



**EXAMINATION REPORT  
OF  
REPUBLIC MORTGAGE INSURANCE COMPANY  
OF FLORIDA  
(NKA REPUBLIC MORTGAGE ASSURANCE  
COMPANY)**

**NAIC Company Code: 32174**

**Tampa, Florida  
as of  
December 31, 2016**

**BY THE  
FLORIDA  
OFFICE OF INSURANCE REGULATION**

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September 20, 2017

David Altmaier  
Commissioner  
Office of Insurance Regulation  
State of Florida  
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, 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, 2016, of the financial condition and corporate affairs of

**Republic Mortgage Insurance Company of Florida**  
**(NKA Republic Mortgage Assurance Company)**  
1410 North Westshore Blvd., 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, 2013 through December 31, 2016 and commenced with planning at the Florida Office of Insurance Regulation (Office) on March 21, 2017 to March 23, 2017. The fieldwork commenced on March 27, 2017 and concluded as of September 20, 2017. The Company's last full scope examination by representatives of the Office covered the period of January 1, 2010 through December 31, 2012.

The examination was a coordinated multi-state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (Handbook). The Handbook requires that the examination be planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, 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. This was a multi-state coordinated financial examination of twenty-two insurance company subsidiaries of Old Republic International Holding Group, collectively known as the Old Republic International ("ORI"). North Carolina served as the Facilitating State, and the State of Florida was a Participating State, for the Mortgage Subgroup. The Lead State for the ORI examination is the Pennsylvania Insurance Department. Other states that participated in this examination are as follows: California, Delaware, Illinois, Nebraska, Texas, Wisconsin, and North Carolina.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statements of Statutory Accounting Principles (SSAP).

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Current Examination Findings**

There were no material findings or exceptions noted during the examination as of December 31, 2016.

### **Previous Examination Findings**

There were no findings, exceptions, or corrective action to be taken by the Company for the examination as of December 31, 2012.

## **COMPANY HISTORY**

### **General**

The Company was incorporated in Florida on December 16, 1974 and commenced business on March 10, 1975.

The Company provides mortgage guaranty insurance, which protects the investors if a borrower defaults on a first lien mortgage note, and serves primarily as a reinsurer for its affiliates, Republic Mortgage Insurance Company ("RMIC") and Republic Mortgage Insurance Company of North Carolina ("RMICNC") (NKA Republic Mortgage Guaranty Insurance Corporation). The Company's current operations are limited solely to reinsurance which is assumed under quota share and excess of loss contracts with its affiliates.

During 2011, RMIC and RMICNC discontinued writing new business and were limited to servicing the run-off of their existing business. RMIC and RMICNC were placed under administrative supervision by the North Carolina Department of Insurance ("NCDOI") the following year and were ultimately ordered to defer the payment of forty percent (40%) of all settled claims as deferred payment obligations ("DPO").

On June 27, 2014, the NCDOI issued a Final Order approving an Amended and Restated Corrective Plan (the "Amended Plan") submitted jointly by RMIC and RMICNC. Under the Amended Plan, RMIC and RMICNC were authorized to pay one hundred percent (100%) of their

DPOs accrued as of June 30, 2014, and to settle all subsequent valid claims entirely in cash, without establishing any DPOs. RMIC and RMICNC remain under the supervision of the NCDOL as they continue to operate in run-off mode. Neither the run-off status nor the supervision of RMIC and RMICNC affect the Company's contractual obligations under existing reinsurance contracts.

### **Dividends**

The Company did not declare or pay any dividends during the period of this examination.

### **Capital Stock and Capital Contributions**

As of December 31, 2016, 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

### **Surplus Notes**

The Company did not have any surplus notes during the period of this examination.

### **Acquisitions, Mergers, Disposals, Dissolutions**

The Company had no acquisitions, mergers, disposals, or dissolutions during the period of this examination.

## **MANAGEMENT AND CONTROL**

### **Corporate Governance**

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2016 are shown on the following page.

