

QUARTERLY STATEMENT
OF THE
National Mortgage Insurance Corporation

of
Emeryville
in the state of
California

TO THE
Insurance Department
OF THE STATE OF
Wisconsin

FOR THE QUARTER ENDED
September 30, 2013

2013



QUARTERLY STATEMENT AS OF SEPTEMBER 30, 2013 OF THE CONDITION AND AFFAIRS OF THE National Mortgage Insurance Corporation

NAIC Group Code <u>4760</u> , <u>4760</u> <small>(current period) (prior period)</small>	NAIC Company Code <u>13695</u>	Employer's ID Number <u>27-0471418</u>
Organized under the Laws of <u>Wisconsin</u> ,	State of Domicile or Port of Entry <u>Wisconsin</u>	
Country of Domicile <u>United States of America</u>		
Incorporated/Organized <u>June 30, 2009</u>	Commenced Business <u>May 4, 2013</u>	
Statutory Home Office <u>2100 Powell Street, 12th Floor</u> <small>(Street and Number)</small>	<u>Emeryville, California, US 94608</u> <small>(City or Town, State, Country and Zip Code)</small>	
Main Administrative Office <u>2100 Powell Street, 12th Floor</u> <small>(Street and Number)</small>	<u>Emeryville, California, US 94608</u> <small>(City or Town, State, Country and Zip Code)</small>	
<u>Emeryville, California, US 94608</u> <small>(City or Town, State, Country and Zip Code)</small>	<u>(855)873-2584</u> <small>(Area Code)(Telephone Number)</small>	
Mail Address <u>2100 Powell Street, 12th Floor</u> <small>(Street and Number)</small>	<u>Emeryville, California, US 94608</u> <small>(City or Town, State, Country and Zip Code)</small>	
Primary Location of Books and Records <u>2100 Powell Street, 12th Floor</u> <small>(Street and Number)</small>	<u>Emeryville, California, US 94608</u> <small>(City or Town, State, Country and Zip Code)</small>	
<u>Emeryville, California, US 94608</u> <small>(City or Town, State, Country and Zip Code)</small>	<u>(855)873-2584</u> <small>(Area Code)(Telephone Number)</small>	
Internet Website Address <u>www.nationalmi.com</u>		
Statutory Statement Contact <u>Brian McIntosh</u> <small>(Name)</small>	<u>(510)858-0403</u> <small>(Area Code)(Telephone Number)</small>	
<u>brian.mcintosh@nationalmi.com</u> <small>(E-Mail Address)</small>	<u>(510)225-3832</u> <small>(Fax Number)</small>	

OFFICERS

Name	Title
1. <u>Bradley M Shuster</u>	<u>Chief Executive Officer and President</u>
2. <u>Glen S Corso</u>	<u>General Counsel and Assistant Secretary</u>
3. <u>John (Jay) M Sherwood, Jr.</u>	<u>Chief Financial Officer and Treasurer</u>

VICE-PRESIDENTS

Name	Title	Name	Title
<u>Patrick L Mathis</u>	<u>EVP, Chief Risk Officer</u>	<u>Stanley M Pachura</u>	<u>EVP, Chief Information Officer</u>
<u>Peter C Pannes</u>	<u>EVP, Chief Sales Officer</u>	<u>Michael J Dirrane #</u>	<u>SVP, National Accounts & GSE Relations</u>
<u>Christopher G Brunetti</u>	<u>SVP, Deputy General Counsel & Secretary</u>	<u>Claudia J Merkle</u>	<u>EVP, Insurance Operations</u>
<u>Joseph M Francesconi</u>	<u>VP, Controller</u>	<u>Bridget E Williams</u>	<u>SVP, Field Sales</u>

DIRECTORS OR TRUSTEES

<u>Patrick L Mathis</u>	<u>Stanley M Pachura</u>	<u>Peter C Pannes</u>	<u>Claudia J Merkle #</u>
<u>Bradley M Shuster</u>	<u>Glen S Corso</u>	<u>John (Jay) M Sherwood, Jr.</u>	

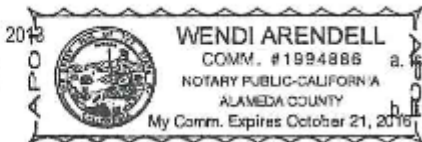
State of California
County of Alameda ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

 _____ (Signature) Bradley M Shuster _____ (Printed Name) 1. Chief Executive Officer and President _____ (Title)	 _____ (Signature) Christopher G Brunetti _____ (Printed Name) 2. Deputy General Counsel and Secretary _____ (Title)	 _____ (Signature) John (Jay) M Sherwood, Jr. _____ (Printed Name) 3. Chief Financial Officer and Treasurer _____ (Title)
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Subscribed and sworn to before me this

14th day of November 2013
Wendi Arendell
(Notary Public Signature)



a. Is this an original filing? Yes[X] No[]
b. No: 1. State the amendment number 0
2. Date filed _____
3. Number of pages attached 0

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	175,272,826		175,272,826	
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances)				
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)				
5. Cash (\$.....6,293,450), cash equivalents (\$.....0) and short-term investments (\$.....16,605,737)	22,899,187		22,899,187	210,002,069
6. Contract loans (including \$.....0 premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities				
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	198,172,013		198,172,013	210,002,069
13. Title plants less \$.....0 charged off (for Title insurers only)				
14. Investment income due and accrued	714,355		714,355	1,624
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	4,147	180	3,967	
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software	1,306,390		1,306,390	
21. Furniture and equipment, including health care delivery assets (\$.....0)				
22. Net adjustments in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$.....0) and other amounts receivable				
25. Aggregate write-ins for other than invested assets				
26. TOTAL assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	200,196,905	180	200,196,725	210,003,693
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. TOTAL (Lines 26 and 27)	200,196,905	180	200,196,725	210,003,693
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501.				
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)				

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Statement Date	2 December 31, Prior Year
1.	Losses (current accident year \$.....0)		
2.	Reinsurance payable on paid losses and loss adjustment expenses		
3.	Loss adjustment expenses		
4.	Commissions payable, contingent commissions and other similar charges		
5.	Other expenses (excluding taxes, licenses and fees)		
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1	Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses))		
7.2	Net deferred tax liability		
8.	Borrowed money \$.....0 and interest thereon \$.....0		
9.	Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$.....0 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act)		
10.	Advance premium		
11.	Dividends declared and unpaid:		
11.1	Stockholders		
11.2	Policyholders		
12.	Ceded reinsurance premiums payable (net of ceding commissions)	23,864	
13.	Funds held by company under reinsurance treaties		
14.	Amounts withheld or retained by company for account of others		
15.	Remittances and items not allocated		
16.	Provision for reinsurance (including \$.....0 certified)		
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding		
19.	Payable to parent, subsidiaries and affiliates	9,006,430	
20.	Derivatives		
21.	Payable for securities	1,157	
22.	Payable for securities lending		
23.	Liability for amounts held under uninsured plans		
24.	Capital notes \$.....0 and interest thereon \$.....0		
25.	Aggregate write-ins for liabilities	1,592,798	
26.	TOTAL liabilities excluding protected cell liabilities (Lines 1 through 25)	10,624,249	
27.	Protected cell liabilities		
28.	TOTAL liabilities (Lines 26 and 27)	10,624,249	
29.	Aggregate write-ins for special surplus funds		
30.	Common capital stock	2,530,000	2,530,000
31.	Preferred capital stock		
32.	Aggregate write-ins for other than special surplus funds		
33.	Surplus notes		
34.	Gross paid in and contributed surplus	210,492,345	216,118,760
35.	Unassigned funds (surplus)	(23,449,869)	(8,645,067)
36.	Less treasury stock, at cost:		
36.1	.....0 shares common (value included in Line 30 \$.....0)		
36.2	.....0 shares preferred (value included in Line 31 \$.....0)		
37.	Surplus as regards policyholders (Lines 29 to 35, less 36)	189,572,476	210,003,693
38.	TOTALS (Page 2, Line 28, Col. 3)	200,196,725	210,003,693
DETAILS OF WRITE-INS			
2501.	Statutory Contingency Reserve	1,592,798	
2502.	.....	
2503.	.....	
2598.	Summary of remaining write-ins for Line 25 from overflow page		
2599.	TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,592,798	
2901.	.....	
2902.	.....	
2903.	.....	
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201.	.....	
3202.	.....	
3203.	.....	
3298.	Summary of remaining write-ins for Line 32 from overflow page		
3299.	TOTALS (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned			
1.1 Direct (written \$.....482,566)	482,566		
1.2 Assumed (written \$.....0)			
1.3 Ceded (written \$.....29,266)	29,266		
1.4 Net (written \$.....453,300)	453,300		
DEDUCTIONS:			
2. Losses incurred (current accident year \$.....0)			
2.1 Direct			
2.2 Assumed			
2.3 Ceded			
2.4 Net			
3. Loss adjustment expenses incurred			
4. Other underwriting expenses incurred	23,631,868	21,347	21,347
5. Aggregate write-ins for underwriting deductions	1,592,798		
6. TOTAL underwriting deductions (Lines 2 through 5)	25,224,666	21,347	21,347
7. Net income of protected cells			
8. Net underwriting gain or (loss) (Line 1 minus Line 6 + Line 7)	(24,771,366)	(21,347)	(21,347)
INVESTMENT INCOME			
9. Net investment income earned	1,363,293	792	3,586
10. Net realized capital gains (losses) less capital gains tax of \$.....0	(23,856)		
11. Net investment gain (loss) (Lines 9 + 10)	1,339,437	792	3,586
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0)			
13. Finance and service charges not included in premiums			
14. Aggregate write-ins for miscellaneous income			
15. TOTAL other income (Lines 12 through 14)			
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(23,431,929)	(20,555)	(17,761)
17. Dividends to policyholders			
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(23,431,929)	(20,555)	(17,761)
19. Federal and foreign income taxes incurred			
20. Net income (Line 18 minus Line 19) (to Line 22)	(23,431,929)	(20,555)	(17,761)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	210,003,693	(1,449,562)	(1,449,562)
22. Net income (from Line 20)	(23,431,929)	(20,555)	(17,761)
23. Net transfers (to) or from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0			
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax			
27. Change in nonadmitted assets	3,000,712	(86,145)	(86,145)
28. Change in provision for reinsurance			
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from Protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in		2,529,990	2,529,990
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in		209,029,591	209,029,591
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus		(2,420)	(2,420)
38. Change in surplus as regards policyholders (Lines 22 through 37)	(20,431,217)	211,450,461	211,453,255
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	189,572,476	210,000,899	210,003,693
DETAILS OF WRITE-INS			
0501. Statutory Contingency Reserve	1,592,798		
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	1,592,798		
1401. 0			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)			
3701. Other		(2,420)	(2,420)
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)		(2,420)	(2,420)

