EXHIBIT E

agreements, it is common that the contract would run the full term of the contract, *i.e.*, two to three years. With such arrangements, risk transfer should be based on a multi-year analysis, or a two- or three-year basis.

ii. In the event a single year contract contains provisions that make it punitive for the insurer not to renew, then risk transfer analysis would need to take such provisions into account, which could mean conducting a multi-year analysis.

Since neither of these two provisions is applicable to the Atrium agreements, I do not believe Dr. Crawshaw's use of a multi-year analysis is appropriate.

Furthermore, I disagree with Dr. Crawshaw's assertion that the "intent" of the parties to have a "long-term" relationship can override the plain language of the termination provisions in the reinsurance agreements, such that a multi-year analysis would become appropriate. In my experience in negotiating a reinsurance contract with a prospective insurer, it is fairly standard practice for both sides to embrace each other with the notion that this relationship is intended to be continuing in nature. It would be quite extraordinary for either side to take the position that the agreements for reinsurance will be a "one shot deal." Thus, some of the language quoted by Dr. Crawshaw referring to the intention of this arrangement to be "long-term" in nature is simply business as usual. It does nothing to justify a risk transfer analysis that requires lumping multiple book years together.

Protective Order [redacted]

2. ***Atrium was exposed under its reinsurance agreements.***

As an initial matter, I feel it necessary to discuss the issue of the qualification of an actuary to read and interpret a reinsurance agreement. I disagree with any assertion that only an attorney is qualified to interpret a reinsurance contract. As I have been the Chief Underwriting Officer for multiple reinsurance companies, as well as the primary architect and author of multiple (manuscript) reinsurance contracts, I feel very qualified to read and interpret a reinsurance agreement. I believe that gaining an understanding of the requirements of a particular reinsurance agreement is a necessary precondition to perform an analysis of risk transfer.[3]

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[3] In addition, since the accounting profession has the ultimate authority to determine whether a reinsurance agreement has adequate risk transfer to assess if it qualifies for reinsurance

requirement is $1 million, whereas if Atrium assumes the same $25 million in risk, Atrium would be required to maintain $2.5 million in capital or 150% more than the MI.

b. Amendments

Under Atrium's contracts, the parties are bound to their original agreement unless each party approves an amendment. *See* § 16.2 of the UGI [redacted] § 15.11 of the Radian contract, and § 15.11 of the CMG contract, which state that the Agreement may only be amended by a signed written agreement. Thus, Atrium could not just unilaterally adopt amendments that benefitted its position.

c. Dividends

Dr. Crawshaw appears to take exception to the timing and quantum of the various dividends received by Atrium over the course of the contracts. Once again, Atrium's ability to take dividends was highly regulated – paying a dividend to the parent required the approval of the regulator, whereas a dividend paid to Atrium needed to meet minimum financial criteria. Such dividends would simply increase the statutory capital and surplus of Atrium, which was still available to pay claims (excluding CMG). In my experience, the DoI is very focused on the protection of policyholders. Failure of a reinsurer to fulfill its contractual obligations, which therefore potentially impacts the integrity of the underlying insurance policy, is an extremely serious matter.

To pay dividends under the UGI contract, the Trust Account needed to be adequately and fully funded. This is specified in § 13.2 which states in part: "Whenever the capital fund portion of the Trust Account is less than that required by this Section, Reinsurer is prohibited from paying any dividends." Thus, Atrium had to be in compliance with its contractual obligations as a condition precedent to the payment of dividends.

Also, in the UGI contract, per § 14.1.a, the Reinsurer is required to submit to the jurisdiction of any court of competent jurisdiction in any state in the event the Reinsurer fails to perform its obligations under the terms of this Agreement. This provision, which also indirectly addresses the payment of dividends, provides further protection to UGI from Atrium paying excessive dividends over and above what was required under the state law.[5]

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[5] *See also* Genworth contract § 5.01:

Statutory Capital and Reserves. The Company and the Reinsurer each shall establish and maintain (a) all such capital required by the laws of their respective domiciliary states and (b) all such reserves as may be required under relevant state insurance laws and regulations with respect

The reality of the emergence of losses with these time lags makes it virtually impossible for a reinsurer to "time the market." Again, the evidence of entering into two agreements (Radian and CMG) so close to the downturn is anecdotal proof of such.

I do not dispute the ability or motivation of a reinsurer to terminate an agreement or exit from the business when the economic downturn is a virtual certainty. Again, I believe this is normal business behavior. I also do not believe that this means there was no risk transfer since there is a virtual certainty of loss. Certainty of loss is not equivalent to assumption of risk.

Exhibit B, hereto is a comparison of the Genworth retained results as compared to the Atrium ceded results based on information extracted from the Milliman December 31, 2011 report. A few observations are worth noting:

- Protective Order [redacted]
- [redacted]
- [redacted]
- [redacted]

I could not extract similar information on a book year basis for UGI, as the details for the older years were not contained in the Milliman reports I reviewed, so the following comments discuss the UGI contract on an aggregate basis, not for risk transfer, but for overall profitability. The Atrium Loss Ratio for the UGI agreement over all years per the March 31, 2013 Milliman report is approximately 51.5%. The retained loss ratio by UGI over this period is approximately 54.4%-56.6%. I say approximate as I could not calculate the exact loss ratio, because I was unable to ascertain the retained losses for the initial UGI book year, but this amount would be minimal and would not impact the aggregate loss ratio materially. A few observations:

Report, at 52. I disagree with Dr. Crawshaw that: (1) the attachment point was set at a level above expected claims; and (2) it was extremely unlikely in the early years that Atrium would be liable for any claims.

With respect to Dr. Crawshaw's first point, while it may be a matter of opinion as to whether the attachment point is above or below expected claims, as demonstrated in Exhibit C, attached hereto, in virtually every case -- all contracts, all book years -- the MI is in a net economic positive position (or "profit") at the attachment point or entry level. As a result, Atrium, the reinsurer, will suffer a net economic loss ***before*** the MI will experience such an unsatisfactory economic position.

Protective Order [redacted]

Second, since the premium split is roughly 60%/40% for the MI and Atrium, respectively, with Atrium generally retaining a 10% Loss Rate, it would take a Loss Rate of 25% for the two entities to experience identical loss ratios. Said differently, Atrium suffers a net economic loss ***before*** the MI in virtually all years (this generally holds true for all recent book years, but not always for book years before 2000). Since risk transfer is a two pronged test under FASB 113; one test for frequency of loss (probability of loss) and one test for quantum of loss (severity expressed as a percentage of NPV premium), it can be concluded at least for the frequency standard or probability of loss, that the risk assumed by Atrium is greater than that retained by the MI.

Turning to Dr. Crawshaw's second point, I have difficulty reconciling Dr. Crawshaw's position that "it is extremely unlikely in the early years of any arrangements that Atrium would be liable for any claims" with the economic reality that Atrium incurred a significant net economic loss on two of the four reinsurance agreements assumed. This is exactly what occurred for both the CMG and Radian agreements, as both suffered economic losses of 16-17% of premium (per Dr. Crawshaw) despite being in force for roughly 2 ½ and 5 years, respectively, which constitute "early years."

EXHIBIT B

Genworth

Protective Order

[redacted]

EXHIBIT C

Genworth

Protective Order

[redacted]