Capital Corporation

Jimmy A. Dew
Bermuda Run, North Carolina

Vice Chairman of the BOD (RMIC)
Member of the Office of the CEO
Republic Mortgage Insurance Company

John M. Dixon Winnetka, Illinois	Retired
William A. Simpson Pfafftown, North Carolina	Chairman of the Board of Directors (RMIC) Member of the Office of the CEO (RMIC)
James A. Kellogg Brookfield, Wisconsin	President and COO (ORIC)
Christopher S. Nard Winston-Salem, North Carolina	President Member of the Office of the CEO (RMIC)
John W. Popp Columbia, South Carolina	Retired
Aldo C. Zucaro Barrington, Illinois	Chairman of the Board and CEO (ORIC)
Arnold Levy Steiner Birmingham, Alabama	Retired from Steiner Bank Director of Old Republic International
Leo Edward Knight, Jr. Freemont, Indiana	Retired
Fredricka Taubitz San Diego, California	Retired
Charles F. Titterton Pleasantville, New York	Retired
Dennis P. Van Mieghem Park Ridge, Illinois	Self-employed (Part Time)
Steven R. Walker Oakland, California	Senior Counsel Leland, Parachini, Steinberg, Metzger & Melnick

The Board in accordance with the Company's bylaws appointed the following senior officers:

Senior Officers

Name	Title
William A. Simpson	Chairman
Christopher S. Nard	President
D. Christopher Cash	Treasurer and Controller
Elizabeth C. Dixon	Secretary

The Company's Board appointed several internal committees in accordance with Section 607.0825, Florida Statutes. Following were the principal internal board committees and their members as of December 31, 2009:

Audit Committee

John W. Popp¹
Fredricka Taubitz
Leo E. Knight, Jr.
Charles F. Titterton
Dennis P. Van Mieghem

Compensation Committee

John M. Dixon¹
Dennis P. Van Mieghem
Harrington Bischof
John W. Popp
Arnold Levy Steiner
Fredricka Taubitz
Steven R. Walker

Executive Committee

William A. Simpson¹
James A. Kellogg
Harrington Bischof
Jimmy A. Dew
John M. Dixon
Christopher S. Nard
John W. Popp
Arnold Levy Steiner
Aldo C. Zucaro