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance	473,017		
2. Net investment income	1,322,518	(81)	1,962
3. Miscellaneous income			
4. TOTAL (Lines 1 to 3)	1,795,535	(81)	1,962
5. Benefit and loss related payments			
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions	25,224,666	21,347	21,347
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)			
10. TOTAL (Lines 5 through 9)	25,224,666	21,347	21,347
11. Net cash from operations (Line 4 minus Line 10)	(23,429,131)	(21,428)	(19,385)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	79,755,449		
12.2 Stocks			
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets			
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments			
12.7 Miscellaneous proceeds	1,157		
12.8 TOTAL investment proceeds (Lines 12.1 to 12.7)	79,756,606		
13. Cost of investments acquired (long-term only):			
13.1 Bonds	255,724,087	3,456,844	
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets			
13.6 Miscellaneous applications			
13.7 TOTAL investments acquired (Lines 13.1 to 13.6)	255,724,087	3,456,844	
14. Net increase (or decrease) in contract loans and premium notes			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(175,967,481)	(3,456,844)	
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock		210,000,000	210,000,000
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)	12,293,730	4,626	4,626
17. Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6)	12,293,730	210,004,626	210,004,626
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(187,102,882)	206,526,354	209,985,241
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	210,002,069	16,828	16,828
19.2 End of period (Line 18 plus Line 19.1)	22,899,187	206,543,182	210,002,069
Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:			
20.0001	Net assets contributed upon ownership change		1,319,821
20.0002	Note payable paid by parent		239,760

Notes to Financial Statement**1. Summary of Significant Accounting Policies****A. Accounting Practices**

The financial statements of National Mortgage Insurance Corporation (“NMIC” or the “Company”), are presented on the basis of accounting practices prescribed or permitted by the Wisconsin Office of the Commissioner of Insurance (“OCI”).

The OCI recognizes only statutory accounting practices prescribed or permitted by the State of Wisconsin for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Wisconsin Insurance Statutes. The National Association of Insurance Commissioners’ (“NAIC”) *Accounting Practices and Procedures* manual, version effective January 1, 2001, (“NAIC SAP”) has been adopted as a component of prescribed or permitted practices by the State of Wisconsin. The state has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. Specifically, Wisconsin domiciled companies record changes in the contingency reserve through the income statement as an underwriting deduction. In NAIC SAP, changes in the contingency reserve are recorded directly to unassigned surplus.

The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices.

A reconciliation of net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Wisconsin is shown below:

	State of Domicile	September 30, 2013	December 31, 2012
NET LOSS			
(1) State basis (Page 4, Line 20, Columns 1 & 3)	WI	\$ (23,431,929)	\$ 17,761
(2) State Prescribed Practices that increase/(decrease) NAIC SAP			
Change in contingency loss reserves	WI	<u>(1,592,798)</u>	<u>—</u>
(3) NAIC SAP (1 - 2 = 3)	WI	<u>\$ (21,839,131)</u>	<u>\$ 17,761</u>
SURPLUS			
(4) State basis (Page 3, Line 37, Columns 1 & 2)	WI	\$ 189,572,476	\$ 210,003,693
(5) State Prescribed Practices that increase/(decrease) NAIC SAP		<u>—</u>	<u>—</u>
(6) NAIC SAP (4 - 5 = 6)	WI	<u>\$ 189,572,476</u>	<u>\$ 210,003,693</u>

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

No significant change from year-end 2012.

2. Accounting Changes and Corrections of Errors

No significant change from year-end 2012.

3. Business Combinations and Goodwill**A. Statutory Purchase Method**

Not Applicable

B. Statutory Mergers

National Mortgage Reinsurance Inc Two (“NMRI Two”) was a wholly-owned subsidiary of the Company and was previously admitted in the Company’s assets at its full statutory surplus value. The statutory surplus of NMRI Re at June 30, 2013 was \$10.0 million. During the 2nd quarter of 2013, NMIC requested approval from the OCI to merge NMRI Two into the Company, which the OCI approved on July 15, 2013. Effective September 30, 2013 NMRI Two was merged into the Company and ceased to exist as a separate entity.

Pre-merger separate company revenue, net income (loss), and other surplus balances for the nine months ended September 30, 2013 were \$358.9 thousand, (\$23.3 million), and \$189.7 million, respectively, for the Company and \$0, (\$205.1 thousand), and \$9.8 million, respectively for NMRI Two. Pre-merger separate company revenue, net income (loss), and other surplus balances for the year ended December 31, 2012 were \$0, (\$17.9 thousand), and \$210.0 million, respectively, for the Company and \$0, \$0.1 thousand, and \$10.0 million, respectively for NMRI Two.

C. Writedowns for Impairment of Investments in Affiliates

Not Applicable

4. Discontinued Operations

No significant change from year-end 2012.

Notes to Financial Statement

5. Investments

A. Mortgage Loans, Including Mezzanine Real Estate Loans

No significant change from year-end 2012.

B. Debt Restructuring

No significant change from year-end 2012.

C. Reverse Mortgages

No significant change from year-end 2012.

D. Loan-Backed Securities

(1) The Company uses widely accepted models for prepayment assumptions in valuing loan-backed securities with inputs from major third party data providers. The Company's investment policy expressly prohibits investments in mortgage-backed securities, however it permits investment in other loan-backed securities including: auto loan, credit card, student loan and other highly rated loan-backed securities.

(2) The Company has not recognized any other-than-temporary impairments.

(3) The Company has not recognized any other-than-temporary impairments.

(4) The Company's portfolio does not have any unrealized losses on loan-backed securities as of September 30, 2013.

(5) The Company's portfolio does not have any unrealized losses on loan-backed securities as of September 30, 2013.

E. Repurchase Agreements and/or Securities Lending Transactions

No significant change from year-end 2012.

F. Write Downs for Impairments of Real Estate, Real Estate Sales, Retail Land Sales Operations and Real Estate with Participating Mortgage Loan Features

No significant change from year-end 2012.

G. Low-income housing tax credits ("LIHTC")

No significant change from year-end 2012.

6. Joint Ventures, Partnerships and Limited Liability Companies

No significant change from year-end 2012.

