



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

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BULLETIN NO. 10-34

TO: ALL AUTHORIZED AND ADMITTED INSURERS TRANSACTING
MORTGAGE GUARANTY INSURANCE IN NEW JERSEY

FROM: THOMAS B. CONSIDINE, COMMISSIONER

RE: ENACTMENT OF P.L. 2010, C. 93, PROVIDING FOR WAIVERS OF THE
LIABILITY TO POLICYHOLDERS' SURPLUS RATIO REQUIREMENT
FOR MORTGAGE GUARANTY INSURANCE

P.L. 2010, c. 93 ("the Act") was enacted on November 30, 2010. It provides that from January 1, 2011 until December 31, 2013, the Commissioner of the Department of Banking and Insurance ("Department") may waive the statutory liability-to-policyholders' surplus ratio requirement applicable to companies that provide mortgage guaranty insurance. In addition, the Act states that the Department "may take any anticipatory administrative action in advance thereof as shall be necessary for the implementation of [the Act]." In the near future, the Department will propose regulations concerning the process for a mortgage guaranty insurance company to submit a written request for such a waiver, including the information necessary for the review of the request and the factors to be considered in approving or disapproving the request.

The Department is publishing this bulletin in anticipation of the regulations so that companies engaged in the business of mortgage guaranty insurance may begin the process of submitting an application for a waiver immediately. The standards and requirements detailed below are consistent with the provisions of the soon-to-be proposed rules.

The written request for a waiver shall include all the following information:

1. The size of the mortgage guaranty insurer as measured by its assets, capital and surplus, reserves, premium writings, insurance in force, and other appropriate criteria;
2. The extent to which the mortgage guaranty insurer's business is diversified across time, geography, credit quality, origination, and distribution channels;
3. The nature and extent of the mortgage guaranty insurer's reinsurance program, demonstrated by a general description of the mortgage guaranty insurers' reinsurance program and a summary of the reinsurance contracts;

4. The mortgage guaranty insurer's assets and its investment portfolio, including information on its quality, diversity and liquidity;
5. The historical and forecasted trend in the size of the mortgage guaranty insurer's policyholder position;
6. The mortgage guaranty insurer's reserves and information on the adequacy of the reserves;
7. The extent and liquidity of the mortgage guaranty insurer's investments in affiliates, including information on the quality and liquidity of the investments. The Commissioner may treat any such investment as a non-admitted asset for purposes of determining the adequacy of surplus as regards policyholders;
8. The mortgage guaranty insurer's earnings, including information on the quality of the earnings, and the extent to which the reported earnings of the mortgage guaranty insurer include extraordinary items;
9. An independent actuary's opinion as to the reasonableness and adequacy of the mortgage guaranty insurer's historical and projected policyholder position;
10. The capital contributions which have been infused or are available for future infusion into the mortgage guaranty insurer; and
11. The historical and projected trends in the components of the mortgage guaranty insurer's aggregate insured risk, including, but not limited to, the quality and type of the risks included in the aggregate insured risk. Information on quality and type of risks should include the percentage of high risk loans and percentage of sub-prime lenders included in the aggregate risk.

After a review of this and any other information that the Department determines is necessary in order to enable it to complete its review, the waiver may be granted if the Commissioner determines that a mortgage guaranty insurer's relationship of total liability outstanding under its aggregate insurance policies to policyholders' surplus is reasonable and adequate to its financial needs. If the Commissioner determines that additional information is needed to adequately monitor a specific insurer, the additional reporting requirement will be included in the notice of approval.

The reporting requirements for all mortgage guaranty insurance companies that are granted a waiver will be a quarterly report which shall include:

1. The quarterly statements filed by the insurer with the domestic regulator and the National Association of Insurance Commissioners;
2. Regional and economic indicators relevant to the mortgage guaranty insurer;
3. The mortgage guaranty insurer's reinsurance program;
4. Status of waivers in other states regarding the outstanding total liability under aggregate insurance policies to policyholders' surplus ratio; and
5. Any other information deemed necessary by the Commissioner as set forth in the notice of approval.

All written requests for a waiver and any questions about this Bulletin should be directed to:

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November 30, 2010

Date



Thomas B. Considine
Commissioner

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