Attorney Code #16819

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE REHABILITATION OF	)	
TRIAD GUARANTY INSURANCE CORPORATION	)	
	)	**No: 12 CH 43895**

NOTICE OF FILING

YOU ARE HEREBY NOTIFIED that on July 22, 2013, the "Memorandum in Support of Rehabilitator's Petition For Approval of Plan of Rehabilitation for Triad Guaranty Insurance Corporation" was filed with the Clerk of the Circuit Court of Cook County, Illinois.

Counsel to the Receiver

FILED-1
2013 JUL 22 PM 2:00
CIRCUIT COURT OF COOK COUNTY, ILLINOIS CHANCERY DIV.
DOROTHY BROWN CLERK

Subscribed and sworn to before me
this 22nd day of July, 2013

Notary Public

OFFICIAL SEAL
VENESHA D LEE
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:04/15/17

J. Kevin Baldwin
Daniel A. Guberman
Kevin Horan
Counsel to the Receiver
Office of the Special Deputy Receiver
222 Merchandise Mart Plaza, Suite 960
Chicago, Illinois 60654
(312) 836-9500
Attorney Code #16819

SERVICE LIST

TRIAD GUARANTY INSURANCE CORPORATION
(Case No. 12 CH 43895)

COURTESY COPY TO:

THE HONORABLE JUUDGE RODOLFO GARCIA
ROOM 2601
THE RICHARD J. DALEY CENTER
50 WEST WASHINGTON STREET
CHICAGO, ILLINOIS 60602

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE REHABILITATION OF	)	
TRIAD GUARANTY INSURANCE CORPORATION	)	Case No.: 12 CH 43895

MEMORANDUM IN SUPPORT OF REHABILITATOR'S PETITION FOR APPROVAL OF PLAN OF REHABILITATION FOR TRIAD GUARANTY INSURANCE CORPORATION

Andrew Boron, Director of Insurance of the State of Illinois (the "Director"), not individually but solely as Rehabilitator (the "Rehabilitator") of Triad Guaranty Insurance Corporation ("Triad"), by his attorneys, submits the following memorandum in support of his motion for the entry of an order approving his proposed Plan Of Rehabilitation For Triad Guaranty Insurance Corporation (the "Plan").

Introduction

Triad is organized for purposes of issuing mortgage guaranty insurance coverage. In 2008, Triad ceased issuing new commitments for mortgage guaranty insurance coverage and has been operating its business in run-off, first under two Corrective Orders issued by the Illinois Department of Insurance and subsequently under this Court's December 12, 2012 Agreed Order placing Triad in rehabilitation (the "Rehabilitation Order"). The Rehabilitation Order was entered pursuant to the provisions of Article XIII of the Illinois Insurance Code. 215 ILCS 5/187 *et seq.* The Rehabilitation Order found that Triad was insolvent. Pursuant to the terms of the Corrective Orders, Triad has been making payment on valid claims arising under its mortgage insurance policies as follows 60% in cash and 40% in instruments referred to as "deferred payment obligations" or "DPO."

Section 192 of the Code, 215 ILCS 5/192, authorizes the Director, as Rehabilitator, to submit a plan for rehabilitation to this Court for its approval. Section 192 (4) provides as follows,

> (4) **If at any time the Director finds that it is in the best interests of policyholders, creditors and the company to effect a plan of** mutualization or **rehabilitation, the Director may submit such plan to the court for its approval.** Such plan, in addition to any other terms and provisions as may by the Director be deemed necessary or advisable, may include a provision imposing liens upon the net equities of policyholders of the company, and in the case of life companies, a provision imposing a moratorium upon the loan or cash surrender values of the policies, for such period and to such an extent as may be necessary. Notice of the hearing upon any such plan shall be given in the manner as may be fixed by the court and upon such hearing the court may either approve or disapprove the plan or modify it in such manner and to such extent as to the court shall seem appropriate.

215 ILCS 5/192(4) (emphasis added).

Discussion

Since the entry of the Rehabilitation Order, the Rehabilitator, acting through his Special Deputy Receiver and his staff, has undertaken an extensive examination of Triad for, among other reasons, evaluating whether the development of a plan of rehabilitation for Triad was a viable alternative to Triad's liquidation. Acting under the direction of the Office of the Special Deputy Receiver ("OSD"), Triad's management prepared various reports relating to the viability of a plan of rehabilitation. In addition to considering the work product of Triad's management, the Rehabilitator also retained the professional services of Risk & Regulatory Consulting, LLC for purposes of performing an independent review of the work product prepared by Triad's management.

Robert R. Ogburn ("Ogburn"), Vice-President and Treasurer of Triad, prepared a premium forecast for the timeframe of April 1, 2013 through December 31, 2020 (the "Forecast Period"). A copy of the premium forecast is attached as Exhibit 1 to Ogburn's affidavit, a copy of which is attached hereto as Exhibit 1. The premium forecast projects the receipt of premium in the amount of $114,000,000 in 2013, $82,000,000 in 2014, $62,000,000 in 2015, with a total projected receipt of approximately $384,000,000 in premium during the course of the Forecast Period. These are funds which, with the exception of those collected during 2013 (through the entry date of a hypothetical order of liquidation), would not otherwise be available for the payment of claims if Triad were placed into liquidation instead of continuing the run-off of its liabilities under a plan of rehabilitation.

Jonathan M. Guy ("Guy"), Vice-President in Accounting and Analytics, and Appointed Actuary of Triad, prepared, analyzed and tested the loss forecast for the Forecast Period. A copy of the loss forecast is attached as Exhibit A to Guy's affidavit, a copy of which is attached hereto as Exhibit 2. For the reasons set forth in his affidavit, Guy concludes that, barring the occurrence of unforeseen circumstances, Triad should be able to fund throughout the Forecast Period the Plan's proposed payments on settled losses, both loss claims and return of premium, at the rate of 75% cash and 25% DPO.

Kenneth S. Dwyer ("Dwyer"), senior Vice-President and Chief Accounting Officer of Triad, prepared both an expense forecast and a summary expense forecast (including both general expenses such as employee costs -- salary, benefits, and anticipated severance of employees that are not directly involved with the adjudication of claims; rent; information technology costs; premium taxes; and rehabilitation/receivership costs) and loss adjustment expenses, covering the Forecast Period. Dwyer also prepared a forecast summary consisting of a condensed balance sheet, annual results of operations (*e.g.*, premiums received less claims and expenses paid) and annual cash flows for each year end of the Forecast Period. Copies of the summary expense report, condensed balance sheet, the annual results of operations, and the annual cash flows are attached, respectively, as Exhibits A, B, C, and D to Dwyer's affidavit, a copy of which is attached hereto as Exhibit 3. Dwyer's forecast summary projects that at the end of the Forecast Period Triad will have remaining assets in the approximate amount of $30,000,000.[1]

In addition to utilizing the experience and specialized knowledge of Triad's management in reaching a determination as to the viability of a plan of rehabilitation, the Rehabilitator also retained the services of Leo C. Garrity Jr. ("Garrity"), a Senior Manager with Risk & Regulatory Consulting, LLC. Garrity has over 20 years of corporate, consulting, examination, and audit experience in the insurance industry, including extensive experience relating to troubled companies and receiverships. RRC, through Garrity, was directed by the OSD to: (i) review, evaluate, and analyze the monitoring process and controls utilized by Triad's management in developing the forecast summary; and (ii) analyze and evaluate the financial results generated by Triad's management. Garrity concluded that the processes and significant assumptions utilized by Triad's management to develop the forecast summary generated "Expected Results"[2] throughout the forecast summary, and that the Expected Results set forth in the forecast summary provide a reasonable expectation for the Forecast Period. Garrity's conclusions are summarized in his affidavit a copy of which is attached hereto as Exhibit 4.