7. Investment Income

In January 2013, the Federal National Mortgage Association, commonly known as Fannie Mae, and the Federal Home Loan Mortgage Corporation, commonly known as Freddie Mac, approved NMIC as a qualified mortgage insurance provider (collectively "GSE Approval"). Upon GSE approval, the Company began investing its investment portfolio according to the Company's investment policies and guidelines. Those investment policies and guidelines conform to the Wisconsin Administrative Code 6.20 (5), which imposes investment restrictions on the Company for the first five years from issuance of its certificate of authority. The Company's certificate of authority was issued in June 2009. Additionally, all securities in the portfolio must be U.S. dollar-denominated and have the NAIC '1' or '2' designation or investment grade rating by Moody's, Standard & Poor's or Fitch at time of purchase.

8. Derivative Instruments

No significant change from year-end 2012.

9. Income Taxes

No significant change from year-end 2012.

10. Information Concerning Parent, Subsidiaries, and Other Related Parties

A. Nature of Relationships

NMIC and National Mortgage Reinsurance Inc One ("NMRI One") were wholly-owned by MAC Financial Holding Corporation, which, prior to April 24, 2012, was wholly-owned by MAC Financial Ltd., a Bermuda holding company.

On April 24, 2012, MAC Financial Holding Corporation was acquired by NMI Holdings, Inc., a Delaware corporation ("NMI"). On September 30, 2013, NMI merged MAC Financial Holding Corporation into NMI, with NMI surviving the merger.

National Mortgage Reinsurance Inc Two ("NMRI Two") was a wholly-owned subsidiary of the Company and was previously admitted in the Company's assets at its full statutory surplus value. The statutory surplus of NMRI Two at June 30, 2013 was \$10.0 million. During the 2nd quarter of 2013, NMIC requested approval from the OCI to merge NMRI Two into the Company, which the OCI approved on July 15, 2013. Effective September 30, 2013 NMRI Two was merged into the Company and ceased to exist as a separate entity.

B. Detail of Transactions Greater than 1/2% of Admitted Assets

No significant change from year-end 2012.

Notes to Financial Statement**C. Change in Terms of Intercompany Arrangements**

See Note 21 - Other Items - A - Extraordinary.

D. Amounts Due to or from Related Parties

Commencing on February 1, 2013, NMI began allocating expenses to the Company per the Cost Allocation Agreement. As of September 30, 2013, the Company reported \$9.0 million due to affiliated companies, the entire amount of which is contractually obligated to be paid within 60 days after quarter-end. *See Note 21 - A - Extraordinary Items.*

E. Guarantees or Undertaking for Related Parties

No significant change from year-end 2012.

F. Management, Service contracts, Cost Sharing Arrangements

See Note 21 - Other Items - A - Extraordinary.

G. Nature of Relationships that Could Affect Operations

See Note 21 - Other Items - A - Extraordinary.

H. Amount deducted for investment in Upstream Company

No significant change from year-end 2012.

I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets

No significant change from year-end 2012.

J. Write downs for Impairment of Investments in Affiliates

No significant change from year-end 2012.

K. Foreign Subsidiary Valued Using CARVM

No significant change from year-end 2012.

L. Downstream Holding Company Valued Using Look-Through Method

No significant change from year-end 2012.

11. Debt

No significant change from year-end 2012.

12. Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Post-retirement Benefit Plans

No significant change from year-end 2012.

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations**A. Outstanding Shares**

The Company has 63,250,000 shares of \$0.04 par value, common stock authorized and 63,250,000 issued and outstanding. The Company has no preferred stock authorized, issued or outstanding. *See Note 21 - Other Items - A - Extraordinary.*

B. Dividend Rate of Preferred Stock

No significant change from year-end 2012.

C. Dividend Restrictions

The Company's ability to pay dividends to its parent is limited by insurance laws of the State of Wisconsin and certain other states. Wisconsin law provides that the Company may pay out dividends without the prior approval of the Wisconsin Commissioner of Insurance ("ordinary dividends") in an amount, when added to other shareholder distributions made in the prior 12 months, not to exceed the lesser of (a) 10% of the insurer's surplus as regards to policyholders as of the prior December 31, or (b) its net income (excluding realized capital gains) for the twelve month period ending December 31 of the immediately preceding calendar year. In determining net income, an insurer may carry forward net income from the previous calendar years that has not already been paid out as a dividend. Dividends that exceed this amount are "extraordinary dividends", which require prior approval of the Wisconsin Commissioner. California prohibits dividends except from undivided profits remaining on hand over and above its paid-in capital, paid-in surplus and contingency reserves. Additionally, statutory minimum capital requirements may limit the amount of dividend that the Company may pay. For example, the State of Florida requires mortgage guaranty insurers to hold capital and surplus not less than the lesser of (i) 10% of its total liabilities, or (ii) \$100 million. Although NMIC is not currently licensed in the State of Florida, the Company has applied for a license there.

The Company has not paid or declared any ordinary dividends. In connection with its admission to several states, the Company entered into commitments with the Alabama Department of Insurance, the Arizona Department of Insurance, the California Insurance Department, the Missouri Department of Insurance, the New York State Department of Financial Services, the Ohio Department of Insurance, and the Texas Commissioner of Insurance not to pay or declare any dividends for the three year period ending January 16, 2016. The Company may enter into similar commitments with other state insurance departments. *See Note 21 - Other Items - A - Extraordinary.*

In addition to the foregoing state dividend limitations, the Company is prohibited from paying any shareholder dividends until December 31, 2015 by separate agreement with Fannie Mae and Freddie Mac (collectively the "GSE's").

Notes to Financial Statement

D. Dates and Amounts of Dividends Paid
No significant change from year-end 2012.

E. Amount of Ordinary Dividends That May Be Paid
See Item C - Dividend Restrictions above.

F. Restrictions of Unassigned Funds
No significant change from year-end 2012.

G. Mutual Surplus Advances
No significant change from year-end 2012.

H. Company Stock held for Special Purposes
No significant change from year-end 2012.

I. Changes in Special Funds
No significant change from year-end 2012.

J. Changes in Unassigned Funds
No significant change from year-end 2012.

K. Surplus Notes
No significant change from year-end 2012.

L. The impact of any restatement due to prior quasi-reorganizations
On April 19, 2013, NMIC received approval from the Wisconsin Commissioner of Insurance to record a quasi-reorganization during the first quarter of 2013 to reclassify the cumulative net losses of \$5.6 million generated prior to the acquisition of NMIC by NMI in the second quarter of 2012. The adjustment had the following effect on unassigned funds. Gross paid-in and contributed funds remained unchanged:

Beginning unassigned funds balance at 12/31/12	\$ (8,645,067)
Net Loss cumulative and prior to 6/30/12	<u>5,626,415</u>
Ending unassigned funds balance at 12/31/12	<u>\$ (3,018,652)</u>

The ending adjusted unassigned funds balance at 12/31/12 of \$3,018,652 consists of \$3,000,891 in non-admitted EDP, net losses of \$17,868, and a change in unrealized capital gains of \$107. The offset running through Gross paid in and contributed surplus is:

Beginning gross paid in and contributed surplus at 12/31/12	\$ 216,118,168
Net Loss cumulative and prior to 6/30/12	<u>(5,626,415)</u>
Adjusted gross paid in and contributed surplus at 12/31/12	<u>\$ 210,492,345</u>

Assets and liabilities were not changed by this adjustment. Surplus as regards policyholders also remained unchanged at \$210 million. The quasi-reorganization was recorded as of March 31, 2013 - no 2012 balances have been restated.

M. The effective date(s) of all quasi-reorganizations in the prior 10 years
The Company recorded a quasi-reorganization effective March 31, 2013 to reclassify cumulative net losses generated prior to acquisition in the second quarter of 2012.

14. Contingencies

No significant change from year-end 2012.

15. Leases

A. Lessee Operating Lease

Facilities:

NMI entered into an office facility lease effective July 1, 2012 for a term of two years. This facility is fully furnished and allows for expansion based on projected staffing growth. However, under the terms of the agreement, NMI could have elected to terminate the lease by giving written notice to the landlord, if NMIC was unable to obtain GSE approval by March 15, 2013. The lease would have then terminated (as if by expiration) on March 31, 2013. This option terminated upon receipt of GSE approval on January 16, 2013. *See Note 22 - Subsequent Events.*

B. Lessor Leases

No significant change from year-end 2012.

16. Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk

No significant change from year-end 2012.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables Reported as sales

No significant change from year-end 2012.