¹ Chairman

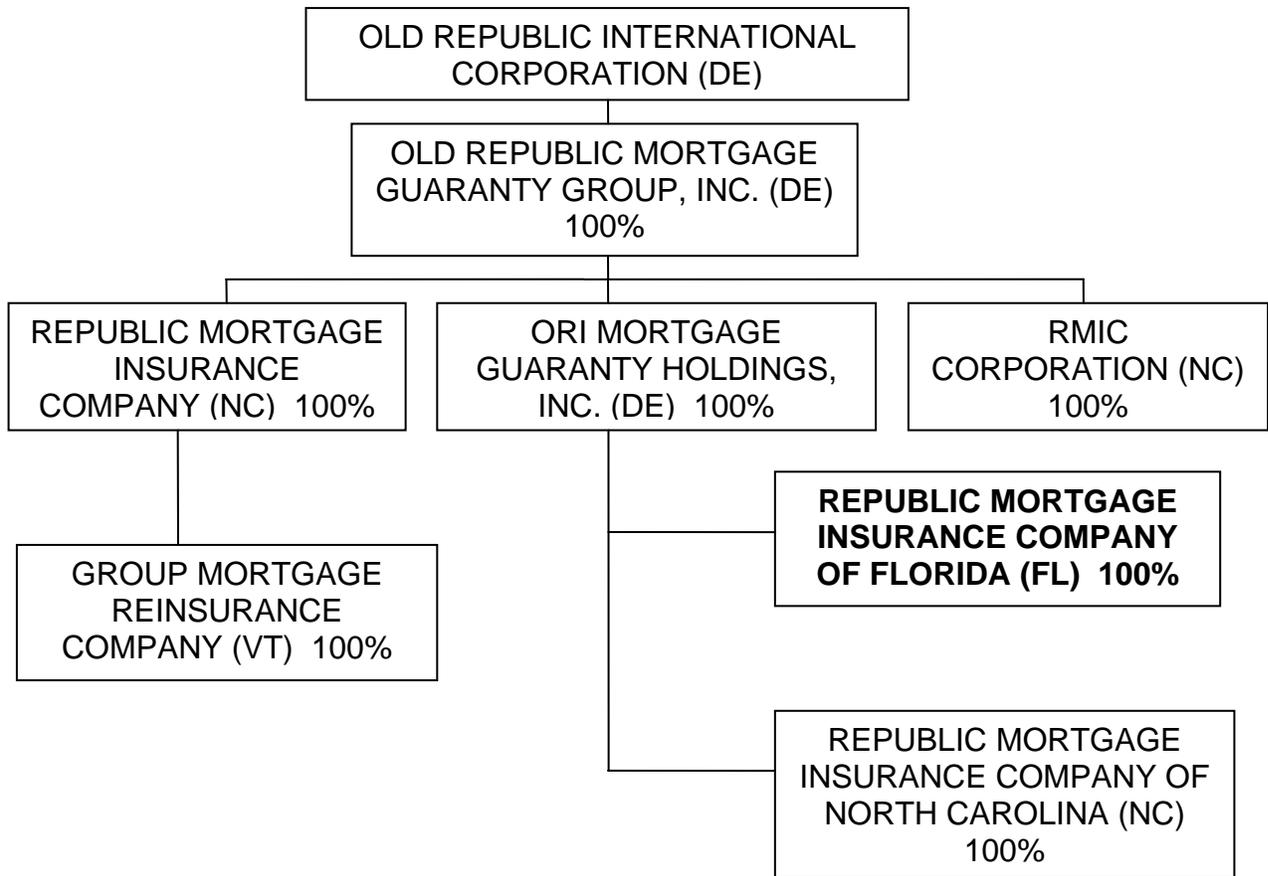
Affiliated Companies

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on May 28, 2010, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2009, reflecting the holding company system, is shown below. Schedule Y of the Company's 2009 annual statement provided a list of all related companies of the holding company group.

**Republic Mortgage Insurance Company of Florida
ORGANIZATIONAL CHART**

DECEMBER 31, 2009



The following agreements were in effect between the Company and its affiliates:

Quota Share Portfolio Reinsurance

The Company had a Quota Share Portfolio Reinsurance Agreement with RMIC, effective July 1, 1994, whereby the Company served primarily as a reinsurer for RMIC and did not write direct business. RMIC ceded 1.5% of their unexpired net retained liability on all policies, contracts, certificates, commitments, and endorsements classified as mortgage guaranty insurance. RMIC paid to the Company 1.5% of the net premiums received on Mortgage Guaranty business after the Effective Date. The Company allowed RMIC a ceding commission equal to 10% of the initial unearned premium reserves ceded plus 10% of the net premiums written and due to the Company. Quarterly statements were due to the Company on the 25th day of the month following Quarter end.

Tax Allocation Agreement

The Company filed a consolidated federal income tax return with its ultimate parent, ORIC, and its various other affiliates pursuant to a written tax allocation agreement. The method of allocation between the Company and its parent was computed on a separate return basis as if the affiliates were not consolidated.

Management Agreement

The Company had a management services agreement with RMIC Corporation, RMIC and Republic Mortgage Insurance Company of North Carolina. In accordance with the terms of the agreement, the companies agreed to provide certain management services as requested by each with costs allocated in a manner agreed in accordance with SSAP No. 70. Examples of management services included, but were not limited to, financial services, executive management,

marketing, treasury, personnel, legal, accounting and finance, regulatory compliance, and other administrative and support services as deemed necessary.

Old Republic Asset Management Investment Counsel Services Agreement

The Company executed an investment counsel services agreement with Old Republic Asset Management Corporation (ORAM). Services provided by ORAM included monitoring the value of the invested assets, advising the Company regarding the proper investment policy and preparing investment accounting statements for insurance regulatory purposes on a quarterly basis. ORAM also executed the purchase and sales of investments only under the written instructions of the Company. In consideration for the services rendered, the Company paid ORAM an annual fee in quarterly installments in accordance with terms listed in the agreement.

FIDELITY BOND

The Company operated solely as a reinsurer to their affiliate RMIC. The Holding Company (ORIC), including its subsidiaries maintained a fidelity bond up to \$40,000,000 with a deductible of \$500,000. The NAIC suggested amount of fidelity insurance for the Company is \$250,000. The company meets the NAIC's suggested minimum fidelity bond coverage.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company operated solely as a reinsurer for RMIC and had no employees.

TERRITORY AND PLAN OF OPERATIONS

As of December 31, 2009, the Company held certificates of authority (COA) in all states and the District of Columbia, except Minnesota, New York and Wyoming.