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1. The summary forecast assumes no impact from income taxes as it is anticipated that Triad will be able to offset tax liabilities with its NOL carry forward generated in the past. The Rehabilitator notes that although the right to assert the NOL's generated by Triad may be at issue with its corporate parent and sole shareholder, Triad Guaranty Inc., which filed for Chapter 11 protection under the federal bankruptcy laws on or about June 3, 2013, *even if Triad were unable to offset any of its future tax liabilities with NOLs, there would be no material impact to the viability of the Plan.*

2. "Expected Results" are defined as results generated based on historical financial and operating statistics, trends and development through March 31, 2013.

Conclusion

WHEREFORE, for the reasons set forth above the Rehabilitator represents that the proposed Plan Of Rehabilitation For Triad Guaranty Insurance Corporation is viable throughout the Forecast period and is in the best interests of the estate and its creditors, maximizing the funds available for distribution and, therefore, respectfully requests that this Court enter an order approving Plan, and granting such other relief as may be just and equitable.

Respectfully submitted,

Andrew Boron,
Director of Insurance of the State of Illinois,
in his capacity as statutory and court-affirmed
Rehabilitator of Triad Guaranty Insurance
Corporation

By: ______________________
One of his Attorneys

J. Kevin Baldwin
Kevin W. Horan
Daniel A. Guberman
Counsel to the Liquidator
222 Merchandise Mart Plaza
Suite 960
Chicago, IL 60654
(312) 836-9529
Attorney # 16819

EXHIBIT 1

AFFIDAVIT OF ROBERT OGBURN

I, Robert R. Ogburn , being over the age of twenty-one and duly sworn, state that if called to testify I would testify as follows:

I am Vice-President and Treasurer of Triad Guaranty Insurance Corporation ("TGIC"), where I have been employed since September 2000. I have a Master's Degree in Economics and am knowledgeable about treasury management in the mortgage guaranty insurance industry. The information set forth in this affidavit is based upon my personal knowledge and on documentary evidence I have personally seen, and I am competent to testify on the matters set forth herein if called to do so at a hearing.

1. Acting under the direction of the Office of the Special Deputy Receiver ("OSD"), I prepared the premium forecast contained in the Rehabilitator's proposed Plan of Rehabilitation. In preparing the premium forecast I developed an Excel-based model to project the level of net premium earned by TGIC, consolidated with its wholly-owned subsidiary Triad Guaranty Assurance Corporation ("TGAC"), collectively referred to as "Triad", during the period beginning April 1, 2013 and ending December 31, 2020. The projection was prepared on a quarterly basis. Net premium earned is TGIC's primary source of revenue and comprises gross premium earned less premium ceded to captive reinsurance companies and premium refunded to insureds. A copy of the premium forecast I prepared is attached hereto as Exhibit 1.

2. The projection included the premium earned from Primary insurance policies and Modified Pool insurance policies, each prepared separately on a gross basis (before the impact of ceded premium and premium refunds). The gross premium earned for both Primary and Modified Pool insurance were affected by the specific premium rate (measured in Basis Points) and the level of persistency or the percentage of insurance remaining inforce over time. The estimate of these variables accounted for the following:

   a. Basis Points

      i. For Primary policies, a weighted average premium rate was applied in the model. The base data was by policy year and by lender-paid insurance and borrower-paid insurance. Borrower-paid insurance generally includes a rate reset once the policy becomes 10-years old and this was incorporated.

      ii. For Modified Pool policies, a weighted average premium rate was applied in the model. The base data was by specific transaction.

   b. Persistency

      i. For both Primary and Modified Pool policies, persistency accounted for rescission and claim activity. This information was obtained from the loss forecast. Additionally, cancellation activity was also incorporated. The level of cancellations was based on historical experience and future expectations.

ii. Modified Pool persistency was also affected by the scheduled termination date of certain Modified Pool transactions.

3. Net premium earned accounted for the impact of premium earned ceded to captive reinsurance companies and the impact of premium refunds primarily due to rescission activity. Gross premium earned, as calculated per above, is reduced by premium earned ceded to captive reinsurance companies and premium refunds. The result is the Net premium earned reported as income by TGIC.

4. Premium earned ceded to captive reinsurance companies is specific to Primary insurance policies (*i.e.,* not including Modified Pool policies) and was estimated by applying a premium cede rate (premium ceded as a percentage of gross Primary premium earned) to the projection of gross Primary premium earned.

5. The calculation of premium refunds included an estimate of cash refunds and the change in the accrual for premium refunds.

   a. Cash refunds were estimated by applying a premium refund rate (premium refunded as a percentage of risk rescinded in a specific quarter) to the estimate of future risk rescinded in each quarter from the loss forecast.

   b. The accrual for premium refunds was estimated by applying a premium refund accrual rate (premium refund accrual as a percentage of total projected risk to be rescinded) to the estimate of total projected risk to be rescinded from the loss forecast. The change in the premium refund accrual on a quarterly basis was calculated.

FURTHER AFFIANT SAYETH NAUGHT.

[signature]
ROBERT OGBURN

SUBSCRIBED and SWORN to before me this 18th day of July, 2013

[signature]
Notary Public

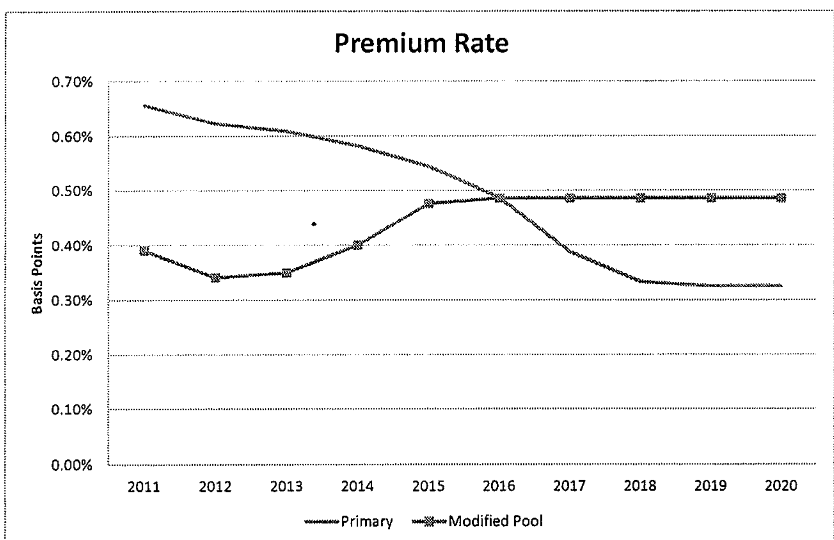
OFFICIAL SEAL
Notary Public, North Carolina
COUNTY OF FORSYTH
JOYCE B. SILLS
My Commission Expires 9/22/14