Notes to Financial Statement

B. Transfers and services of Financial Assets
No significant change from year-end 2012.

C. Wash Sales
The Company did not have any transfers of receivables reported as sales, transfers, and servicing of financial assets or wash sales.

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

No significant change from year-end 2012.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No significant change from year-end 2012.

20. Fair Value Measurements

A. Inputs Used for Assets and Liabilities at Fair Value

The Company does not measure and report any assets or liabilities at fair value in the statement of financial position after initial recognition.

B. Other Fair Value Disclosures
Not Applicable

C. Fair Values for All Financial Instruments by Levels 1, 2, and 3

The table below reflects the fair values and admitted values of all admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method (subsidiaries, joint ventures and ventures). The fair values are also categorized into the three- levels as described below.

Level 1 - Quoted prices in Active Markets for Identical Assets and Liabilities: This category includes cash and US Treasury Securities.

Level 2 - Significant Other Observable Inputs: This category is for items measured at fair value on a recurring basis, including common stock, which are not exchange-traded.

Level 3 - Significant Unobservable Inputs: The Company has no assets or liabilities in this category.

Type of Financial Instrument	Fair Value	Admitted Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Financial instruments - assets						
Bonds	\$ 172,373,906	\$ 175,272,826	\$ 172,373,906	\$ —	\$ —	—
Preferred stocks	—	—	—	—	—	—
Common stocks	—	—	—	—	—	—
Mortgage loans	—	—	—	—	—	—
Cash, cash equivalents and short-term investments	22,899,187	22,899,187	22,899,187	—	—	—
Other	—	—	—	—	—	—
Total assets	\$ 195,273,093	\$ 198,172,013	\$ 195,273,093	\$ —	\$ —	—
Financial instruments - liabilities						
Total liabilities	\$ —	\$ —	\$ —	\$ —	\$ —	—

D. Reasons Not Practical to Estimate Fair Values
Not Applicable

21. Other Items

A. Extraordinary

In 2009 MAC Assurance Corporation (“MAC”), now NMIC, was incorporated and licensed in the State of Wisconsin without the usual requisite minimum capital and surplus in order to facilitate the lengthy review for qualified insurer status with both the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, as well as the due diligence and capital-raising efforts by the original principals of NMIC. NMIC entered into a Stipulation and Order with the OCI, whereby NMIC agreed that it would not issue insurance policies or otherwise engage in the acceptance of any form of insurance risk until such time as it provided adequate documentation to the OCI of sufficient capital funding, a walkthrough review of its completed information systems development and that the forgoing facts were verified and acknowledged by the OCI. Following an OCI Organizational Examination, the Stipulation and Order was rescinded on September 26, 2012. Currently, there are no restrictions or conditions on NMIC’s Wisconsin certificate of authority.

NMI was formed in May 2011 with the objective of transacting private mortgage guaranty insurance through a wholly-owned mortgage guaranty subsidiary. Beginning in May 2011, NMI’s activities were focused on raising capital, and seeking to acquire the assets and necessary approvals for its subsidiaries to commence operations.

In a private offering transaction that closed in April, 2012, NMI successfully sold 55 million shares of its common stock at an issue price of \$10.00 per share. Gross proceeds from the offering were \$550 million. Net proceeds from the offering, after an approximate 7% underwriting fee and offering expenses, were approximately \$510 million.

Notes to Financial Statement

Following the capital raise, pursuant to a share purchase agreement by and between NMI and MAC Financial Ltd., NMI acquired one hundred percent (100%) of MAC Financial Holding Corporation, together with its subsidiaries, NMIC, a Wisconsin-domiciled insurance company, NMRI One, a Wisconsin-domiciled insurance company, and NMRI Two, a Wisconsin-domiciled insurance company, for approximately \$8.5 million in cash, common stock and warrants (“MAC Acquisition”).

In accordance with the terms of its offering, in June of 2013, NMI filed a registration statement on Form S-1 with the Securities Exchange Commission (“SEC”) to register the shares of its common stock, sold in the private placement. Subsequent to that, NMI undertook a separate public offering of its common stock. *See Note 22 - Subsequent Events.*

Capitalization of the Company:

On June 29, 2012, NMI capitalized the Company in the amount of \$210.0 million. Also, on June 29, 2012, NMIC capitalized its direct, wholly-owned subsidiary NMRI Two in the amount of \$10.0 million.

Effective June 30, 2012 NMIC's shareholder and Board of Directors amended its Articles of Incorporation to authorize NMIC to issue 63,250,000 shares at \$.04 par value common stock. On or about the same date, NMIC issued all 63,250,000 common shares to MAC Financial Holding Corporation in consideration for the \$210.0 million capitalization and MAC's surrender of the share certificate evidencing 250 shares previously issued by NMIC to MAC.

On April 24, 2012, MAC Financial Holding Corporation was acquired by NMI Holdings, Inc., a Delaware corporation (“NMI”). On September 30, 2013, NMI merged MAC Financial Holding Corporation into NMI, with NMI surviving the merger. NMRI Two was a wholly-owned subsidiary of the Company and was previously admitted in the Company's assets at its full statutory surplus value. The statutory surplus of NMRI Two at June 30, 2013 was \$10.0 million. During the 2nd quarter of 2013, NMIC requested approval from the OCI to merge NMRI Two into the Company, which the OCI approved on July 15, 2013. Effective September 30, 2013 NMRI Two was merged into the Company and ceased to exist as a separate entity.

Interaffiliate Reinsurance:

Certain states limit the amount of risk a mortgage guaranty insurer may retain on a single loan to 25% of the indebtedness to the insured and as a result the portion of such insurance in excess of 25% must be reinsured. The Company has entered into a primary excess share reinsurance agreement with NMRI One effective August 1, 2012. The Company cedes premiums and losses to NMRI One on an excess share basis for any primary or pool policy that provides coverage greater than 25% of any insured loan amount. The reinsurance provided by NMRI One is solely to comply with statutory risk limits. During April 2013, the Company began writing its first mortgage insurance policies and commenced ceding premium and risk to NMRI One under the reinsurance agreement.

Tax Sharing Agreement:

The Company entered into a Tax Sharing Agreement on August 23, 2012 by and among NMI, MAC Financial Holding Corporation, NMRI One, NMRI Two and the Company. Under this agreement, each of the parties mutually agrees to file a consolidated federal income tax return for 2012 and subsequent tax years, with NMI as the direct tax filer. The tax liability of each insurer that is party to the agreement is limited to the amount of liability it would incur if it filed a separate tax return. All settlements under this agreement between NMI and any insurer that is party to the agreement shall be made within 30 days of the filing of the applicable federal corporate income tax return with the Internal Revenue Service (“IRS”), including subsequent amended filings and IRS adjustments, except when a refund is due to an insurer, in which case payment shall be made to the insurer within 30 days after NMI's receipt of the applicable tax refund.

Cost Allocation Agreement:

The Company entered into a cost allocation agreement on August 1, 2012 by and among NMI, MAC Financial Holding Corporation, NMRI One, NMRI Two and the Company, hereinafter collectively referred to as “Parties”, and singularly as “Party”. All Parties to this agreement may also be referred to as “Affiliate”. Each of the parties to the agreement may provide any of the following services to any other party under the agreement, including: general management, underwriting, customer service, claims processing, legal, accounting and actuarial services.

For 3rd party goods and/or services purchased by a Party for an Affiliate, the allocation of costs shall be determined solely by the invoice from the 3rd party. For 3rd party goods and/or services purchased by a Party for more than one Affiliate (which may include the Party itself), the allocation of costs shall be determined by: (i) an invoice directly from the 3rd party providing the good and/or service, and (ii) an allocation of such costs developed using appropriate quantifiable measures supporting the goods received and/or services performed. For services provided solely by one or more Parties to one or more Affiliates (i.e., inter-company related services) the charges will be determined by direct employee costs including salaries, bonuses, incentives, benefits, payroll taxes and related out-of-pocket expenses actually incurred by the employee. In all three cases, all charges and fees for any goods or services provided to the Affiliates shall not exceed the actual costs incurred by the Parties. NMI is the principal employer of personnel among the parties and it is anticipated that most costs will be incurred by NMI and allocated to its insurance subsidiaries. Settlements are required no later than 60 days after each calendar quarter.