## **Directors**

<b>Name</b>	<b>City, State</b>	<b>Principal Occupation, Company Name</b>
Aldo Charles Zucaro <sup>(1)</sup>	Sarasota, Florida	Chairman & Chief Executive Officer, Old Republic International Corporation
Jimmy Allen Dew	Bermuda Run, North Carolina	Director, Old Republic International Corporation
Kevin John Henry	Lewisville, North Carolina	President & Chief Operating Officer, Republic Mortgage Insurance Companies, Inc.
Spencer Leroy III	Western Springs, Illinois	Director, Old Republic International Corporation
Richard Scott Rager	Oak Brook, Illinois	Senior Vice President, Old Republic International Corporation

<sup>(1)</sup> Chairperson

In accordance with the Company's bylaws, the Board appointed the following Senior Officers:

## **Senior Officers**

<b>Name</b>	<b>City, State</b>	<b>Title</b>
Kevin John Henry	Lewisville, North Carolina	President & Chief Operating Officer
Crystal Elliott Martin	King, North Carolina	Secretary & Assistant Vice President
David Christopher Cash	Winston-Salem, North Carolina	Vice President & Chief Financial Officer
Gloria Gaynell Huntsman	Fancy Gap, Virginia	Treasurer
Michele Doss Nuckles	Winston-Salem, North Carolina	Vice President
Cynthia Linville Lowe	Kernersville, North Carolina	Assistant Secretary



Steven Roy Buckland	High Point, North Carolina	Vice President
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The Company's Board appointed an audit committee as required by Section 624.424(8)(c), Florida Statutes. The following individuals were members of the audit committee as of December 31, 2016:

**Audit Committee**

<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Fredricka Taubitz <sup>(1)</sup>	La Jolla, California	Director, Old Republic International Corporation
James Carroll Hellauer	Palm Beach Gardens, Florida	Director, Old Republic International Corporation
Charles Fredrick Titterton	Pleasantville, New York	Director, Old Republic International Corporation
Dennis Peter Van Mieghem	Park Ridge, Illinois	Director, Old Republic International Corporation
Steven Robert Walker	Oakland, California	Director, Old Republic International Corporation

<sup>(1)</sup> Chairperson

**Holding Company System**

The Company is a member of a holding company system. The Insurance Company Holding System Registration Statement was filed with the State of Florida, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

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

**Tax Sharing Agreement**

Effective December 31, 2004, the Company entered into a Tax Sharing Agreement with its ultimate parent, Old Republic International Corporation, and its various subsidiaries. The method of allocation between the companies is subject to a written agreement, approved by the Board of

Directors. The allocation is based upon a separate return calculation with current credit for net losses to the extent cash recoveries are available through group income offsets or carry-back claims. The agreement requires that all balances are to be settled within forty-five (45) days after the filing of the consolidated tax returns.

### **Management Services Agreement**

Effective January 1, 2001, the Company entered into a Management Services Agreement with RMIC Corporation and its affiliates, RMIC and RMICNC. Pursuant to the terms of the agreement certain management and administrative services are provided. Management and administrative services include, but are not limited to, executive management, marketing, treasury, personnel, legal, accounting, financial regulatory compliance, and other administrative support services. Expenses are allocated based on estimated time and usage and intercompany balances are to be settled on a quarterly basis. Fees incurred under this agreement during 2016; 2015; 2014; and 2013 amounted to \$39,600; \$39,600; \$39,600; and \$39,600, respectively.

### **Investment Counsel Services Agreement**

Effective July 1, 2012, the Company entered into an Investment Counsel Services Agreement with Old Republic Asset Management Corporation ("ORAMC). The agreement provides that ORAMC has the authority to manage, purchase, and sell securities in certain accounts in accordance with the Company's investment policy. The Company pays ORAMC an annual fee in quarterly installments based on the market value of all securities under ORAMC's supervision. Fees incurred under this agreement during 2016; 2015; 2014; and 2013 amounted to \$9,616; \$10,959; \$11,097; and \$12,840, respectively.

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Winston-Salem, North Carolina.

The Company and non-affiliates had the agreements on the following page.

### **Custodial Agreement**

The Company maintained a Custodial Agreement with Northern Trust Company executed on October 3, 2013. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

### **Independent Auditor Agreement**

An independent CPA, KPMG, LLP, audited the Company's statutory basis financial statements annually for the years 2016, 2015, 2014 and 2013, in accordance with Section 624.424(8), Florida Statutes. Supporting workpapers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

### **Corporate Records Review**

The recorded minutes of the Shareholder(s), Board of Directors (Board) and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments, as required by Section 625.304, Florida Statutes.