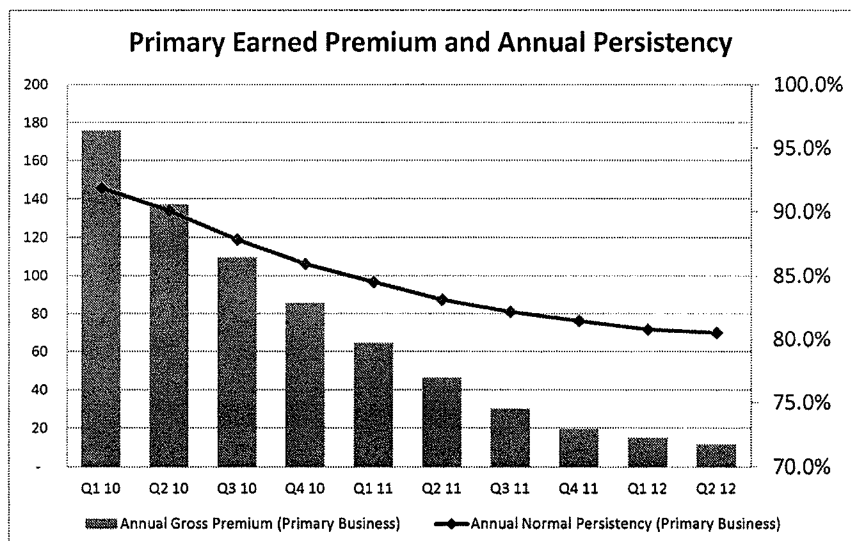
PREMIUM FORECAST SUMMARY

As of March 31, 2013

	Q1 13 Act	Q2 13 FC	Q3 13 FC	Q4 13 FC	Q1 14 FC	Q2 14 FC	Q3 14 FC	Q4 14 FC	2015 FC	2016 - 2020 FC
Earned Premiums ($000)										
Gross Primary	$ 29,728	$ 28,210	$ 26,594	$ 25,107	$ 23,600	$ 22,044	$ 20,640	$ 19,372	$ 64,661	$ 122,477
Ceded Premiums	(838)	(846)	(798)	(753)	(708)	(661)	(619)	(581)	(1,940)	(3,674)
Net Primary	28,890	27,364	25,796	24,354	22,892	21,383	20,021	18,791	62,721	118,803
Modifed Pool	3,271	3,103	2,900	2,689	2,478	2,273	2,053	1,816	5,619	15,021
Addlt MP for deals breached during quarter										
Premiums Prior to Recission Refunds	32,161	30,467	28,696	27,043	25,370	23,656	22,074	20,607	68,340	133,824
Rescission Refund Impact	(409)	(282)	(1,414)	(1,978)	(2,332)	(2,427)	(2,519)	(2,311)	(6,015)	(7,167)
Net Earned Premiums	$ 31,752	$ 30,184	$ 27,282	$ 25,065	$ 23,038	$ 21,230	$ 19,555	$ 18,296	$ 62,326	$ 126,657
									ok	ok
Insurance in Force (millions): End of Period										
Primary	18,802	17,906	17,056	16,198	15,370	14,576	13,816	13,087	10,488	3,190
Modified Pool	3,699	3,458	3,184	2,895	2,568	2,260	1,865	1,560	969	382
Risk in Force (millions): End of Period										
Primary	4,968	4,722	4,486	4,260	4,042	3,834	3,634	3,442	2,758	839
Modified Pool	905	842	769	690	601	518	410	326	180	71
Persistency										
Primary										
Modified Pool										

EXHIBIT 1





* Persistency prior to paid claim and rescission activity.

EXHIBIT 2

AFFIDAVIT OF JONATHAN M. GUY, FCAS, MAAA

I, Jonathan M. Guy, FCAS, MAAA being over the age of twenty-one and duly sworn, state that if called to testify I would testify as follows::

1. I am the Vice-President in Accounting and Analytics, and Appointed Actuary of Triad Guaranty Insurance Corporation ("TGIC"), where I have been employed since June 2004. The information set forth in this affidavit is based upon my personal knowledge and on documentary evidence I have personally seen, and I am competent to testify of the matter set forth herein if called to do so at a hearing.

2. At the direction of the Office of the Special Deputy receiver ("OSD"), I prepared, analyzed and tested the loss forecast utilized in developing the Rehabilitator's proposed Plan of Rehabilitation for the timeframe of April 1, 2013 through December 31, 2020 (the "Forecast Period"). The loss forecast requires forecasting the risk in default and all of its components. The components include any results that exhaust the company's exposure to the risk in default either permanently or just for the time being, such as claims paid, claims denied, loans rescinded, or "cured" defaults. A default "cures" when the borrower has made enough payments to make the loan current again. In addition to forecasting the components that cause risk to leave the inventory of risk in default, we also forecasted new risk, which accounts for the additions of newly defaulted loans to the inventory in each period. By taking all of these components into account, we were able to forecast the changes in total risk in default across the Forecast Period. A copy of the loss forecast is attached hereto as Exhibit A.

3. In preparing the loss forecast, I reflected recent trends and expectations including changes in the timing of rescissions, seasonal trends and the emergence of forecasted data compared to the emergence of actual recent data. For example, the yearly decline in new risk in default for Primary business has fluctuated between -25% and -45% since the beginning of 2010. For the Forecast Period, the yearly decline in new risk in default is expected to average -40%. Also, the quarterly cure rate for Primary business has averaged 8.8% since the beginning of 2010. For the Forecast Period, the quarterly cure rate is expected to average 8.2%. "Primary" insurance provides mortgage default protection to lenders on individual loans and covers a percentage of unpaid loan principal, delinquent interest, and certain expenses associated with the default and subsequent foreclosure.

4. The forecasted loss data was allocated to the Primary Flow, Primary Bulk and Modified Pool segments of TGIC's business and to various subsegments within those segments. "Primary Flow" transactions consisted of loans originated by lenders that were submitted to us on a loan-by-loan basis. "Primary Bulk"

transactions were "Primary" insurance on structured bulk transactions, where the transaction involved underwriting and insuring a group of loans with individual coverage for each loan. Also "Primary Bulk" transactions are structured bulk transactions that do not have an aggregate stop-loss limit applied to the entire group of loans. "Modified Pool" transactions are structured bulk transactions the have an aggregate stop-loss limit applied to the entire group of loans. We made assumptions for the severity factors for paid risk and the reserve factors for gross reserves consistent with those segments. Since the beginning of 2010, severity factors have averaged 109% for Primary business. Since the beginning of 2012, severity factors have averaged 104% for Modified Pool business. For the Forecast Period, we have assumed the Primary business severity factor will remain at 109% while the Modified Pool severity factor will remain at 104%. Since the beginning of 2011, reserve factors have averaged 72%. For the Forecast Period, reserve factors are expected to average 72%.

5. Once the allocated forecast data was loaded into individual spreadsheets for the segments or subsegments, I accounted for any assumptions unique to those segments or subsegments and reviewed the overall outputs for reasonableness and consistency.

6. The Incurred and Payment patterns were reasonably established based on historical data. Therefore, TGIC should be able to fund payments in cash of losses and the return of premium at the rate of 75% of settled losses throughout the Forecast Period. These are expected actuarial results and, as such, are not a guarantee that TGIC will be able to maintain a 75% payment rate throughout the Forecast Period. External factors could unexpectedly increase the paid losses subject to payment to a point beyond which the 75% payout is sustainable.

FURTHER AFFIANT SAYETH NAUGHT.