The Cost Allocation Agreement was amended on January 9, 2013, retroactive to August 1, 2012, such that all parties to the Agreement agreed that no costs would be allocated from NMI to any party to the Agreement until such time as GSE approval was received. Additionally, the parties agreed that share-based compensation and certain bonus payments paid or accrued prior to June 30, 2013 are to be allocated solely to NMI. The OCI declined to disapprove of this amendment and it became effective on January 10, 2013. Costs were allocated per the amended agreement beginning on February 1, 2013.

Notes to Financial Statement

Organizational Examination:

The OCI completed an Organizational Examination of NMIC on September 27, 2012. The period under exam was June 30, 2009 through June 30, 2012. The examination was conducted using a risk-focused approach in accordance with the NAIC Financial Condition Examiners' Handbook, which sets forth guidance for planning and performing an examination to evaluate the financial condition and identify prospective risks of an insurer. This approach includes obtaining information about the company including its corporate governance processes, the identification and assessment of inherent risks within the company, and the evaluation of system controls and procedures used by the company to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation and management's compliance with statutory accounting principles, annual statement instructions and Wisconsin laws and regulations. The examination consisted of a review of all major phases of the Company's operations and included the following areas: history, management control, corporate records, conflict of interest, fidelity bonds and other insurance, employees' welfare and pension plans, territory and plan of operations, affiliated companies, growth of company, reinsurance, financial statements, accounts and records and data processing.

The Examination Report concluded that NMIC has sound key IT controls in place and appeared to be ready for production. The Examination did not result in any recommendations, reclassification of or adjustment to the balances reported by the company. As a result of this Examination, the Stipulation and Order was rescinded on September 26, 2012. Currently, there are no restrictions or conditions on NMIC's Wisconsin certificate of authority.

Deposit:

On July 12, 2012, NMIC lodged a US Treasury bill with an approximate maturity value of \$3.46 million as a statutory deposit with the State of Wisconsin. This deposit is being held by Wisconsin for the benefit of NMIC's policyholders. In addition, through September 30, 2013 the Company placed an additional \$3.4 million in US Treasury bills as statutory deposits in certain states as a condition to licensing.

Licensing:

On June 27, 2012, our Expansion Application to obtain licenses in all states outside of Wisconsin was accepted into the Review of Electronic Application Coordination and Processing ("REACAP") process by the NAIC. We have been approved in 48 states and the District of Columbia. The states pending approval are Florida and Wyoming.

As conditions of obtaining licenses in Alabama, Arizona, California, Missouri, New York, Ohio and Texas, NMIC entered into agreements with the Alabama Department of Insurance ("ALDOI"), Arizona Department of Insurance ("AZDOI"), the California Insurance Department ("CADOI"), the Missouri Department of Insurance ("MODOI"), the New York State Department of Financial Services ("NYDOI"), the Ohio Department of Insurance ("OHDOI") and the Texas Commissioner of Insurance ("TXDOI"). The agreements with the CADOI, MODOI, NYDOI, OHDOI and TXDOI, provide, among other things, that:

- NMIC (i) refrain from paying any dividends; (ii) retain all profits; and (iii) maintain a risk-to-capital ratio not to exceed 20 to 1, for three years from the date of GSE Approval (i.e., until January 15, 2016); and
- certain start-up compensation expenses and equity compensation in the form of stock options and restricted stock units shall not be allocated to or assumed as a cost or expense by NMIC.

In its agreement with the NYDOI, NMIC is required to obtain the NYDOI's prior written approval to significantly deviate from the plan of operations and financial projections that were submitted to the NYDOI in connection with NMIC's license application. In addition, if the lawsuit brought by PMI's Receiver (see litigation below) is determined adversely to any of our officers who are named as defendants in the lawsuit (including our CEO, CFO, Chief Sales Officer and VP of Sales Operations, Analytics & Planning), we may be required to remove and replace those officers under the terms of the agreements with the ALDOI, AZDOI, NYDOI and TXDOI, as a condition of NMIC obtaining certificates of authority in those states, as well as under an agreement with the Wisconsin OCI. In connection with NMIC's license applications in California, Missouri and New York, NMI entered into agreements with the CADOI, MODOI and NYDOI requiring NMI to contribute capital to NMIC as necessary to maintain NMIC's risk-to-capital ratio at or below 20 to 1 for three years from the date of GSE Approval. NMRI One is also a party to the agreement with the CADOI and OHDOI.

GSE Approval:

The Company was approved as an eligible mortgage guaranty insurer by Freddie Mac and Fannie Mae, on January 15, 2013 and January 16, 2013, respectively, subject to continuing to comply with certain requirements. With GSE Approval, our customers who originate loans insured by the Company may sell such loans to the GSEs (as of April 1, 2013 for Freddie Mac and as of June 1, 2013 for Fannie Mae). During April 2013, the Company began writing its first mortgage insurance policies. As part of the approval process with the GSEs, the Company is required for the first three years of operations (expiring December 31, 2015) to maintain its risk-to-capital ratio at no greater than 15 to 1.

Fannie Mae Pool Deal:

During the second quarter of 2013, NMIC bid on a Fannie Mae pool insurance transaction. The Federal Housing Finance Agency ("FHFA"), conservator of the GSEs, has set targets for reducing the GSEs' mortgage risk in 2013. One of the methods available to the GSEs is to insure particular groups, or pools, of loans with mortgage insurers. In July 2013, we were notified that Fannie Mae had selected NMIC for this pool transaction. The Company entered into the agreement with Fannie Mae, pursuant to which NMIC insures approximately 22,000 residential mortgage loans with an aggregate unpaid principal balance of approximately \$5.2 billion. Coverage on this pool of loans was effective September 1, 2013.

Notes to Financial Statement

Litigation:

On August 8, 2012, Germaine Marks, as Receiver, and Truitte Todd, as Special Deputy Receiver, of PMI Mortgage Insurance Co. ("PMI"), an Arizona insurance company in receivership, have filed a complaint ("the PMI Complaint") against the Company, NMI and certain named individuals. The litigation is at an early stage of review and evaluation and the Company has filed an answer to PMI's complaint denying all allegations and believes the claims are without merit.

On January 30, 2013, a case management conference took place among the parties in the PMI Complaint. The conference resulted in the setting of a trial date on February 3, 2014. On September 24, 2013, a second case management conference took place among the parties which resulted in a new trial date of May 27, 2014. The parties are now engaged in discovery, primarily document production as well as depositions, interrogatories and requests for admissions.

Because the litigation and related discovery are at an early stage, the Company does not have sufficient information to determine or predict the ultimate outcome or estimate the range of possible losses, if any. Accordingly, no provision for litigation losses has been included in the financial statements.

- B. Troubled Debt Restructuring for Debtors
No significant change from year-end 2012.
- C. Other Disclosures
No significant change from year-end 2012.
- D. Uncollectible Premiums Receivable
No significant change from year-end 2012.
- E. Business Interruption Insurance Recoveries
No significant change from year-end 2012.
- F. State Transferable tax Credits
No significant change from year-end 2012.
- G. Subprime Mortgage Related Risk Exposure
No significant change from year-end 2012.

22. Subsequent Events

In October 2013, NMI amended its facility's lease to (1) add approximately 23,000 square feet of furnished office space, and (2) extend the facility's lease period through October 31, 2017.

On November 8, 2013, NMI filed a final prospectus announcing the sale of approximately 2.1 million shares of common stock through an initial public offering. The underwriters of the offering were granted a 30-day option to purchase up to an additional 315,000 shares of common stock from NMI at an initial public offering price, less underwriting discounts and commissions, to cover over-allotments. The principal reason for conducting the public offering was to expedite an increase in the number of holders of NMI's common stock to permit a listing of its common stock on the NASDAQ Global Market. Obtaining a listing on the NASDAQ Global Market satisfies certain contractual obligations NMI has to its stockholders under a Registration Rights Agreement.

On November 12, 2013, the underwriters exercised their option in full to purchase an additional 315,000 shares of common stock at a price of \$13.00 per share, before underwriting discounts. The offering closed on November 14, 2013. Gross proceeds to NMI were \$31.4 million. Net proceeds from the offering were approximately \$28.9 million, after an approximate 6% underwriting fee and other offering expenses and reimbursements pursuant to the underwriting agreement.

The Company has considered subsequent events through November 14, 2013.

23. Reinsurance

No significant change from year-end 2012.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

No significant change from year-end 2012.

25. Changes in Incurred Losses and Loss Adjustment Expenses

The Company incurred no losses and recorded no loss adjustment expenses for the first nine months of 2013. The Company made no changes in the provision for incurred loss and loss adjustment expenses attributable to insured events for prior years, as the Company only commenced insurance operations in April 2013.