### **Conflict of Interest**

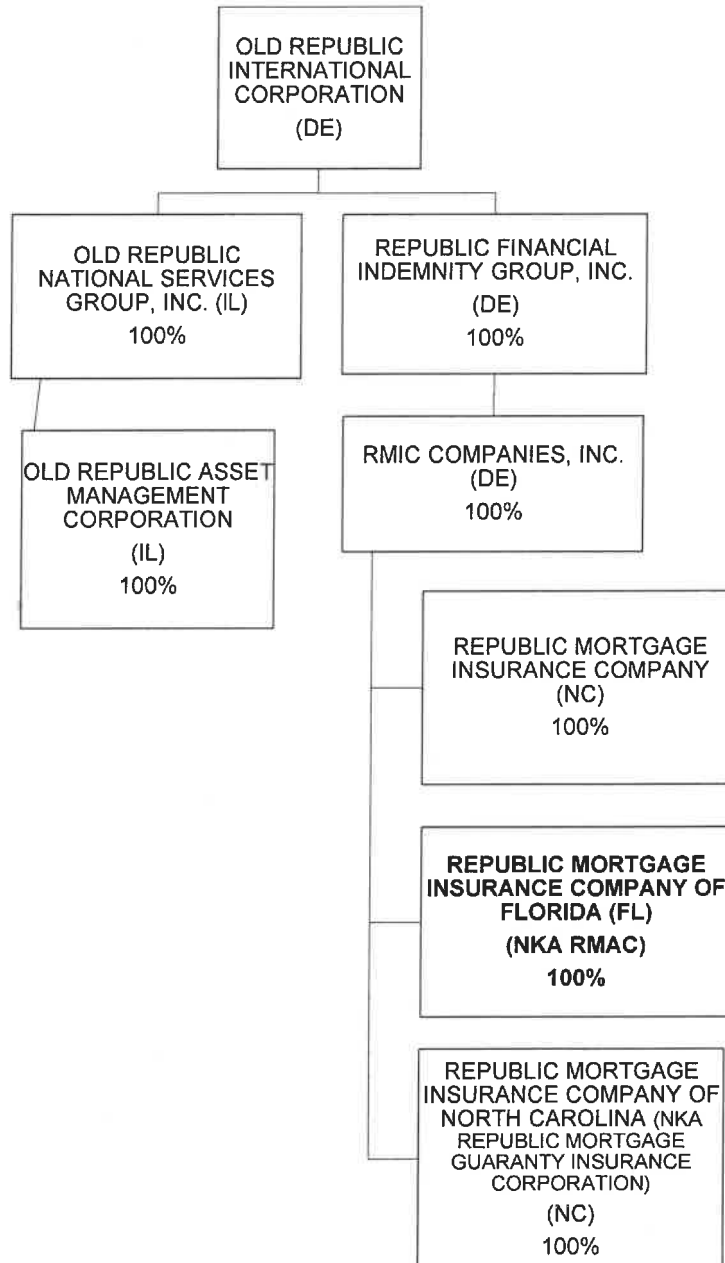
The Company adopted a policy statement requiring periodic disclosure of conflicts of interest in accordance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

An organizational chart as of December 31, 2016, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2016 annual statement provided a list of all related companies of the holding company group.

**Republic Mortgage Insurance Company of Florida  
(NKA Republic Mortgage Assurance Company "RMAC")**

**Simplified Organizational Chart**

**December 31, 2016**



## TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the following states as of December 31, 2016:

Alabama	Kansas	North Dakota
Alaska	Kentucky	Ohio
Arizona	Louisiana	Oklahoma
Arkansas	Maine	Oregon
California	Maryland	Pennsylvania
Colorado	Massachusetts	Rhode Island
Connecticut	Michigan	South Carolina
Delaware	Mississippi	South Dakota
District of Columbia	Missouri	Tennessee
Florida	Montana	Texas
Georgia	Nebraska	Utah
Hawaii	Nevada	Vermont
Idaho	New Hampshire	Virginia
Illinois	New Jersey	Washington
Indiana	New Mexico	West Virginia
Iowa	North Carolina	Wisconsin

The Company was authorized to transact insurance in Florida on March 10, 1975 and is currently authorized for the following coverage(s) as of December 31, 2016:

Mortgage Guaranty

### **Treatment of Policyholders**

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(i)(3)(a), Florida Statutes. The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1)(j), Florida Statutes.