Jonathan M. Guy

JONATHAN M. GUY, FCAS, MAAA

SUBSCRIBED and SWORN to before me this 17th day of July, 2013

Joyce B. Sills

Notary Public

OFFICIAL SEAL
Notary Public, North Carolina
COUNTY OF FORSYTH
JOYCE B. SILLS
My Commission Expires 7/22/2014

TRIAD GUARANTY INSURANCE CORPORATION. In Rehabilitation

SUMMARY FORECAST RESULTS *($ in 000's)*

	As of								
CONDENSED BALANCE SHEET	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Assets									
Cash and Invested Assets	$ 712,174	$ 243,653	$ 165,968	$ 120,117	$ 87,473	$ 55,372	$ 32,663	$ 25,528	$ 26,569
Due and Accrued Premiums	36,863	27,493	20,002	14,592	10,673	7,825	5,749	4,232	3,121
Other Assets	7,392	7,075	2,018	1,590	1,277	996	776	686	687
Total Assets	$ 756,429	$ 278,221	$ 187,987	$ 136,300	$ 99,423	$ 64,194	$ 39,187	$ 30,445	$ 30,376
Liabilities and Surplus									
Loss and LAE Reserve	$ 690,937	$ 529,832	$ 356,214	$ 253,554	$ 175,047	$ 101,437	$ 50,358	$ 24,506	$ 11,953
DPO	754,864	548,962	606,223	642,301	668,636	689,349	703,171	710,074	713,349
Other Liabilities	163,377	71,153	70,093	68,441	67,239	66,732	66,553	66,551	66,501
Total Liabilities	1,609,178	1,149,947	1,032,531	964,295	910,922	857,517	820,082	801,130	791,804
Paid in Surplus	133,716	133,716	133,716	133,716	133,716	133,716	133,716	133,716	133,716
Unassigned Surplus	(986,465)	(1,005,442)	(978,260)	(961,712)	(945,215)	(927,039)	(914,611)	(904,402)	(895,144)
Total Capital and Surplus	(852,749)	(871,726)	(844,544)	(827,996)	(811,499)	(793,323)	(780,895)	(770,686)	(761,428)
Total Liabilities and Surplus	$ 756,429	$ 278,221	$ 187,987	$ 136,300	$ 99,423	$ 64,193	$ 39,187	$ 30,445	$ 30,376

EXHIBIT

A

Triad Guaranty Loss Forecast by Channel
All data in 000's

Primary	Data as of	2010				2011			
	12/31/2009	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Total Risk in Default	2,240,460	2,163,455	1,936,414	1,727,123	1,555,499	1,420,514	1,314,262	1,251,242	1,192,890
New Risk in Default		371,935	266,752	253,992	246,635	201,762	186,674	191,186	187,874
Paid Risk in Default		98,819	108,896	100,899	106,425	79,482	89,441	93,669	92,545
Denied Risk in Default		10,877	11,838	8,577	6,120	5,850	4,164	8,554	3,280
Rescinded Risk in Default		113,689	145,031	149,807	135,190	118,233	81,318	51,716	42,306
Cured Risk in Default		225,556	228,029	204,000	170,525	133,182	118,003	100,266	108,095
Severity		106%	107%	107%	108%	107%	108%	108%	108%
Gross Paid Dollars		104,391	116,125	107,550	114,651	85,411	96,548	101,408	99,979
Net Paid Dollars		102,910	113,456	103,227	109,411	82,415	92,750	98,175	95,761
Gross Reserve	1,064,974	1,062,701	971,167	910,410	803,130	782,878	732,260	713,512	697,256
Gross Incurred Dollars		102,118	24,590	46,793	7,371	65,160	45,929	82,661	83,724
Net Reserve	1,037,706	1,033,565	943,124	883,977	780,827	761,132	712,571	694,723	679,756
Net Incurred Dollars		98,768	23,015	44,080	6,261	62,720	44,189	80,327	80,795

Modified Pool	Data as of	2010				2011			
	12/31/2009	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Total Risk in Default	1,397,533	1,041,954	858,921	800,143	741,928	640,551	606,555	442,200	348,911
New Risk in Default		189,806	123,983	114,333	105,463	95,012	78,433	66,599	54,753
Paid Risk in Default		49,012	40,981	38,349	36,838	27,080	24,573	32,569	19,810
Denied Risk in Default		9,806	7,041	5,907	6,202	3,257	3,121	3,713	999
Rescinded Risk in Default		92,447	21,678	38,063	23,937	32,176	24,724	12,397	16,084
Cured Risk in Default		394,120	237,316	90,792	96,700	133,877	60,012	182,275	111,148
Severity		99%	99%	98%	101%	100%	102%	105%	104%
Gross Paid Dollars		48,298	40,405	37,602	37,133	27,071	25,164	34,323	20,606
Net Paid Dollars		44,214	35,570	34,118	34,477	25,818	24,306	31,637	18,583
Gross Reserve	821,726	617,358	470,207	455,309	423,926	341,041	343,477	223,990	167,524
Gross Incurred Dollars		(156,071)	(106,747)	22,705	5,749	(55,814)	27,601	(85,165)	(35,859)
Net Reserve	341,414	308,389	265,423	225,123	203,027	162,321	141,739	114,602	108,019
Net Incurred Dollars		11,189	(7,396)	(6,183)	12,382	(14,888)	3,725	4,500	12,000

Triad Guaranty Loss Forecast by Channel
All data in 000's

Primary		Data as of	2010				2011			
		12/31/2009	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Total Risk in Default	2,240,460	2,163,455	1,936,414	1,727,123	1,555,499	1,420,514	1,314,262	1,251,242	1,192,890
	New Risk in Default		371,935	266,752	253,992	246,635	201,762	186,674	191,186	187,874
	Paid Risk in Default		98,819	108,896	100,899	106,425	79,482	89,441	93,669	92,545
	Denied Risk in Default		10,877	11,838	8,577	6,120	5,850	4,164	8,554	3,280
	Rescinded Risk in Default		113,689	145,031	149,807	135,190	118,233	81,318	51,716	42,306
	Cured Risk in Default		225,556	228,029	204,000	170,525	133,182	118,003	100,266	108,095
	Severity		106%	107%	107%	108%	107%	108%	108%	108%
	Gross Paid Dollars		104,391	116,125	107,550	114,651	85,411	96,548	101,408	99,979
	Net Paid Dollars		102,910	113,456	103,227	109,411	82,415	92,750	98,175	95,761
	Gross Reserve	1,064,974	1,062,701	971,167	910,410	803,130	782,878	732,260	713,512	697,256
	Gross Incurred Dollars		102,118	24,590	46,793	7,371	65,160	45,929	82,661	83,724
	Net Reserve	1,037,706	1,033,565	943,124	883,977	780,827	761,132	712,571	694,723	679,756
	Net Incurred Dollars		98,768	23,015	44,080	6,261	62,720	44,189	80,327	80,795

Modified Pool		Data as of	2010				2011			
		12/31/2009	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Total Risk in Default	1,397,533	1,041,954	858,921	800,143	741,928	640,551	606,555	442,200	348,911
	New Risk in Default		189,806	123,983	114,333	105,463	95,012	78,433	66,599	54,753
	Paid Risk in Default		49,012	40,981	38,349	36,838	27,080	24,573	32,569	19,810
	Denied Risk in Default		9,806	7,041	5,907	6,202	3,257	3,121	3,713	999
	Rescinded Risk in Default		92,447	21,678	38,063	23,937	32,176	24,724	12,397	16,084
	Cured Risk in Default		394,120	237,316	90,792	96,700	133,877	60,012	182,275	111,148
	Severity		99%	99%	98%	101%	100%	102%	105%	104%
	Gross Paid Dollars		48,298	40,405	37,602	37,133	27,071	25,164	34,323	20,606
	Net Paid Dollars		44,214	35,570	34,118	34,477	25,818	24,306	31,637	18,583
	Gross Reserve	821,726	617,358	470,207	455,309	423,926	341,041	343,477	223,990	167,524
	Gross Incurred Dollars		(156,071)	(106,747)	22,705	5,749	(55,814)	27,601	(85,165)	(35,859)
	Net Reserve	341,414	308,389	265,423	225,123	203,027	162,321	141,739	114,602	108,019
	Net Incurred Dollars		11,189	(7,396)	(6,183)	12,382	(14,888)	3,725	4,500	12,000