For purposes of establishing loss reserves, the Company considers the default as the incident that gives rise to a claim. The Company also reserves for claims incurred but not yet reported. Consistent with industry practice, however, the Company will not establish loss reserves for anticipated future claims on insured loans that are not currently in default.

26. Intercompany Pooling Arrangements

No significant change from year-end 2012.

27. Structured Settlements

No significant change from year-end 2012.

Notes to Financial Statement

28. Health Care Receivables

No significant change from year-end 2012.

29. Participating Policies

No significant change from year-end 2012.

30. Premium Deficiency Reserves

No significant change from year-end 2012.

31. High Deductibles

No significant change from year-end 2012.

32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

No significant change from year-end 2012.

33. Asbestos/Environmental Reserves

No significant change from year-end 2012.

34. Subscriber Savings Accounts

No significant change from year-end 2012.

35. Multiple Peril Crop Insurance

No significant change from year-end 2012.

36. Financial Guaranty Insurance

The Company is a mono-line mortgage guaranty insurer and does not engage in the business of financial guaranty insurance.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes[] No[X]
 1.2 If yes, has the report been filed with the domiciliary state? Yes[] No[] N/A[X]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[X] No[]
 2.2 If yes, date of change: 03/15/2013
- 3.1 Have there been any substantial changes in the organizational chart since the prior quarter end? Yes[X] No[]
 3.2 If the response to 3.1 is yes, provide a brief description of those changes:
 National Mortgage Reinsurance Inc Two was merged into the Company and thus ceased to exist. Also, the Company's direct parent MAC Financial Holding Corporation merged into its direct parent company, NMI Holdings, Inc., a Delaware corporation. As a result, the Company is now a direct, wholly owned subsidiary of NMI Holdings, Inc.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[X] No[]
 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
National Mortgage Reinsurance Inc Two	13759	WI

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes[] No[] N/A[X]
 If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 06/30/2012
 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 06/30/2012
 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 09/27/2012
 6.4 By what department or departments?
 Wisconsin Office of the Commissioner of Insurance
 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes[] No[] N/A[X]
 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes[] No[] N/A[X]
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes[] No[X]
 7.2 If yes, give full information
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[] No[X]
 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[] No[X]
 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC
		Yes[] No[X]	Yes[] No[X]	Yes[] No[X]	Yes[] No[X]

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes[X] No[]
 (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 (c) Compliance with applicable governmental laws, rules and regulations;
 (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 (e) Accountability for adherence to the code.
 9.11 If the response to 9.1 is No, please explain:
 9.2 Has the code of ethics for senior managers been amended? Yes[X] No[]
 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
 In June 2013, the Company implemented a formal conflict of interest disclosure process for its officers. This supplements existing policies regarding business conduct, conflicts of interest and anti-fraud.
 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes[] No[X]
 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes[] No[X]
 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

INVESTMENT

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes[] No[X]
 11.2 If yes, give full and complete information relating thereto:
 12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$ 0

GENERAL INTERROGATORIES (Continued)

INVESTMENT

13. Amount of real estate and mortgages held in short-term investments: \$ 0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [] No [X]

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds		
14.22 Preferred Stock		
14.23 Common Stock		
14.24 Short-Term Investments		
14.25 Mortgages Loans on Real Estate		
14.26 All Other		
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)		
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above		

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [] No [X]
 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
 If no, attach a description with this statement. Yes [] No [] N/A [X]

16. For the reporting entity's security lending program, state the amount of the following as of the current statement date:
 16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ 0
 16.2 Total book/adjusted carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$ 0
 16.3 Total payable for securities lending reported on the liability page \$ 0

17. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Wells Fargo Bank, N.A.	600 California Street, San Francisco, CA 94108

17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes [] No [X]

17.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

17.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
105108	First Republic Securities Co., LLC	111 Pine Street, San Francisco, CA 94111
104973	Wells Capital Management Incorporated	525 Market Street, San Francisco, CA 94105

18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

18.2 If no, list exceptions:

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change?
If yes, attach an explanation. Yes[] No[] N/A[X]
2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured?
If yes, attach an explanation. Yes[] No[X]
- 3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes[] No[X]
3.2 If yes, give full and complete information thereto
- 4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see annual statement instructions pertaining to disclosure of discounting for definition of "tabular reserves"), discounted at a rate of interest greater than zero? Yes[] No[X]
4.2 If yes, complete the following schedule:

1 Line of Business	2 Maximum Interest	3 Discount Rate	TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
			4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
.....
.....
.....
04.2999 Total

5. Operating Percentages:
 5.1 A&H loss percent 0.000%
 5.2 A&H cost containment percent 0.000%
 5.3 A&H expense percent excluding cost containment expenses 0.000%
- 6.1 Do you act as a custodian for health savings accounts? Yes[] No[X]
 6.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$ 0
 6.3 Do you act as an administrator for health savings accounts? Yes[] No[X]
 6.4 If yes, please provide the balance of the funds administered as of the reporting date. \$ 0

SCHEDULE F - CEDED REINSURANCE
Showing all new reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Domiciliary Jurisdiction	5 Is Insurer Authorized? (Yes or No)
NONE				

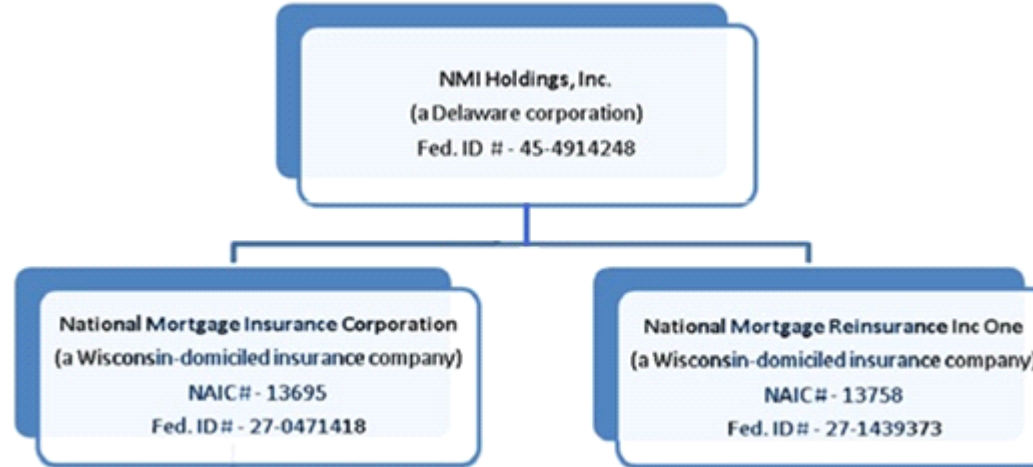
SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**Current Year to Date - Allocated by States and Territories**

	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2	3	4	5	6	7
States, Etc.	Active Status	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date
1. Alabama (AL)	L						
2. Alaska (AK)	L						
3. Arizona (AZ)	L						
4. Arkansas (AR)	L						
5. California (CA)	L						
6. Colorado (CO)	L	103					
7. Connecticut (CT)	L	1,008					
8. Delaware (DE)	L						
9. District of Columbia (DC)	L	475,819					
10. Florida (FL)	N						
11. Georgia (GA)	L						
12. Hawaii (HI)	L						
13. Idaho (ID)	L						
14. Illinois (IL)	L						
15. Indiana (IN)	L						
16. Iowa (IA)	L						
17. Kansas (KS)	L						
18. Kentucky (KY)	L						
19. Louisiana (LA)	L						
20. Maine (ME)	L						
21. Maryland (MD)	L						
22. Massachusetts (MA)	L						
23. Michigan (MI)	L	1,172					
24. Minnesota (MN)	L	316					
25. Mississippi (MS)	L						
26. Missouri (MO)	L						
27. Montana (MT)	L						
28. Nebraska (NE)	L	530					
29. Nevada (NV)	L						
30. New Hampshire (NH)	L						
31. New Jersey (NJ)	L						
32. New Mexico (NM)	L						
33. New York (NY)	L						
34. North Carolina (NC)	L						
35. North Dakota (ND)	L						
36. Ohio (OH)	L	175					
37. Oklahoma (OK)	L						
38. Oregon (OR)	L						
39. Pennsylvania (PA)	L	1,294					
40. Rhode Island (RI)	L						
41. South Carolina (SC)	L	861					
42. South Dakota (SD)	L						
43. Tennessee (TN)	L						
44. Texas (TX)	L	121					
45. Utah (UT)	L	901					
46. Vermont (VT)	L						
47. Virginia (VA)	L						
48. Washington (WA)	L						
49. West Virginia (WV)	L						
50. Wisconsin (WI)	L	266					
51. Wyoming (WY)	N						
52. American Samoa (AS)	N						
53. Guam (GU)	N						
54. Puerto Rico (PR)	N						
55. U.S. Virgin Islands (VI)	N						
56. Northern Mariana Islands (MP)	N						
57. Canada (CAN)	N						
58. Aggregate other alien (OT)	X X X						
59. Totals	(a). 49	482,566					
DETAILS OF WRITE-INS							
5801.	X X X						
5802.	X X X						
5803.	X X X						
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X						
5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X						