## **REINSURANCE**

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

### **Reinsurance Assumed**

The Company assumed business written by its affiliates; RMIC and RMICNC, through quota share and excess of loss treaties, respectively. The premium and losses assumed from the quota share treaty make up the majority of the Company's premium and losses during the examination period.

### **Reinsurance Ceded**

The Company did not cede any reinsurance during the period of this examination.

## **INFORMATION TECHNOLOGY REPORT**

Phil McMurray, CISSP, CISA, AES, IT Specialist, and David Hall, CPA, CISA, CITP, IT Specialist, of Risk and Regulatory Consulting, 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 Sections 624.411 and 625.51(2) Florida Statutes, and with various state officials as required or permitted by law:

State	Description	Par Value	Market Value
FL	USTN	4.75% \$ 100,000	\$ 101,870
FL	USTN	4.75% 1,200,000	1,222,440
FL	USTN	4.00% 400,000	426,440
TOTAL FLORIDA DEPOSITS		<u>\$ 1,700,000</u>	<u>\$ 1,750,750</u>
GA	USTN	2.50% \$ 30,000	\$ 30,532
IN	USTN	4.00% 125,000	130,894
MA	USTN	4.75% 500,000	512,266
NV	USTN	4.75% 225,000	230,519
NH	USTN	2.50% 500,000	508,867
NM	USTN	3.125% 110,000	115,917
NC	USTN	4.75% 200,000	204,906
OK	USTN	4.75% 345,000	353,463
OR	USTN	4.00% 515,000	539,281
RI	USTN	4.75% 100,000	102,453
SC	USTN	2.50% 150,000	152,660
VA	USTN	2.50% 220,000	223,901
TOTAL OTHER DEPOSITS		<u>\$ 3,020,000</u>	<u>\$ 3,105,659</u>
TOTAL SPECIAL DEPOSITS		<u>\$ 4,720,000</u>	<u>\$ 4,856,409</u>

## **FINANCIAL STATEMENTS**

The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment is identified during course of the examination, the impact of such adjustment will be documented separately following the Company's financial statements. Financial statements, as reported and filed by the Company with the Office, are reflected on the following pages.



**Republic Mortgage Insurance Company of Florida  
(NKA Republic Mortgage Assurance Company)**

**Assets**

**December 31, 2016**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$15,959,071		\$15,959,071
Stocks:			
Common stocks	3,522,880		3,522,880
Cash, cash equivalents and short-term investments	3,193,007		3,193,007
Investment income due and accrued	183,105		183,105
Premiums and considerations:			
Uncollected premium and agents' balances in the course of collection	431,362		431,362
Current federal and foreign income tax recoverable and interest thereon	24,455		24,455
Total assets	<u>\$23,313,880</u>	<u>\$0</u>	<u>\$23,313,880</u>

**Republic Mortgage Insurance Company of Florida**  
**(NKA Republic Mortgage Assurance Company)**  
**Liabilities, Surplus and Other Funds**  
**December 31, 2016**

	Per Company	Examination Adjustments	Per Examination
Losses	\$4,944,869		\$4,944,869
Reinsurance payable on paid losses and loss adjustment expenses	804,080		804,080
Loss adjustment expenses	206,162		206,162
Other expenses	2,938		2,938
Net deferred tax liability	74,549		74,549
Unearned premium	132,349		132,349
Payable to parent, subsidiaries and affiliates	24,522		24,522
Aggregate write-ins for liabilities	<u>8,173,992</u>		<u>8,173,992</u>
Total Liabilities	\$14,363,461	\$0	\$14,363,461
Common capital stock	\$2,533,346		\$2,533,346
Gross paid in and contributed surplus	286,659		286,659
Unassigned funds (surplus)	<u>6,130,414</u>		<u>6,130,414</u>
Surplus as regards policyholders	<u>\$8,950,419</u>	<u>\$0</u>	<u>\$8,950,419</u>
Total liabilities, surplus and other funds	<u><u>\$23,313,880</u></u>	<u><u>\$0</u></u>	<u><u>\$23,313,880</u></u>