Triad Guaranty Loss Forecast by Channel

All data in 000's

Primary

	2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Total Risk in Default	1,105,160	1,014,289	919,885	833,085	779,756	726,000	684,000	646,000	596,000	545,000	502,000	464,000
New Risk in Default	150,146	132,059	130,572	127,610	102,677	88,094	86,036	83,889	69,746	60,553	59,366	56,697
Paid Risk in Default	79,685	85,379	74,543	71,789	69,426	65,000	61,187	56,170	50,152	45,135	40,120	36,109
Denied Risk in Default	6,754	7,063	6,921	4,192	3,769	4,350	4,093	3,807	3,594	3,418	3,247	3,088
Rescinded Risk in Default	54,212	50,713	63,199	61,764	6,887	4,500	7,000	10,000	12,000	12,000	12,000	12,000
Cured Risk in Default	97,226	79,774	80,313	76,666	75,926	68,000	55,756	51,912	54,000	51,000	47,000	43,500
Severity	109%	111%	109%	108%	108%	109%	109%	109%	109%	109%	109%	109%
Gross Paid Dollars	86,616	94,385	80,927	77,730	75,190	70,850	66,694	61,226	54,665	49,197	43,730	39,359
Net Paid Dollars	84,492	91,822	78,758	75,567	73,308	69,211	65,037	59,736	53,358	48,040	42,709	38,476
Gross Reserve	680,371	653,747	612,877	578,916	550,125	517,546	486,129	457,779	420,542	382,687	350,895	325,796
Gross Incurred Dollars	69,730	67,761	40,057	43,768	46,399	38,271	35,277	32,876	17,428	11,342	11,938	14,260
Net Reserve	663,989	638,025	598,412	565,937	538,774	506,581	476,327	448,996	412,845	376,008	345,104	320,773
Net Incurred Dollars	68,724	65,859	39,145	43,091	46,145	37,018	34,784	32,404	17,207	11,203	11,804	14,145

Modified Pool

	2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Total Risk in Default	323,555	277,864	225,400	180,357	176,405	164,944	153,495	141,508	125,294	107,655	92,084	77,426
New Risk in Default	51,432	33,583	32,877	32,569	27,633	20,975	19,758	18,463	14,501	11,139	9,855	7,997
Paid Risk in Default	13,987	16,354	10,249	11,401	9,510	10,990	10,939	10,817	10,628	10,335	9,959	9,442
Denied Risk in Default	2,066	1,522	1,673	1,475	762	1,048	979	895	817	738	656	574
Rescinded Risk in Default	30,330	14,234	29,747	24,618	1,218	1,500	2,500	3,500	3,500	3,500	3,500	3,500
Cured Risk in Default	30,406	47,164	43,672	40,119	20,094	18,899	16,790	15,239	15,770	14,206	11,311	9,140
Severity	107%	107%	104%	98%	104%	104%	104%	104%	104%	104%	104%	104%
Gross Paid Dollars	14,985	17,454	10,624	11,203	9,854	11,429	11,376	11,249	11,053	10,748	10,357	9,820
Net Paid Dollars	13,557	16,536	9,749	10,660	9,188	10,082	10,080	10,128	9,079	8,012	7,486	6,944
Gross Reserve	161,285	140,660	124,842	122,394	110,036	104,307	96,862	89,178	78,745	67,380	57,411	48,070
Gross Incurred Dollars	8,746	(3,171)	(5,194)	8,754	(2,504)	5,701	3,931	3,565	620	(616)	388	479
Net Reserve	102,735	92,207	94,211	94,055	80,529	73,541	66,112	58,582	50,393	42,340	35,142	28,366
Net Incurred Dollars	8,273	6,007	11,754	10,503	(4,337)	3,094	2,650	2,598	891	(41)	288	168

EXHIBIT 3

AFFIDAVIT OF KENNETH S. DWYER

I, Kenneth S. Dwyer, being over the age of twenty-one and duly sworn, state that if called to testify I would testify as follows:

1. I am the senior Vice-President and Chief Accounting Officer of Triad Guaranty Insurance Corporation (TGIC"), where I have been employed since September 2003. I am knowledgeable about the accounting for mortgage guaranty insurance as well as other insurance accounting. The information set forth in this affidavit is based upon my personal knowledge and on documentary evidence I have personally seen, and I am competent to testify of the matter set forth herein if called to do so at a hearing.

2. Under the direction of the Office of the Special Deputy Receiver ("OSD"), I prepared both an expense forecast and a summary expense forecast, including both general expenses (*e.g.,* employee costs -- salary, benefits, and anticipated severance of employees that are not directly involved with the adjudication of claims; rent; information technology costs; premium taxes; and rehabilitation/receivership costs) and loss adjustment expenses, through December 31, 2020 (the "Forecast Period") utilizing historical costs through March 31, 2013, adjusted for known and projected changes. A summary copy of the summary expense forecast is attached hereto as Exhibit A.

3. The largest component of the expense forecast during this period is the cost for information technology services, which includes maintenance of the administration system, including hardware and software, as well as anticipated changes to the production environment based upon changes anticipated by the Plan of Rehabilitation, as well as other initiatives implemented for the mortgage insurance industry by the Government Sponsored Entities ("GSE"), Fannie Mae and Freddie Mac. All information technology costs are paid for under a service agreement with a third party vendor and include variable costs based upon the number of certificates of insurance in force, and periodic adjustments for inflation.

4. The second largest component of the expense forecast are employee costs, which includes salaries, and employer-paid taxes and benefits. Employee costs were adjusted to reflect a decline in the required number of employees during the Forecast Period. Employee severance is recorded during the quarter estimated when the employee will be first notified and is funded through a severance trust that was established in 2008.

5. Anticipated administrative expenses of the rehabilitation were also included. General expenses were reduced from $20.9 million of actual expenses for calendar year 2012 to $8.3 million forecasted for 2013, trending down to $3.0 million in 2020.

6. I also prepared a summary report incorporating the loss and premium forecasts that were prepared by Triad's actuary under the direction of the OSD, and the expense forecast that sets forth summary financial statements (balance sheet, statement of operations, and cash flow) for the Forecast Period. For purposes of creating the summary report, I loaded the

data from the separate loss, premium and expense forecasts on a quarterly basis through 2020. The data from the separate loss model includes expected gross paid claims (before any adjustment for the Deferred Payment Obligation but reduced by anticipated lender captive reimbursements) as well as anticipated end-of-quarter reserve balances throughout the Forecast Period. The data from the separate premium model includes anticipated gross premiums and expected premium refunds on a quarterly basis throughout the Forecast Period. General expenses and LAE expenses came from the expense forecast and were loaded on a quarterly basis throughout the Forecast Period. Other inputs to the forecast summary consist of actual results through March 31, 2013 and included a summary balance sheet, results of operations and cash flow for the first quarter of 2013.The summary report also includes Triad's accumulated Deferred Payment Obligation ("DPO") representing the total liability owed to policyholder/certificate holders since 2009 when TGIC began paying claims in cash at 60%, and deferring payment of its remaining 40% obligation. The summary report was modeled to calculate the net cash proceeds to be paid on estimated gross claims based upon the existing or anticipated percentage of cash to be paid.

7. Additionally, this DPO report provided for one time payments of the DPO, based on adjustments to the DPO percentage from the current level of 60% to 75%, the claim payment rate set forth in the Rehabilitator's proposed Plan of Rehabilitation. The decrease in the DPO percentage was consistently applied to all estimated future claim payments throughout the Forecast Period to insure that all policyholders were treated equally and that, barring unforeseen circumstances, TGIC could sustain this payment rate throughout the Forecast Period.