The Company did not write any direct premium; it only assumed premiums from RMIC.

COMPANY GROWTH

The Company assumes Mortgage Guaranty business in various sectors of the country. Economic conditions caused new business for the Company to decline, with no indication that this decline would reverse itself in the near future. Company management, at the parent company level, continued to work with lenders to develop strong lending practices in order to entice quality borrowers for Company growth.

Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of examination, as reported in the filed annual statements.

	2009	2008	2007	2006	2005
Premiums Earned	8,968,087	8,100,890	6,505,653	5,691,488	5,574,924
Net Underwriting Gain/(Loss)	(6,293,906)	(8,456,343)	(2,783,236)	2,256,032	2,745,656
Net Income	(4,692,712)	(6,905,692)	(1,268,754)	2,882,376	3,202,859
Total Assets	51,947,041	49,976,470	46,019,742	41,353,691	38,473,379
Total Liabilities	43,785,835	45,293,391	36,605,167	29,073,168	27,106,978
Surplus As Regards Policyholders	8,161,206	4,683,079	9,414,575	12,280,523	11,366,401

LOSS EXPERIENCE

The Company experienced a significant increase in losses during the past three years of the examination period. These losses were the result of regional economic conditions and rising foreclosure rates. These same conditions caused new business for the Company to also decline.

REINSURANCE

The reinsurance agreement reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

Assumed

The Company assumed risk on a quota share basis from RMIC as discussed under the heading Quota Share Portfolio Reinsurance in the affiliated agreement section of this report.

Ceded

The Company did not cede any risk.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Winston-Salem, North Carolina, where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statement annually for the years 2005, 2006, 2007, 2008 and 2009, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Company's accounting records were maintained on a computerized system. The Company provided web-based portals for mortgage lenders to submit coverage. The Company also utilized third-party systems for pricing and compliance with secondary market underwriting (Fannie Mae and Freddie Mac).

The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

The following agreement was in effect between the Company and non-affiliates:

Custodial Agreement – Northern Trust Bank of Florida

The Company executed a custodial agreement with Northern Trust Bank of Florida with the latest addendum to the agreement signed December 11, 2003. The agreement was in compliance with Rule 69O-143.042, Florida Administrative Code.

Information Technology Report

Tracy Gates, CISA and Principal of Highland Clark, LLC, performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes and with various state officials as required or permitted by law:

State	Description	Par Value	Market Value
FL	USTN 5.00%, 8/15/2011	200,000	213,250
FL	USTN 4.75%, 8/15/2017	700,000	759,556
FL	USTN 5.75%, 8/15/2010	600,000	619,992
FL	USTN 5.00%, 2/15/2011	200,000	209,600
	TOTAL FLORIDA DEPOSITS	\$1,700,000	\$1,802,398
GA	USTN 7.250%, 5/15/2016	30,000	37,137
IN	USTN 5.00%, 2/15/2011	125,000	131,001
MA	USTN 4.750%, 8/15/2017	500,000	542,540
NC	USTN 5.750%, 8/15/2010	50,000	53,017
NC	USTN 5.00%, 8/15/2011	150,000	158,587
NH	USTN 4.375%, 8/15/2012	500,000	537,930
NM	USTN 4.250%, 8/15/2014	110,000	118,670
NV	USTN 5.750%, 8/15/2010	225,000	232,497
OK	USTN 4.375%, 8/15/2012	220,000	236,689
OK	USTN 5.750%, 8/15/2010	125,000	129,165
OR	USTN 5.00%, 8/15/2011	515,000	549,119
RI	USTN 5.750, 8/15/2010	100,000	103,332
SC	USTN 7.250%, 5/15/2016	150,000	185,684
VA	USTN 7.250%, 5/15/2016	220,000	272,336
	TOTAL OTHER DEPOSITS	\$3,020,000	\$3,287,704
	TOTAL SPECIAL DEPOSITS	\$4,720,000	\$5,090,102

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2009, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

REPUBLIC MORTGAGE INSURANCE COMPANY OF FLORIDA
Assets

DECEMBER 31, 2009

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 39,258,342		\$ 39,258,342
Cash	8,215,045		8,215,045
Investment Income due and accrued	524,211		524,211
Premiums and considerations:			
Uncollected premiums	1,633,536		1,633,536
Current federal and foreign income ta	2,140,117		2,140,117
Taxes:			
Net deferred tax asset	175,790		175,790
Total	\$ 51,947,041	\$ -	\$ 51,947,041