**Republic Mortgage Insurance Company of Florida  
(NKA Republic Mortgage Assurance Company)**

**Statement of Income  
December 31, 2016**

<b>Underwriting Income</b>		
Premiums earned		\$2,233,402
	<b>Deductions:</b>	
Losses incurred		\$961,344
Loss adjustment expenses incurred		(189,123)
Other underwriting expenses incurred		429,239
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		<u>\$1,201,460</u>
Net underwriting gain (loss)		\$1,031,942
<b>Investment Income</b>		
Net investment income earned		\$428,283
Net realized capital gains (losses) less capital gains tax of \$(10,136)		<u>(19,788)</u>
Net investment gain (loss)		\$408,495
<b>Other Income</b>		
Net gain (loss) from agents' or premium balances charged off		\$0
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		0
Total other income		<u>\$0</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal & foreign income taxes		\$1,440,437
Dividends to policyholders		<u>0</u>
Net Income, after dividends to policyholders, after capital gains tax and before all other federal & foreign income taxes		\$1,440,437
Federal & foreign income taxes incurred		<u>34,895</u>
Net Income		<u><u>\$1,405,542</u></u>
<b>Capital and Surplus Account</b>		
Surplus as regards policyholders, December 31 prior year		\$7,682,907
Net Income		\$1,405,542
Change in net unrealized capital gains or (losses) less capital gains tax of \$165,081		306,579
Change in net deferred income tax		(27,060)
Change in non-admitted assets		21,152
Aggregate write-ins for gains and losses in surplus		(438,701)
Change in surplus as regards policyholders for the year		<u>\$1,267,512</u>
Surplus as regards policyholders, December 31 current year		<u><u>\$8,950,419</u></u>

**Republic Mortgage Insurance Company of Florida  
(NKA Republic Mortgage Assurance Company)  
Reconciliation of Capital and Surplus  
December 31, 2016**

No adjustments were made to surplus as regards policyholders as a result of this examination.

Surplus as regards policyholders December 31, 2012 per Examination			\$8,749,430
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net Income (loss)	\$5,489,057		
Change in net unrealized capital gain (loss)	\$206,314		
Change in net deferred income tax	\$36,546		
Change in non-admitted assets	\$4,465		
Aggregate write-ins for gains and losses in surplus		\$5,535,393	
Total Gains and Losses	<u>\$5,736,382</u>	<u>\$5,535,393</u>	
Net increase/(Decrease) in surplus as regards policyholders			<u>\$200,989</u>
Surplus as regards policyholders December 31, 2016 per Examination			<u><u>\$8,950,419</u></u>

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### Liabilities

**Losses and Loss Adjustment Expenses** \$5,151,031

J. Paul Cochran, Vice President of Actuarial Services (retired), for Old Republic General Services, an affiliate of the Company, was appointed by the Board and rendered an opinion that the amounts carried in the balance sheet as of December 31, 2016, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

Richard F. Kohan (FCAS, MAAA) Actuarial Specialist, of the North Carolina Department of Insurance, reviewed the loss and loss adjustment expense workpapers provided by the Company and he was in concurrence with this opinion.

### Capital and Surplus

The amount of capital and surplus reported by the Company of \$8,950,419, exceeded the minimum of \$4,000,000 required by Section 635.042, Florida Statutes.

## **SUBSEQUENT EVENTS**

On September 6, 2017, the Company was approved to change its name from Republic Mortgage Insurance Company of Florida to Republic Mortgage Assurance Company.

## 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 (NKA Republic Mortgage Assurance Company)** as of December 31, 2016, consistent with the insurance laws of the State of Florida.

Per examination annual financial statements, the Company's surplus as regards policyholders was \$8,950,419, which exceeded the minimum of \$4,000,000 required by Section 635.042, Florida Statutes.

In addition to the undersigned, Joshua J. Johnson (CFE), Examiner-in-Charge, of Risk and Regulatory Consulting, LLC, also participated in the examination. Members of the Office who participated in the examination include Marie Stuhlmuller, Financial Examiner/Analyst Supervisor, Examination Manager and Christopher Brown, Financial Examiner/Analyst II, Participating Examiner. Additionally, Phil McMurray (CISSP, CISA, AES) IT Specialist, and David Hall (CPA, CISA, CITP) IT Specialist, of Risk and Regulatory Consulting, LLC, and Richard F. Kohan (FCAS, MAAA) Actuarial Specialist, of the North Carolina Department of Insurance are recognized for participation in the examination.

Respectfully submitted,

A handwritten signature in blue ink that reads "Brian Sewell". The signature is written in a cursive style with a large initial "B".

Brian Sewell, CFE, MCM  
Chief Examiner  
Florida Office of Insurance Regulation