8. Condensed balance sheets, statements of operations and statements of cash flows were developed for each quarter throughout the Forecast Period. Investment income and investment balances were calculated based upon the existing investment yields and utilizing projected cash flows resulting from the loss, premium and expense forecasts. Certain assumptions were made about the rather small level of other assets and liabilities, none of which would have a material impact on the results. The summary forecast assumes no impact from income taxes as it is anticipated that TGIC will be able to utilize the large NOL carry forward generated in the past.

9. The forecast summary previously referenced above in Paragraph 6, consists of a condensed balance sheet, annual results of operations (*e.g.*, premiums received less claims and expenses paid) and annual cash flows for each year end of the Forecast Period. Copies of the subparts of the forecast summary are attached hereto as Exhibits B, C, and D. Cash premiums collected are projected to only partially offset the larger cash payments on claims that results in a negative cash flow from operations. With the exception of calendar year 2020, TGIC is projected to have a negative cash flow from operations during the entire Forecast Period. The balance sheet projects that cash and invested assets will decline from $712 million at December 31, 2012 to $244 million at December 31, 2013, due to the projected payments of $318 million on existing DPO holders, $84 million in cash payments on claims that were escrowed pending settlement of a lawsuit, and $93 million of cash payments on additional claims anticipated to be paid

in 2013. Throughout the Forecast Period the cash and invested asset balance trends downward with a projected balance of $30 million at December 31, 2020.

FURTHER AFFIANT SAYETH NAUGHT.

KENNETH S. DWYER

SUBSCRIBED and SWORN to before me this 17th day of July, 2013.

Notary Public

OFFICIAL SEAL
Notary Public, North Carolina
COUNTY OF FORSYTH
JOYCE B. SILLS
My Commission Expires 7/22/2014

TRIAD GUARANTY INSURANCE CORPORATION. In Rehabilitation
EXPENSE SUMMARY AND FORECAST ($ in Thousands)

Exhibit A

General Expenses	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
					For the Year Ended				
	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Employee Costs									
Salary and Wages	$ 2,326	$ 1,561	$ 1,225	$ 1,099	$ 909	$ 872	$ 834	$ 667	$ 534
Incentive Compensation	1,157	(960)	-	-	-	-	-	-	-
Taxes and Benefits	525	507	260	230	200	190	180	144	115
Total Employee Related Costs Excl. Severance	4,008	1,108	1,485	1,329	1,109	1,062	1,014	811	649
Severance	2,243	(279)	200	250	200	250	-	200	200
Total Employee Related Costs	6,251	829	1,685	1,579	1,309	1,312	1,014	1,011	849
Holding Company Reimbursements	6	-	-	-	-	-	-	-	-
Consulting Fees	121	40	40	40	40	40	40	32	26
Premium Taxes, Ins. Dept. License and Fees	1,887	2,147	1,834	1,367	986	650	437	239	191
Legal and Audit Fees	917	195	175	177	179	180	180	144	115
OSD Expenditures	41	750	600	600	600	600	600	600	600
D&O Insurance	747	456	342	-	-	-	-	-	-
Information Technology Expenses	4,038	3,450	2,930	2,489	2,114	1,795	1,525	1,220	846
Deprecation	741	324	13	2	-	-	-	-	-
Rent	322	207	198	100	100	100	100	100	100
Contract Underwriting Expenses	5,930	-	-	-	-	-	-	-	-
Other	324	289	267	239	223	198	181	145	116
Ceding Commission	(394)	(293)	(239)	(194)	(158)	(129)	-	-	-
Total General Expenses	**$ 20,931**	**$ 8,394**	**$ 7,846**	**$ 6,398**	**$ 5,393**	**$ 4,746**	**$ 4,077**	**$ 3,490**	**$ 2,842**

Loss Adjustment Expenses									
Direct claim settlement expense	$ 93	$ 65	$ 40	$ 20	$ 20	$ 20	$ 20	$ 10	$ 10
Increase (Decrease) in LAE reserve	(2,050)	(3,041)	(800)	(650)	(600)	(800)	(800)	(400)	(400)
Total	(1,957)	(2,976)	(760)	(630)	(580)	(780)	(780)	(390)	(390)
Compensation and Benefits									
Salaries and wages	1,438	1,137	991	816	699	466	466	373	298
Bonuses	357	7	6	5	5	3	3	2	2
Benefits & payroll taxes	344	276	196	178	139	123	65	52	42
Total compensation and benefits	2,139	1,420	1,193	1,000	843	592	534	427	342
Other Expenses									
Rent	609	172	156	76	58	40	40	40	40
Depreciation	29	4	-	-	-	-	-	-	-
Marix/Wingspan consulting	347	130	106	86	70	57	47	37	30
Interthinx	2,709	252	205	167	136	111	90	25	25
Investigations and verifications	29	13	12	12	-	-	-	-	-
Other	78	78	63	52	42	34	28	20	20
Total other expenses	3,801	649	542	393	307	242	205	122	115
Total Loss Adjustment Expenses	**$ 3,983**	**$ (907)**	**$ 976**	**$ 763**	**$ 569**	**$ 55**	**$ (41)**	**$ 160**	**$ 67**

EXHIBIT A

TRIAD GUARANTY INSURANCE CORPORATION. In Rehabilitation
SUMMARY FORECAST RESULTS *($ in 000's)*

Exhibit B

	As of								
CONDENSED BALANCE SHEET	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Assets									
Cash and Invested Assets	$ 712,174	$ 243,653	$ 165,968	$ 120,117	$ 87,473	$ 55,372	$ 32,663	$ 25,528	$ 26,569
Due and Accrued Premiums	36,863	27,493	20,002	14,592	10,673	7,825	5,749	4,232	3,121
Other Assets	7,392	7,075	2,018	1,590	1,277	996	776	686	687
Total Assets	$ 756,429	$ 278,221	$ 187,987	$ 136,300	$ 99,423	$ 64,194	$ 39,187	$ 30,445	$ 30,376
Liabilities and Surplus									
Loss and LAE Reserve	$ 690,937	$ 529,832	$ 356,214	$ 253,554	$ 175,047	$ 101,437	$ 50,358	$ 24,506	$ 11,953
DPO	754,864	548,962	606,223	642,301	668,636	689,349	703,171	710,074	713,349
Other Liabilities	163,377	71,153	70,093	68,441	67,239	66,732	66,553	66,551	66,501
Total Liabilities	1,609,178	1,149,947	1,032,531	964,295	910,922	857,517	820,082	801,130	791,804
Paid in Surplus	133,716	133,716	133,716	133,716	133,716	133,716	133,716	133,716	133,716
Unassigned Surplus	(986,465)	(1,005,442)	(978,260)	(961,712)	(945,215)	(927,039)	(914,611)	(904,402)	(895,144)
Total Capital and Surplus	(852,749)	(871,726)	(844,544)	(827,996)	(811,499)	(793,323)	(780,895)	(770,686)	(761,428)
Total Liabilities and Surplus	$ 756,429	$ 278,221	$ 187,987	$ 136,300	$ 99,423	$ 64,193	$ 39,187	$ 30,445	$ 30,376

EXHIBIT B

TRIAD GUARANTY INSURANCE CORPORATION. In Rehabilitation
SUMMARY FORECAST RESULTS *($ in 000's)*

