

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

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| In Re: | : | Pursuant to Sections 1401, 1402, |
| | : | and 1403 of the Insurance |
| Application of Radian Group Inc. in | : | Holding Companies Act, Article |
| Support of the Request for Approval to | : | XIV of the Insurance Company |
| Merge Commonwealth Mortgage | : | Law of 1921, Act of May 17, 1921, |
| Assurance Company of Texas with and | : | P.L. 682, <u>as amended</u> , 40 P.S. |
| into Radian Guaranty Inc. with Radian | : | §§991.1401, 991.1402, and |
| Guaranty Inc. Being the Survivor in a | : | 991.1403; Sections 1921 through |
| Transaction Exempt from the | : | 1929 of the 1988 Business |
| Requirements of 40 P.S. §991.1402 | : | Corporation Law, Act of |
| | : | December 21, 1988, P.L. 1444, No. |
| | : | 177, <u>as amended</u> , 15 Pa. C.S. |
| | : | §§1921-1929; Sections 205 and 207 |
| | : | of the GAA Amendments Act of |
| | : | 1990, Act of December 19, 1990, |
| | : | P.L. 834, No. 198, <u>as amended</u> , 15 |
| | : | P.S. §§21205 and 21207. |
| | : | |
| | : | Order No. ID-RC-05-06 |

DECISION AND ORDER

AND NOW, on this ____30th____ day of November, 2005, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act, the 1988 Business Corporation Law and the GAA Amendments Act of 1990, and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Entities

1. Radian Guaranty Inc. (“RGI”) is a domestic stock casualty insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania.
2. Commonwealth Mortgage Assurance Company of Texas (“CMAC-TX”) is an unauthorized foreign stock insurance company organized under the laws of the State of Texas.
3. Enhance Financial Services Group, Inc. (“EFSG”) is a business corporation organized under the laws of the State of New York with its principal place of business in New York, New York. CMAC-TX is a direct wholly-owned subsidiary of EFSG.
4. Radian Group Inc. is a business corporation organized under the laws of the State of Delaware with its principal place of business in Philadelphia, Pennsylvania. RGI and EFSG are direct wholly-owned subsidiaries of Radian Group Inc.
5. Radian Group Inc. is a publicly-traded company on the New York Stock Exchange. No person controls Radian Group Inc.
6. Radian Group Inc. is the sole ultimate controlling person of the holding company system that contains RGI and CMAC-TX

Filing of the Application

7. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all mergers or other acquisitions of control of domestic insurers must be filed with the Department for approval or disapproval.
8. Section 1402 (g) of the Insurance Holding Companies Act provides for exemption from the requirements of Section 1402:
 - a) if the merger does not have the effect of changing or influencing the control of a domestic insurer, or
 - b) if the transaction is otherwise not comprehended within the purposes of Section 1402.

9. The 1988 Business Corporation Law, Act of December 21, 1988, P.L. 1444, as amended, Sections 1921 through 1929, 15 Pa.C.S. §§1921 through 1929 (“1988 BCL”), and the GAA Amendments Act of 1990, P.L. 834, No. 198, as amended, 15 P.S. §§21205 and 21207 (“GAA Amendments Act”), provide that all plans of merger of domestic insurers must be filed with the Department for approval or disapproval.
10. On September 26, 2005, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from Radian Group Inc. requesting approval to merge CMAC-TX with and into RGI with RGI being the survivor.
11. The Application was filed with the Department pursuant to Section 1402(g) of the Insurance Holding Companies Act and Section 205 of the GAA Amendments Act.

Notice and Filing of Comments

12. On October 8, 2005, the Department published notice in the Pennsylvania Bulletin that the Application had been submitted by Radian Group Inc. and such notice invited interested persons to submit comments to the Department regarding the Application for a 30-day period, ending November 7, 2005.
13. During the 30-day public comment period, the Department received no comments regarding the Application.