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y

PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Group Code	Group Name	NAIC Company Code	Federal ID Number	FEDERAL RSSD	CIK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Names of Parent, Subsidiaries Or Affiliates	Domiciliary Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity / Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity(ies) / Person(s)	*
4760	NMI Holdings Grp	00000 13695	45-4914248 27-0471418				NMI Holdings, Inc. National Mortgage Insurance Corporation	DE	UIP					
4760	NMI Holdings Grp	13758	27-1439373				National Mortgage Reinsurance Inc One	WI	IA	NMI Holdings, Inc. NMI Holdings, Inc.	Ownership	100.0	NMI Holdings, Inc.	

Asterisk	Explanation
0000001	
0000002	

STATEMENT AS OF **September 30, 2013** OF THE **National Mortgage Insurance Corporation**
PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire				
2. Allied lines				
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril				
6. Mortgage guaranty	482,566			
8. Ocean marine				
9. Inland marine				
10. Financial guaranty				
11.1 Medical professional liability - occurrence				
11.2 Medical professional liability - claims made				
12. Earthquake				
13. Group accident and health				
14. Credit accident and health				
15. Other accident and health				
16. Workers' compensation				
17.1 Other liability - occurrence				
17.2 Other liability - claims made				
17.3 Excess Workers' Compensation				
18.1 Products liability - occurrence				
18.2 Products liability - claims made				
19.1 19.2 Private passenger auto liability				
19.3 19.4 Commercial auto liability				
21. Auto physical damage				
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30. Warranty				
31. Reinsurance-Nonproportional Assumed Property	X X X	X X X	X X X	X X X
32. Reinsurance-Nonproportional Assumed Liability	X X X	X X X	X X X	X X X
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	X X X	X X X	X X X
34. Aggregate write-ins for other lines of business				
35. TOTALS	482,566			
DETAILS OF WRITE-INS				
3401.				
3402.				
3403.				
3498. Summary of remaining write-ins for Line 34 from overflow page				
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)				

PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business	1	2	3
	Current Quarter	Current Year to Date	Prior Year Year to Date
1. Fire			
2. Allied lines			
3. Farmowners multiple peril			
4. Homeowners multiple peril			
5. Commercial multiple peril			
6. Mortgage guaranty	481,529	482,566	
8. Ocean marine			
9. Inland marine			
10. Financial guaranty			
11.1 Medical professional liability - occurrence			
11.2 Medical professional liability - claims made			
12. Earthquake			
13. Group accident and health			
14. Credit accident and health			
15. Other accident and health			
16. Workers' compensation			
17.1 Other liability - occurrence			
17.2 Other liability - claims made			
17.3 Excess Workers' Compensation			
18.1 Products liability - occurrence			
18.2 Products liability - claims made			
19.1 19.2 Private passenger auto liability			
19.3 19.4 Commercial auto liability			
21. Auto physical damage			
22. Aircraft (all perils)			
23. Fidelity			
24. Surety			
26. Burglary and theft			
27. Boiler and machinery			
28. Credit			
29. International			
30. Warranty			
31. Reinsurance-Nonproportional Assumed Property	X X X	X X X	X X X
32. Reinsurance-Nonproportional Assumed Liability	X X X	X X X	X X X
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X	X X X	X X X
34. Aggregate write-ins for other lines of business			
35. TOTALS	481,529	482,566	
DETAILS OF WRITE-INS			
3401.			
3402.			
3403.			
3498. Summary of remaining write-ins for Line 34 from overflow page			
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)			

PART 3 (000 omitted)
LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2013 Loss and LAE Payments on Claims Reported as of Prior Year-End	2013 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2013 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2010 + Prior													
2. 2011													
3. Subtotals 2011 + Prior													
4. 2012													
5. Subtotals 2012 + Prior													
6. 2013	X X X	X X X	X X X	X X X			X X X				X X X	X X X	X X X
7. Totals													
8. Prior Year-End's Surplus As Regards Policyholders							NONE				Col. 11, Line 7 As % of Col. 1 Line 7 1.....	Col. 12, Line 7 As % of Col. 2 Line 7 2.....	Col. 13, Line 7 As % of Col. 3 Line 7 3.....
													Col. 13, Line 7 Line 8 4.....

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SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	<u>RESPONSES</u>
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	No
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	No
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	No
4. Will the Director and Officer Insurance Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	No

Explanations:

1. Not applicable.
2. Not applicable.
3. Not applicable.
4. Not applicable.

Bar Codes:

Trusteed Surplus Statement



13695201349000003 2013 Document Code: 490

Supplement A to Schedule T



13695201345500003 2013 Document Code: 455

Medicare Part D Coverage Supplement



13695201336500003 2013 Document Code: 365

Director and Officer Supplement



13695201350500003 2013 Document Code: 505

STATEMENT AS OF **September 30, 2013** OF THE **National Mortgage Insurance Corporation**
SCHEDULE A - VERIFICATION

Real Estate

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		
5. Deduct amounts received on disposals		
6. Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1 + 2 + 3 + 4 - 5 + 6 - 7 - 8)		
10. Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)		

NONE

SCHEDULE B - VERIFICATION

Mortgage Loans

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and mortgage interest points		
9. Total foreign exchange change in book value/recorded investment		
10. Deduct current year's other than temporary impairment recognized		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1 + 2 + 3 + 4 + 5 + 6 - 7 - 8 + 9 - 10)		
12. Total valuation allowance		
13. Subtotal (Line 11 plus Line 12)		
14. Deduct total nonadmitted amounts		
15. Statement value at end of current period (Line 13 minus Line 14)		

NONE

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 + 6 - 7 - 8 + 9 - 10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

NONE

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year		
2. Cost of bonds and stocks acquired	255,724,087	
3. Accrual of discount	45,827	
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals	(23,856)	
6. Deduct consideration for bonds and stocks disposed of	79,755,449	
7. Deduct amortization of premium	717,783	
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	175,272,826	
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	175,272,826	

SCHEDULE D - PART 1B

**Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class**

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	196,503,062	32,980,539	37,308,847	(296,192)	204,506,480	196,503,062	191,878,562	4,863,647
2. Class 2 (a)								
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	196,503,062	32,980,539	37,308,847	(296,192)	204,506,480	196,503,062	191,878,562	4,863,647
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	196,503,062	32,980,539	37,308,847	(296,192)	204,506,480	196,503,062	191,878,562	4,863,647

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$.....0; NAIC 2 \$.....0; NAIC 3 \$.....0; NAIC 4 \$.....0; NAIC 5 \$.....0; NAIC 6 \$.....0

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SCHEDULE DA - PART 1**Short - Term Investments**

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999. Totals	16,605,737	X X X	16,605,736	1,639	

SCHEDULE DA - Verification**Short-Term Investments**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	4,863,647	
2. Cost of short-term investments acquired	551,335,278	4,861,628
3. Accrual of discount	1,389	2,019
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	539,594,577	
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9)	16,605,737	4,863,647
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	16,605,737	4,863,647

SI04 Schedule DB - Part A Verification NONE

SI04 Schedule DB - Part B Verification NONE

SI05 Schedule DB Part C Section 1 NONE

SI06 Schedule DB Part C Section 2 NONE

SI07 Schedule DB - Verification NONE

SI08 Schedule E - Verification (Cash Equivalents) NONE

E01 Schedule A Part 2 NONE

E01 Schedule A Part 3 NONE

E02 Schedule B Part 2 NONE

E02 Schedule B Part 3 NONE

E03 Schedule BA Part 2 NONE

E03 Schedule BA Part 3 NONE

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
Bonds - Industrial and Miscellaneous (Unaffiliated)									
03065CAE9	AMERICREDIT AUTOMOBILE RECEIVA SER		08/07/2013	WELLS FARGO	X X X	2,999,247	3,000,000		1FE
34528QBR4	FORD CREDIT FLRPLN TR A 2012-2		07/31/2013	WELLS FARGO	X X X	716,734	700,000	1,112	1FE
34528QCB8	FORD CREDIT FLRPLN TR A 2012-5		08/01/2013	WELLS FARGO	X X X	1,386,273	1,400,000	1,748	1FE
34528QBR4	FORD CREDIT FLRPLN TR A 2012-2		07/31/2013	WELLS FARGO	X X X	71,673	70,000	111	1FE
3899999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					X X X	5,173,927	5,170,000	2,971	X X X
8399997 Subtotal - Bonds - Part 3					X X X	5,173,927	5,170,000	2,971	X X X
8399999 Subtotal - Bonds					X X X	5,173,927	5,170,000	2,971	X X X
9899999 Subtotal - Preferred and Common Stocks					X X X		X X X		X X X
9999999 Total - Bonds, Preferred and Common Stocks					X X X	5,173,927	X X X	2,971	X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues0.