Exhibit C

CONDENSED STATEMENT OF OPERATIONS	For the Year Ended 12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Revenues								
Earned Premiums	$ 113,862	$ 82,118	$ 62,326	$ 47,234	$ 31,150	$ 20,339	$ 15,337	$ 12,596
Investment and Other Income	22,528	10,114	3,682	2,658	1,868	1,135	721	645
Total Revenue	136,390	92,233	66,007	49,892	33,018	21,474	16,059	13,240
Losses and Expenses								
Incurred Loss and LAE	147,464	57,205	43,061	28,002	10,096	4,969	2,359	1,141
General Expenses	8,394	7,846	6,398	5,393	4,746	4,077	3,490	2,842
Total Expenses	155,857	65,051	49,459	33,395	14,842	9,045	5,849	3,983
Gain (Loss) From Operations	$ (19,467)	$ 27,182	$ 16,548	$ 16,497	$ 18,176	$ 12,429	$ 10,209	$ 9,257

EXHIBIT

TRIAD GUARANTY INSURANCE CORPORATION. In Rehabilitation
SUMMARY FORECAST RESULTS *($ in 000's)*

Exhibit D

CONDENSED STATEMENT OF CASH FLOW	For the Year Ended 12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Cash Flow From Operations								
Premiums	$ 114,318	$ 82,118	$ 62,326	$ 47,234	$ 31,150	$ 20,339	$ 15,337	$ 12,596
Investment and Other Income	22,361	10,114	3,682	2,658	1,868	1,135	721	645
Losses and LAE Paid - Regular	(196,605)	(173,561)	(109,644)	(80,174)	(62,994)	(42,225)	(21,309)	(10,418)
Losses Paid - DPO	(318,855)	-	-	-	-	-	-	-
General Expenses	(7,203)	(7,846)	(6,398)	(5,393)	(4,746)	(4,077)	(3,490)	(2,842)
Decrease (Increase) in Other Assets	9,687	12,548	5,837	4,233	3,129	2,297	1,607	1,110
Increase (Decrease) in Other Liabilities	(92,224)	(1,060)	(1,652)	(1,202)	(507)	(178)	(2)	(50)
Cash Flow From Operations	(468,520)	(77,686)	(45,851)	(32,644)	(32,101)	(22,710)	(7,135)	1,041
Beginning Cash and Invested Assets	712,174	243,653	165,968	120,117	87,473	55,372	32,663	25,528
Ending Cash and Invested Assets	$ 243,654	$ 165,968	$ 120,117	$ 87,473	$ 55,372	$ 32,663	$ 25,528	$ 26,569

EXHIBIT D

EXHIBIT 4

AFFIDAVIT OF LEO C. GARRITY JR.

I, Leo C. Garrity Jr., being first duly sworn, do hereby state under oath:

1. I am over the age of 21 years and have personal knowledge of the facts set forth below.

2. The information set forth in this affidavit is based upon my personal knowledge and on documentary evidence I have personally seen.

3. I am currently a Senior Manager with Risk & Regulatory Consulting, LLC (RRC) where I have been employed since January 2012. I am a member of RRC's Troubled Company and Receivership Services team of specialists ("Our Team") which provides services to state insurance departments, including evaluations of an insurer's business, operations, and strategy, including an entity's business plan, company action plan, plan of rehabilitation, or plan of liquidation.

4. I am a graduate of Providence College with a Bachelor of Science degree in accounting. I have over 20 years of corporate, consulting, examination, and audit experience in the insurance industry.

5. From September 1990 through February 1996 I was employed by Arthur Andersen LLP in the capacities of Audit Staff, Audit Senior, and Audit Manager. Throughout this period of employment I performed external audit services for insurance companies.

6. From February 1996 through October 1997, I was employed by Merit Behavioral Care Corporation in the capacity of Northeast Regional Finance Director. My responsibilities included developing financial forecasts, financial reports, and presentations to Executive Management.

7. From October 1997 through April 2002 I was employed by Arthur Andersen LLP in the capacities of Experienced Manager and Senior Manager where I performed financial condition examinations, external audit services, and consulting services for state insurance departments and insurance companies.

8. From April 2002 through June 2003 I was employed by HF Management Services LLC (doing business as "Healthfirst") in the capacity of Vice President. My responsibilities included developing financial forecasts, financial reports, and presentations to Executive Management and Board of Directors.

9. From June 2003 through December 2004 I was employed by Smart and Associates LLP in the capacity of Senior Manager. From January 2005 through October 2008 I was a Managing Partner for Smart Business Advisory and Consulting, LLC and a Partner for Smart and Associates LLP. My engagements included providing consulting services in the area of corporate governance, risk assessments, internal audit, Sarbanes-Oxley, and external audit services of insurance companies.

10. From August 2009 through January 2012 I was employed by Examination Resources, LLC in the capacity of Director of Financial Services. I assisted the state insurance departments of Florida and Georgia with troubled companies and receiverships, providing services as a Deputy Supervisor, Assistant Special Deputy Liquidator, and Examiner. My duties included the preparation and review of financial forecasts, review of financial statements and accounting records, review of operational procedures, and maintaining accounting records.

11. Prior to its being placed into rehabilitation, RRC was engaged in 2012 by the Illinois Department of Insurance to review the status of Triad Guaranty Insurance Corporation ("TGIC") and Triad Guaranty Assurance Corporation ("TGAC"). I was the engagement manager for that review.

12. TGIC is a monoline insurance company licensed to write only mortgage guaranty insurance. Mortgage guaranty insurance is not a line of business covered by a state insurance guaranty association in any state.

13. Subsequent to TGIC being placed into rehabilitation, RRC was retained by the Director of Insurance for the State of Illinois, in his capacity as statutory and court affirmed rehabilitator ("Rehabilitator") of TGIC, to assist, under the direction and control of the Office of the Special Deputy ("OSD"), in the administration of the Receivership Estate, and other matters related thereto that may arise from time to time.

14. Under the direction of the Rehabilitator, TGIC's Management prepared a summary report ("Summary Forecast Results") consisting of summary financial statements, including a balance sheet, statement of operations, and statement of cash flows for the years 2013 through 2020. TGIC's Management developed the Summary Forecast Results based on historical, financial, and operational statistics, results, and trends through March 31, 2013. TGIC's Summary Forecast Results ("the Forecast") are attached as Exhibits B, C and D ("the Exhibits") to the Affidavit of Kenneth S. Dwyer. The Exhibits provide a condensed balance sheet for each year end, annual results of operations, and annual cash flows for each of the years 2013 through 2020. In addition TGIC Management utilizes a condensed balance sheet, condensed statement of operations, and a condensed statement of cash flows which were developed for each quarter throughout the forecast period through December 31, 2020.

15. The Summary Forecast Results also included TGIC's Accumulated Deferred Payment Obligation ("DPO") representing the unpaid liability owed to policyholder/certificate holders since 2009 when TGIC, acting pursuant to a Corrective Order issued by the Illinois Department of Insurance, began limiting the cash portion of claims payments to 60% of the amount of the settled claim, and deferring payment of the remaining 40% of its obligation. The report was modeled to calculate the net cash proceeds to be paid on estimated gross claims based upon the existing or anticipated percentage of cash to be paid. Additionally, this DPO report provided for one time payments of the DPO, based on adjustments to the DPO percentage from the current level of 60% to 75%, the claim payment rate set forth in the Rehabilitator's proposed Plan of Rehabilitation. The

decrease in the DPO from 40% to 25% percentage was consistently applied to all estimated future claims throughout the forecast period to insure that all policyholders were treated equally and that, barring unforeseen circumstances, TGIC could sustain this payment rate throughout the Forecast Period.

16. RRC was directed by the OSD to: (i) review the monitoring process, controls, and tools utilized by TGIC's Management in developing the Forecast; and (ii) review the significant assumptions utilized by TGIC Management and the financial results generated.