REPUBLIC MORTGAGE INSURANCE COMPANY OF FLORIDA
Liabilities, Surplus and Other Funds

DECEMBER 31, 2009

	Per Company	Examination Adjustments	Per Examination
Losses	\$ 24,020,612		\$ 24,020,612
Reinsurance payable on paid losses	2,121,823		2,121,823
Loss adjustment expenses	784,885		784,885
Other expenses	26,667		26,667
Taxes, licenses and fees	4,275		4,275
Unearned premiums	988,856		988,856
Payable to parent, subsidiaries and affiliates	25,333		25,333
Aggregate write-ins for liabilities	15,813,384		15,813,384
Total liabilities	\$ 43,785,835		\$ 43,785,835
Common capital stock	\$ 2,533,346		\$ 2,533,346
Gross paid in and contributed surplus	286,659		286,659
Unassigned funds (surplus)	5,341,201		5,341,201
Surplus as regards policyholders	\$ 8,161,206		\$ 8,161,206
Totals	\$ 51,947,041	\$ -	\$ 51,947,041

REPUBLIC MORTGAGE INSURANCE COMPANY OF FLORIDA
Statement of Income

DECEMBER 31, 2009

UNDERWRITING INCOME

Premiums earned		\$	8,968,087
	Deductions		
Losses incurred			13,252,975
Loss adjustment expenses incurred			874,801
Other underwriting expenses incurred			1,134,217
Total underwriting deductions		\$	<u>15,261,993</u>
Net underwriting gain (loss)		\$	(6,293,906)

INVESTMENT INCOME

Net investment income earned		\$	1,596,642
Net realized capital gains			(16,747)
Total investment income (loss)		\$	<u>1,579,895</u>

OTHER INCOME

Net income before dividends to policyholders		\$	(4,714,011)
Dividends to policyholders			-
Net income after dividends to policyholders		\$	<u>(4,714,011)</u>
Federal and foreign income taxes incurred			(21,299)
Net income		\$	<u><u>(4,692,712)</u></u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders December 31 prior year		\$	4,683,079
Net income		\$	(4,692,712)
Change in deferred income tax			80,841
Change in non-admitted assets			(60,958)
Aggregate write-ins for gains and losses in surplus			8,150,956
Change in Surplus as regards policyholders		\$	<u>3,478,127</u>
Surplus as regards policyholders December 31 current year		\$	<u><u>8,161,206</u></u>

A comparative analysis of changes in surplus is shown below.

**REPUBLIC MORTGAGE INSURANCE COMPANY OF FLORIDA
Comparative Analysis of Changes In Surplus**

DECEMBER 31, 2009

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders December 31, 2009, per Annual Statement		\$ 8,161,206			
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">PER COMPANY</td> <td style="width: 33%; text-align: center;">PER EXAM</td> <td style="width: 34%; text-align: center;">INCREASE (DECREASE) IN SURPLUS</td> </tr> </table>	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS		
PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS			
ASSETS:		No Adjustment			
LIABILITIES:		No Adjustment			
Net Change in Surplus:		0			
Surplus as regards policyholders December 31, 2009 per Examination		\$ 8,161,206			

COMMENTS ON FINANCIAL STATEMENTS

Losses and Loss Adjustment Expenses

\$24,805,497

An outside actuarial firm appointed by the Board rendered an opinion that the amounts carried in the balance sheet as of December 31, 2009, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The examination actuary, Dennis R. Henry, FCAS, MAAA of The Actuarial Advantage, Inc., after reviewing work papers provided by the Company and the outside actuary, determined that the results of the outside actuarial firm's review fell within a reasonable range and therefore, that Company reserves were considered reasonable for the 2009 period.

Capital and Surplus

The amount reported by the Company of \$8,161,206, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Republic Mortgage Insurance Company of Florida**, as of December 31, 2009, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$8,161,206, which exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Sheri Kenney, CFE, Examiner-in-Charge and Brad Hazelwood, Participating Examiner, of Highland Clark, LLC, Dennis Henry, FCAS, MAAA, examination actuary of The Actuarial Advantage, and Tracy Gates, CISA, of Highland Clark, LLC participated in the examination.

Respectfully submitted,

Kethessa Carpenter, CPA
Financial Examiner/Analyst Supervisor
Florida Office of Insurance Regulation