The Transaction

14. RGI and CMAC-TX executed an Agreement and Plan of Merger dated as of November 17, 2005 (“Merger Agreement”), which provides for CMAC-TX to merge with and into RGI, with RGI being the surviving corporation.
15. As described in the Application, the Merger Agreement was adopted by written consent of the sole shareholder of RGI on November 15, 2005 and by the sole shareholder of CMAC-TX on October 26, 2005.
16. As described in the Application, the Merger Agreement was adopted by unanimous consent of the board of directors of RGI and by unanimous consent of the board of directors of CMAC-TX on November 15, 2005.
17. As described in the Application, RGI shall acquire all of the assets of CMAC-TX and assume all of the debts and other liabilities of CMAC-TX.
18. As described in the Application, the members of the board of directors and the officers of RGI prior to the merger shall be the members of the board of directors

and the officers of RGI after the merger.

19. As described in the Application, all shares of CMAC-TX common stock issued and outstanding immediately prior to the effective date of the merger shall be automatically cancelled and RGI shall issue 613 shares of RGI stock to EFSG.
20. As described in the Application, Radian Group Inc. will remain the ultimate controlling person of RGI after the merger described above.
21. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the merger of RGI and CMAC-TX.
2. Under Section 1402(g) of the Insurance Holding Companies Act, the Department shall exempt a merger from the requirements of Section 1402 if the merger does not have the effect of changing or influencing the control of a domestic insurer.
3. Pursuant to Section 1402(g) of the Insurance Holding Companies Act, the Deputy Commissioner concludes that the proposed merger does not change the ultimate controlling person of RGI and, therefore, is exempt from the requirements of the Insurance Holding Companies Act.
4. The Deputy Commissioner concludes that the preparation of the Merger Agreement, pertaining to the terms and conditions, satisfies the requirements of Section 1922 of the 1988 BCL.
5. Pursuant to Section 1924 of the 1988 BCL, the Deputy Commissioner concludes that the Merger Agreement has been adopted and consented to by the sole shareholders of RGI and CMAC-TX, and by the Board of Directors of RGI and CMAC-TX.
6. The Deputy Commissioner concludes that the Merger Agreement satisfies the requirements of Section 1925 of the 1988 BCL because the Merger Agreement is subject to the approval of the insurance department of the state of domicile of CMAC-TX.
7. The Deputy Commissioner concludes that the execution and contents of the Articles of Merger will satisfy the requirements of Section 1926 of the 1988 BCL.
8. The Deputy Commissioner concludes that the Merger Agreement will be effective on or after proper filing of Articles of Merger with the Department of State,

pursuant to Sections 1927 and 1928 of the 1988 BCL.

9. The Deputy Commissioner concludes that, if the proposed merger is consummated, all the rights, privileges, immunities, powers and purposes of CMAC-TX will be conveyed to the surviving entity, as a matter of law, pursuant to Section 1929 of the 1988 BCL.
10. Pursuant to Section 205(b) of the GAA Amendments Act, the Deputy Commissioner concludes that the proposed merger is in accordance with law and not injurious to the interests of policyholders and creditors of RGI and CMAC-TX
11. The Application satisfies the requirements of the Insurance Holding Companies Act, the 1988 BCL and the GAA Amendments Act.
12. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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| | : | P.S. §§21205 and 21207. |
| | : | |
| | : | Order No. ID-RC-05-06 |

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”) hereby approves the application of Radian Group Inc. in support of the request for approval to merge Commonwealth Mortgage Assurance Company of Texas with and into Radian Guaranty Inc. with Radian Guaranty Inc. being the survivor in a transaction exempt from the requirements of 40 P.S. §991.1402 subject to the following conditions:

A copy of the Articles of Merger shall be filed with the Deputy Commissioner not later than ten (10) days after their filing with the Pennsylvania Department of State.

This Order is effective immediately and valid for one year, provided no material changes are made to the Application.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Commonwealth of Pennsylvania