17. I have reviewed the monitoring process, controls, and tools utilized by TGIC's Management to develop the Forecast.

18. I have reviewed the overall assumptions utilized by TGIC's Management to prepare the Forecast as of March 31, 2013, in comparison to previous forecasts prepared as of December 31, 2012, and June 30, 2012. I have reviewed the significant assumptions utilized by TGIC Management and the financial results generated as of March 31, 2013.

19. I have reviewed the significant financial performance indicators for the Forecast as it relates to Cash and Invested Assets, Loss and LAE Reserves, Capital and Surplus Deficiency, Gain/(Loss) from Operations, Increase/(Decrease) in Cash Flows, and Cumulative Level of Loss Reimbursement to be paid to Policyholders.

20. Based on the review of the Forecast and supplemental analysis performed the following significant observations are noted:

- TGIC's and the Mortgage Guaranty Industry's forecasts for years 2008 through 2012 have been subject to uncertainties as it relates to changes in the economy, the residential real estate market, and other developments. As a result, actual results for TGIC and the Mortgage Guaranty Industry have generated material variances from forecast results during this timeframe.
- TGIC's Management developed the Forecast based upon historical, financial, and operational statistics, results, and trends, primarily from the development of business written between 2003 and 2008.
- Jonathan Guy, Vice President Accounting and Analytics and Appointed Actuary, noted the following significant observations related to the development of the loss forecast:
  - "The loss forecast requires forecasting the risk in default and all of its components. The components include any results that exhaust the company's exposure to the risk in default either permanently or just for the time being, such as claims paid, claims denied, loans rescinded, or "cured" defaults. A default "cures" when the borrower has made enough payments to make the loan current again. In addition to forecasting the components that cause risk to leave the inventory of risk in default, we (TGIC Management) also forecasted new risk, which accounts for the additions of newly defaulted loans to the inventory in each period. By taking all of these components into

account, we (TGIC Management) were able to forecast the changes in total risk in default across the Forecast Period."

    - "In preparing the loss forecast, I (Jonathan Guy) reflected recent trends and expectations including changes in the timing of rescissions, seasonal trends and the emergence of forecasted data compared to the emergence of actual recent data."
    - "The Incurred and Payment patterns were reasonably established based on historical data. Therefore, TGIC should be able to fund payments in cash of losses and the return of premium at the rate of 75% of settled losses throughout the Forecast Period. These are expected actuarial results and, as such, are not a guarantee that TGIC will be able to maintain a 75% payment rate throughout the Forecast Period. External factors could unexpectedly increase the paid losses subject to payment to a point beyond which the 75% payout is sustainable."

- Impact of cash flow other than recurring net gain/loss from insurance operations consist of the following
    - Approximately $26.6 million in expected cash premium from breached contracts (claim paid amounts reached stop loss limits in contracts) to be collected in the amount of approximately $19.5 for years 2013 – 2015 and $7.1 for years 2016 – 2020. **NOTE:** These premiums have already been recognized as earned in the quarter the contract provisions were breached.
    - Approximately $10 million in expected payments is forecast to be received from Essent Guaranty, Inc. in 2013 and 2014 due to a previous sale of IT assets.
- Expected Claim Payments and True-Up payments of approximately $600 million (including $84 million in payments to American Home Mortgage ("AHM) which is currently held in escrow as of March 31, 2013) are forecast to be paid during the year ended December 31, 2013.
- TGIC's Forecast balance sheet projects that cash and invested assets will decline to $244 million as of December 31, 2013 from $712 million as of December 31, 2012. The decline in cash and invested assets is a result of projected payments of $318 million on existing DPOs, $84 million paid on original cash claim payments that were escrowed pending the settlement of a lawsuit, $196 million of cash payments on claims paid, and projected payments $7 million in general expenses which were offset by $114 million and $23 million in premium and interest cash receipts, respectively. The cash and invested assets balance as forecast by TGIC Management trends downward through the forecast period but remain positive through 2020 at $30 million. Cash premiums collected are projected to partially offset the cash payments on claims. TGIC is projected to have negative cash flow from operations for the entire forecast period except for the year ended December 31, 2020.

- TGIC's DPO Summary Report reflects the cumulative level of loss reimbursement to be paid to policyholders at a 75% rate of total settled losses can be maintained on a claim settled basis (does not include consideration of amounts reported in Loss and LAE Reserve until period in which the claim is settled) for each of the years ending December 31, 2013 through 2020.

- TGIC's Forecast reflects that the cumulative level of loss reimbursement to be paid to policyholders on an incurred loss basis (claims settled and consideration of amounts held in Loss and LAE Reserve as of each year end) would be at a rate of approximately 69%, 71%, 72%, 73%, 74% of the total incurred losses for the years ended December 31, 2013 through 2017, and at a 75% rate thereafter for the years ended December 31, 2018 through 2020. The cumulative level of loss reimbursement rate paid to policyholders increase from a calculated 69% rate in 2013 to a 75% rate in 2017 calculated on an incurred loss basis. This is a result of expected gains from operations for years 2014 through 2020 will be utilized to pay the run-out of amounts previously reported in Loss and LAE Reserve at the time the claim/loss are settled.
- The Forecast assumes no impact from income taxes as it is anticipated that TGIC will be able to utilize the large NOL carry forward generated in the past.
- Cash and Invested Assets are forecast to be maintained at approximately $30 million or higher throughout years 2013 through 2020.
- Cumulative level of loss reimbursement to be paid to policyholders through December 31, 2020 is forecast to be 75% of settled losses and amounts reported in Loss Reserves as of December 31, 2020.

21. I have reviewed the monitoring process, controls, and tools utilized by TGIC Management in their oversight, development, evaluation, and assessment of the Forecast. I have concluded that the monitoring process, controls, and tools utilized by TGIC's Management to develop the Forecast are reasonable.

22. I have reviewed the overall assumptions utilized by TGIC's Management to prepare the Forecast as of March 31, 2013, in comparison to previous forecasts prepared as of December 31, 2012, and June 30, 2012. The overall assumptions utilized by TGIC's Management are reasonable.

23. I have reviewed the significant assumptions utilized by TGIC Management within the Summary Forecast Results, Premium Forecast Models, Loss Forecast Models, and Expense Models utilized to develop the Forecast in each of the following areas:

    - Policy Persistency
    - New Risk in Default Rate
    - Cure Rate
    - Gross Margin Analysis on Primary Flow Business
    - Policy Rescissions

    Significant assumptions within the Forecast subsequent to April 1, 2013 were developed based on historical, financial, and operating statistics, results, and trends through March 31, 2013

24. The significant assumptions utilized by TGIC Management to develop the Forecast and the financial results generate "Expected Results" throughout the Forecast. "Expected Results" are defined as results generated based on historical, financial, and operating statistics, results, and trends through March 31, 2013 utilized to forecast expected development and trends subsequent to April 1, 2013. "Expected Results" for TGIC and the Mortgage Guaranty industry are subject to uncertainties as it relates to changes in the economy, residential real estate market, and other developments. While TGIC "Expected Results" provide a reasonable expectation for the Forecast period, the results could be adversely impacted by changes in the economy, residential real estate market, and other developments. The actual financial results for TGIC may be materially different from the "Expected Results".

FURTHER AFFIANT SAYETH NAUGHT.

Leo C. Garrity Jr.

LEO C. GARRITY JR.

SUBSCRIBED and SWORN to before

Me this 19th day of July, 2013

Cierra DuBose

Notary Public Cierra DuBose

CIERRA DUBOSE
NOTARY PUBLIC-GEORGIA
FULTON COUNTY, GEORGIA
My Commission Expires Nov 19, 2016