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stocks Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Forfeiture Date	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation or Market Indicator (a)
36962GW75 38141GRC0	GENERAL ELEC CAP CORP MTN BE GOLDMAN SACHS GROUP INC		08/29/2013 09/09/2013	TIMBER HILL LLC/IB CORP. GOLDMAN SACHS & COMPANY	X X X	159,459	175,000	157,500			689		689		158,189		1,270	1,270	807	05/05/2026	1FE
40428PH9 449786AT9	HSBC USA INC NEW ING BANK NV		09/09/2013 08/29/2013	CITIGROUP MIZHUO SECURITIES USA	X X X	48,819	50,000	50,189		(22)			(22)		50,167		(1,349)	(1,349)	759	01/22/2018	1FE
459200HJ3 46625HJG6	INTERNATIONAL BUSINESS MACHS JPMORGAN CHASE & CO	R	09/09/2013 09/09/2013	HSBC SECURITIES INC KGS ALPHA CAP MKTS	X X X	102,051	100,000	101,888		(408)			(408)		175,284		(6,483)	(6,483)	2,070	01/16/2018	1FE
49327M2A1 55608PAA2	KEYBANK NATIONAL ASSOCIATION MACQUARIE BK LTD		09/09/2013 09/10/2013	MCDONALD & CO MORGAN STANLEY & CO	X X X	174,976	175,000	175,000			20		20		101,480		571	571	1,346	09/25/2015	1FE
585055BA3 59217GAY5	MEDTRONIC INC METROPOLITAN LIFE GLOBAL FDG I	R	09/09/2013 09/10/2013	US BANKCORP BARCLAYS CAPITAL INC	X X X	121,098	125,000	124,880			14		14		175,000		(24)	(24)	322	02/04/2015	1FE
68389XAG0 717081DF7	ORACLE CORP PFIZER INC		09/10/2013 08/29/2013	SG AMERICAN SECURITIES MARKET AXESS CORP	X X X	167,355	150,000	176,502			(1,161)		(1,161)		49,847		(1,361)	(1,361)	568	01/25/2018	1FE
693476B1 74153WBZ1	PNC FUNDING CORP PRICOA GLBL FDG I MTN 144A		09/10/2013 09/10/2013	JEFFERIES & CO CREDIT SUISSE SECURITIES	X X X	137,068	125,000	146,356			4		4		124,894		(3,797)	(3,797)	1,266	02/01/2018	1FE
80283FAE6 78403DAC4	SANTANDER DRIVE AUTO 2013-1 SBA TOWER TR 2012-1		08/26/2013 09/12/2013	RBC DAIN RAUSCHER INC DEUTSCHE BANK SECURITIES	X X X	95,971	100,000	99,923							110,362		(2,928)	(2,928)	2,792	02/22/2017	1FE
828807CM7 78447CAB6	SIMON PPTY GROUP LP SLM PRIV ED LN TR 2012-D		09/10/2013 09/13/2013	DEUTSCHE BANK SECURITIES BARCLAYS CAPITAL INC	X X X	149,370	150,000	154,725			(307)		(307)		100,078		(3,168)	(3,168)	634	04/01/2018	1FE
78443CAZ7 84474YAA4	SLM PRIVATE ST LN TR 2003-C SOUTHWEST AIRLINES 2007-1		09/15/2013 09/13/2013	VARIOUS VARIOUS	X X X	95,142	100,000	99,627			23		23		174,283		(5,451)	(5,451)	1,772	01/10/2018	1FE
853254AJ9 85747AL7	STANDARD CHARTERED PLC STATE STR CORP	R	09/10/2013 09/10/2013	CITIGROUP BANK OF AMERICA SEC LLC	X X X	67,805	75,000	74,600			10		10		175,341		(7,966)	(7,966)	5,104	07/08/2019	1FE
87407PAA8 89233P6S0	TAL ADVANTAGE V LLC 2013-1 TOYOTA MTR CRD CORP MTN BE		09/20/2013 09/10/2013	VARIOUS FIRST TENNESSEE BANK	X X X	115,972	120,833	121,136			(34)		(34)		100,000		291	291	148	06/15/2018	1FE
90520EAE1 91324PCB6	UNION BK CALIF N A MEDIUM TERM UNITEDHEALTH GROUP INC		09/10/2013 09/10/2013	CITIGROUP MERRILL LYNCH	X X X	123,075	125,000	128,144			5		5		145,455		(8,388)	(8,388)	3,826	02/08/2020	1FE
90333WAG3 931142DF7	US BK NATL ASSN MINN SUB MTNBE WAL-MART STORES INC		09/11/2013 09/10/2013	US BANKCORP BNY CAPITAL MKTS	X X X	182,135	175,000	184,480			(1,379)		(1,379)		99,927		(3,956)	(3,956)	462	05/29/2018	1FE
92933WAB4 3899999	WEA FIN LLC / WT FIN AUST PTY Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)		09/10/2013	DEUTSCHE BANK SECURITIES	X X X	117,358	100,000	122,895			(947)		(947)		175,665		(4,821)	(4,821)	1,660	01/15/2019	1FE
8399997	Subtotal - Bonds - Part 4				X X X	21,702,033	21,787,603	21,975,437			(36,692)		(36,692)		21,938,747		(236,721)	(236,721)	107,065	X X X	X X X
8399999	Subtotal - Bonds				X X X	24,069,223	24,192,603	24,416,871			(39,236)		(39,236)		24,377,636		(308,420)	(308,420)	117,852	X X X	X X X
9899999	Subtotal - Preferred and Common Stocks				X X X		X X X													X X X	X X X
9999999	Total - Bonds, Preferred and Common Stocks				X X X	24,069,223	X X X	24,416,871			(39,236)		(39,236)		24,377,636		(308,420)	(308,420)	117,852	X X X	X X X

(a) For all common stock bearing the NAIC market indicator "U" provide the number of such issues0.

QE05.1

E06 Schedule DB Part A Section 1 NONE

E07 Schedule DB Part B Section 1 NONE

E08 Schedule DB Part D Section 1 NONE

E09 Schedule DB Part D Section 2 - Collateral Pledged By Reporting Entity NONE

E09 Schedule DB Part D Section 2 - Collateral Pledged To Reporting Entity NONE

E10 Schedule DL - Part 1 - Securities Lending Collateral Assets NONE

E11 Schedule DL - Part 2 - Securities Lending Collateral Assets NONE

SCHEDULE E - PART 1 - CASH**Month End Depository Balances**

1 Depository		2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9 *
						6 First Month	7 Second Month	8 Third Month	
open depositories									
US Bank	San Francisco, CA	SD				3,485,000	3,485,000	3,485,000	X X X
First Republic Bank	San Francisco, CA					2,330,954	2,331,241	2,808,450	X X X
0199998 Deposits in .....1 depositories that do not exceed the allowable limit in any one depository (see Instructions) - open depositories		X X X	X X X			3,933			X X X
0199999 Totals - Open Depositories		X X X	X X X			5,819,887	5,816,241	6,293,450	X X X
0299998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (see Instructions) - suspended depositories		X X X	X X X						X X X
0299999 Totals - Suspended Depositories		X X X	X X X						X X X
0399999 Total Cash On Deposit		X X X	X X X			5,819,887	5,816,241	6,293,450	X X X
0499999 Cash in Company's Office		X X X	X X X	X X X	X X X				X X X
0599999 Total Cash		X X X	X X X			5,819,887	5,816,241	6,293,450	X X X

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
NONE							
8699999 Total - Cash Equivalents							