

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

v.

BALDWIN-UNITED CORPORATION, and
MGIC INVESTMENT CORPORATION,

Defendants.

COMPLAINT

Civil Action No. C-1-82-179

Filed: 2/22/82

The United States of America, plaintiff, by its attorneys, acting under the direction of the Attorney General of the United States, brings this civil action to obtain equitable relief against the above-named defendants and complains and alleges as follows:

I.

JURISDICTION AND VENUE

1. This complaint is filed and this action is instituted under Section 15 of the Clayton Act, as amended (15 U.S.C. § 25), to prevent and restrain the violation by the defendants, as hereinafter alleged, of Section 7 of the Clayton Act (15 U.S.C. § 18).

2. Baldwin-United Corporation ("Baldwin") transacts business, maintains offices and is found within the Southern District of Ohio. Through its subsidiaries, MGIC Investment Corporation ("MGIC") transacts business in the Southern District of Ohio.

II.

DEFINITIONS

3. As used herein:

(a) "PMI" means private mortgage guarantee insurance, a

form of insurance provided to mortgage lenders for low-equity mortgage loans, with the premiums paid by the mortgage borrower.

(b) "Low equity loans" means mortgages with a down payment of less than 20% of the purchase price.

(c) "Mortgage Lender" means any person making a mortgage loan to a home buyer.

III.

DEFENDANTS

4. Baldwin-United Corporation is made a defendant herein. Baldwin is a holding company organized and existing under the laws of the State of Delaware, with its principal place of business in Cincinnati, Ohio. Baldwin owns 92% of the stock of AMIC Holding Corporation ("AMIC"). AMIC is an insurance holding company organized and existing under the laws of the State of North Carolina, with its principal place of business in Raleigh, North Carolina. Its principal insurance business, conducted through subsidiaries, is writing PMI. In addition, Baldwin owns a variety of other insurance businesses. Baldwin also owns certain savings and loan associations, has a financial interest in a bank holding company and operates other businesses.

5. MGIC Investment Corporation is made a defendant herein. MGIC is an insurance holding company organized and existing under the laws of the State of Wisconsin, with its principal place of business in Milwaukee, Wisconsin. Its principal insurance business, conducted through certain of its subsidiaries, is writing PMI. MGIC writes certain other types of insurance through other subsidiaries.

IV.

TRADE AND COMMERCE

6. Generally, PMI permits a borrower having less than 20% of the purchase price of a house to obtain a mortgage. PMI is a financial guarantee to a mortgage lender that if a mortgage

borrower defaults on the mortgage, the PMI company will compensate the mortgage lender for a predetermined portion (usually 20 or 25%) of the default. The borrower pays the premiums, but the lender collects the claim payment in the event of default.

7. Mortgage lenders frequently require PMI as a condition of granting low equity loans to the borrower. This decision may be based on a number of factors, including among others, federal or state regulations which preclude certain mortgage lenders from making low equity loans unless the loan is insured, the increased ability of the mortgage lender to resell insured mortgages in the secondary market and the risk of default by the borrower.

8. PMI is distinct from government housing insurance or guarantees on low equity mortgages. These government insurance and guarantee programs typically insure mortgages that include certain terms and conditions such as a maximum loan amount, maximum interest rates, and requirements that the house insured meet certain federal construction standards. PMI does not typically impose such constraints. In addition, the government programs have substantially different prices than PMI, that is, Federal Housing Administration insurance costs roughly twice what PMI costs while Veterans Administration guarantees are free to any qualifying veteran.

9. Approximately fifteen firms write PMI. In 1980, over \$300 million in premiums were received by PMI firms. PMI is a concentrated industry. In 1980 the four largest PMI companies accounted for approximately 73% of all PMI premiums, and the eight largest accounted for approximately 96% of all PMI premiums.

10. MGIC is the largest PMI company. MGIC is licensed and does business in all fifty states. In 1980 MGIC received approximately \$129 million in earned PMI premiums. MGIC's share of the PMI market is approximately 41% of all earned premiums received and approximately 39.7% of earned premiums on newly written PMI policies.

11. AMIC is the sixth largest PMI company. AMIC is licensed in 47 states and does business in 43. In 1980 AMIC received approximately \$17 million in earned PMI premiums. AMIC's share of the PMI market is approximately 7% of all earned premiums received and approximately 4% of premiums on newly written PMI policies. MGIC and AMIC are direct competitors in the sale of PMI in the United States.

12. MGIC and AMIC subsidiaries maintain offices and personnel throughout the United States to market and service PMI. MGIC and AMIC utilize interstate communications, including mail, telephone, and telegraph, to conduct business. Mortgage lenders utilize interstate communication, including mail, telephone, and telegraph, to obtain services from and carry on business with MGIC and AMIC and their subsidiaries. PMI is sold in interstate commerce by PMI firms. MGIC and AMIC engage in and their activities substantially affect interstate commerce.

V.

VIOLATION ALLEGED

13. On or about December 13, 1981, defendants Baldwin and MGIC entered into an agreement pursuant to which MGIC would become a wholly owned subsidiary of Baldwin. Baldwin intends to acquire MGIC on or about February 19, 1982.

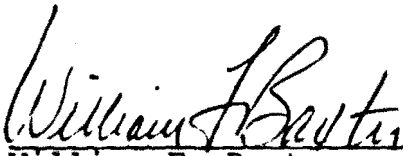
14. The effect of this acquisition may be substantially to lessen competition in interstate trade and commerce in violation of Section 7 of the Clayton Act in the following ways, among others:

- (a) Actual and potential competition between MGIC and AMIC will be eliminated; and
- (b) concentration in the PMI industry will be increased and competition in that industry may be substantially lessened.

PRAYER

WHEREFORE, plaintiff prays:

1. That the acquisition by Baldwin of MGIC be adjudged and decreed to be in violation of Section 7 of the Clayton Act;
2. That Baldwin and all persons acting on its behalf be permanently enjoined from acquiring either directly or indirectly any interest in MGIC.
3. That plaintiff have such other and further relief as the Court may deem just and proper.
4. That the plaintiff recover the costs of this action.



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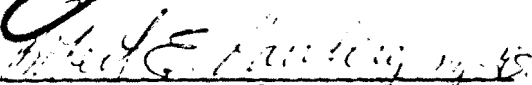


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