

THE PMI GROUP, INC.
1201 North Orange Street, Suite 800
Wilmington, DE 19801

May 5, 2015

Dear Stockholders:

It has been a little over eighteen months since The PMI Group, Inc. (“PMI” or the “Company”) emerged from bankruptcy and I want to report to you on the progress of the Company. In short, PMI has continued to pursue the principal goals set out upon emergence which were to: (i) resolve the remaining claims and complete the bankruptcy process, (ii) pursue strategic transactions to maximize value to stockholders and (iii) prosecute a claim arising from a breach of contract that arose with respect to a pre-bankruptcy transaction.

With respect to the first goal, we are very close to completion. All known claims have been resolved and we have recently filed a motion in bankruptcy court to close the bankruptcy case. Assuming there are no objections filed or other unexpected financial issues arise from any such objections, we anticipate that the bankruptcy case will be closed and we will shortly make a final cash distribution of approximately \$1.7 million to creditors, which will bring the total cash distributions to creditors to be in excess of \$181,000,000. In addition, 2,074,411 shares of common stock were issued to creditors in October 2013, which remains the total number of our outstanding shares.

With respect to the second goal, we retained Peter J. Solomon Company in December 2013 as our financial advisor and, with their assistance, have pursued a number of strategic transactions. Last year, we actively solicited interest from, and met with, numerous parties which eventually led to extended negotiations with a number of potential counterparties. This culminated in the execution of a detailed non-binding letter of intent in late summer with several sophisticated parties and subsequent drafts of extensive documents with respect to a proposed transaction involving a substantial private capital raise. It was anticipated that this transaction would occur in the first quarter of 2015. Ultimately, however, the transaction did not proceed to consummation and the confidential letter of intent was terminated in early January of this year. Despite this development, we have had subsequent discussions with a number of entities and believe that there remains interest from others in engaging in a transaction with PMI that could create long term value for our stockholders.

With respect to the third goal, we filed a lawsuit against QBE Holdings (AAP) PTY Limited (“QBE”) in Australia last spring alleging a breach of contract claim arising from a transaction that occurred several years prior to PMI’s bankruptcy (the “QBE Litigation”). We have overcome several procedural hurdles and are continuing to prosecute the claim. Principal among these procedural hurdles was whether PMI as the

only claimant was the proper plaintiff to prosecute the claim. To negate this issue, we initiated proceedings last summer in the Arizona receivership court to obtain approval for, and subsequently entered into an agreement with, PMI Mortgage Insurance Co., our non-controlled insurance subsidiary (“MIC”), pursuant to which MIC agreed to join in the litigation as a co-plaintiff at PMI’s cost and with a 20% share in any proceeds of the litigation up to \$12,500,000 in aggregate proceeds (after reimbursement of PMI’s incurred costs). Last fall, we had preliminary discussions with QBE regarding settlement, and earlier this year, we engaged in direct negotiations in Australia. Despite the assistance of an independent mediator, the parties were unable to reach a satisfactory consensual resolution. It is currently anticipated that the claim will proceed to trial within 12 months.

As noted in previous letters, PMI emerged from bankruptcy with limited working capital. Since then we have incurred costs in pursuit of our corporate goals. We have not recorded any operating revenue since our emergence, and we have limited liquidity and financial resources. In order to allow time to continue to pursue our goals, we have taken steps to immediately reduce our current operating costs. Therefore, our board of directors has decided that it is in the best interests of PMI to reduce the size of the board from three to two members, and Walter Jones, our Chairman and CEO since emergence, has resigned effective April 30, 2015. As described in the proxy statement, the remaining Board members, I and John Brecker, have agreed upon reelection to defer a substantial majority of our current compensation to preserve PMI’s working capital and to tie our incentive compensation agreements more closely to the achievement of the Company’s stated goals.

We anticipate PMI’s current resources will allow it to operate under its current governance structure through the next twelve months if no significant unbudgeted costs arise. Nevertheless lack of financial resources may cause us to delay and/or abandon certain aspects of our business strategy and we may be unable to pursue corporate opportunities to their most desirable conclusion. However, we will continue to work to maximize our limited resources to create value for our stockholders.

PMI’s annual stockholders meeting will be held at the offices of Peter J. Solomon, 1345 Avenue of the Americas, 31st floor, New York, New York 10105 on May 27, 2015 at 10:00 a.m. Eastern time. We encourage your attendance in person or participation by proxy if you are unable to attend. Accompanying this letter is a Notice of Annual Meeting of Stockholders, as well as a proxy card.

Sincerely,

Timothy R. Graham
Chairman, President and Secretary