



THE PMI GROUP, INC.

Board of Director Guidelines on Significant Corporate Governance Issues

(Revised February 17, 2011)

1. Director Duties and Responsibilities

The basic responsibility of the directors is to exercise their business judgment in good faith to act in what they reasonably believe to be the best interests of the Company and its shareholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of their fellow directors and the Company's senior executives and outside advisors and auditors. Directors are expected to attend the Company's annual shareholders' meeting, Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

2. Chairman of the Board, Chief Executive Officer and Presiding Director Positions

The Board shall annually elect the Chairman of the Board. The Board remains free to decide whether the positions of Chairman of the Board (the "Chairman") and Chief Executive Officer should be held by the same person. The Board will thus be in position to determine the best arrangement for the Company and its shareholders, given the changing circumstances of the Company and the composition of the Board. In the event that the positions of Chairman and Chief Executive Officer are held by the same person, the chair of the Governance and Nominating Committee shall be designated the Board's Presiding Director. In addition to his or her duties as chair of the Governance and Nominating Committee, the Presiding Director shall chair all executive sessions of the non-management members of the Board; communicate to the Chief Executive Officer, when and as appropriate, the views of the non-management directors expressed during executive sessions with respect to corporate and Board matters; and review and discuss with the Chief Executive Officer proposed agendas for all Board meetings. The Board shall conduct an annual evaluation of the performance of the Chairman of the Board.

3. Standing Committees of the Board

The Board has the following standing committees: the Audit Committee, Compensation Committee and Governance and Nominating Committee. The Board may at any time form a new committee or disband an existing committee, other than a standing committee. Only independent directors may serve on the Audit, Compensation and Governance and Nominating committees.

4. Assignment and Rotation of Committee Members

The Governance and Nominating Committee, with the concurrence of the Chairman, recommends to the Board, and the Board designates, the members and the chair(s) of the committees, except for the Governance and Nominating Committee, taking into account the preferences and experience of the individual directors. The Chairman recommends to the Board of Directors an individual to serve as chair of the

Governance and Nominating Committee, and those two individuals shall recommend to the Board of Directors other individuals to serve as members of the Governance and Nominating Committee. A majority of independent directors, other than members of the Governance and Nominating Committee, elect the chair and other members of the Governance and Nominating Committee.

The Board reviews committee membership annually and considers whether membership of any committee should be changed. There are no fixed terms for committee membership. Committee chairs shall serve for a term of up to three years, unless waived by the Board.

5. Committee Meetings

Committee meetings are generally scheduled to coincide with regular Board meetings. The chair of any committee may call additional meetings as needed.

6. Committee Agendas

The chair of each committee, in consultation with the appropriate officers and staff, develops the committee's agenda. Directors may suggest additional agenda items and may raise at any meeting subjects that are not on the agenda.

7. Agendas for Board Meetings

The Chairman of the Board establishes, and the chair of the Governance and Nominating Committee as presiding director at the Board's executive sessions shall review, the agenda for each Board meeting. Directors may suggest additional agenda items and may raise at any meeting subjects that are not on the agenda.

At least one Board meeting each year, normally in January or February, will be devoted to a review of the Company's annual plan. The long-term strategic plan will be reviewed annually. One Board meeting will be in conjunction with the annual shareholders' meeting.

8. Board Materials Review and Distribution

Information that is important to the Board's or a committee's understanding of the business to be conducted is distributed to the members in advance of each meeting. Such information is to be presented in a concise manner, while still providing the necessary information. This permits more meeting time to be spent on discussion and questions from directors. If the subject is too sensitive to be distributed in writing, the presentation will be made at the meeting. Board members are expected to review the materials in advance of the meeting and contact senior management, if appropriate, with requests for additional information if needed.

9. Executive Sessions of Non-Management Directors

At a minimum, the non-management directors meet in executive sessions at each regularly scheduled Board meeting. The chair of the Governance and Nominating Committee chairs the executive sessions of the non-management directors.

10. Board Access to Senior Management

Board members may initiate contact with the Company's senior management.

The Chief Executive Officer invites key members of management to regularly attend Board meetings so that they may provide additional insight into the items being discussed. The Board expects that management will use this process to give exposure to managers with senior management potential.

11. Board Compensation Review

At least bi-annually, an outside consultant shall prepare a report for the Governance and Nominating Committee on the status of the Company's Board compensation in relation to other industry and peer companies.

The form and amount of Board compensation are to be proposed from time to time by the Governance and Nominating Committee, and are subject to discussion and concurrence by the Board. Such compensation will be set in accordance with the policies and principles established by the Governance and Nominating Committee and the Board of Directors in accordance with the listing standards of the New York Stock Exchange and applicable laws and regulations.

12. Size of the Board

The Board believes that 7 to 13 members is the optimum size range for this Board.

13. Composition of the Board

The Board will have a majority of directors who meet the Company's criteria for independence, as well as the listing standards of the New York Stock Exchange and applicable laws and regulations. The Board believes that in most situations the Chief Executive Officer should be the only employee-director, but certain circumstances may warrant an additional employee-director.

14. Corporate Governance

The Governance and Nominating Committee develops and monitors the Company's governance practices and procedures and directors' responsibilities in consultation with the Chairman, senior management and outside advisors, and subject to the concurrence of the Board of Directors.

15. Board Guidelines on Non-Management Director Independence

The Governance and Nominating Committee oversees the Board's annual review of the independence of all non-management directors. In accordance with the listing standards of the New York Stock Exchange, to be considered independent a non-management director must be determined by the Board to have no material relationship with the Company (either directly or as a partner, shareholder or officer of a company that has a relationship with the Company) other than as a director. The Board has established the guidelines set forth in Appendix A to assist it in its determinations of director independence. The approval of the Governance and Nominating Committee shall be required for any new arrangement with the Company which would provide for payment by the Company to, or to the Company from, a non-management director, the director's immediate family member or any entity (including a non-profit organization) affiliated with the director or family member. For purposes of these guidelines, "affiliated entity" shall mean one in which a director or immediate family member owns 10% or more or is an executive officer or general partner.

The Company shall generally refrain from making charitable contributions to entities on which a director serves as executive officer, director or trustee, provided that pledges or agreements existing as of February 2011 shall be honored.

16. Director's Ownership of Shares

Absent unique market or other circumstances, each non-employee director is expected, over time, to accumulate and retain common shares that have a market value equal to a minimum of five times the annual cash retainer for Board service. Stock owned for purposes of this guideline includes: (a) common stock, whether or not restricted and whether or not vested, including shares held in a retirement plan, partnership or family trust (b) common stock equivalents held in connection with The PMI Group, Inc. Directors' Deferred Compensation Plan, (c) vested stock options that have an exercise price below the current market price for the Company's common stock (and such vested options are valued at the amount by which the common stock market price exceeds the options' exercise price), (d) restricted stock units or performance shares or units,

whether or not vested (on a 1-for-1 basis with shares) and (e) phantom stock. Ownership levels and guidelines are reviewed concurrently with a review of Board compensation and are considered in light of all relevant facts.

Until the above ownership guideline is met by a non-employee director, and from time to time thereafter in the event that the guideline is no longer met for such director, the director must retain ownership of a minimum of 75% of the shares of PMI common stock (net of taxes) acquired from any exercise of stock options, and the vesting of restricted stock, restricted stock units or performance shares or units.

17. Resignation or Retirement of Officers as Board Members

A director who is also an officer of the Company or any of its subsidiaries shall offer to resign from the Board when he or she resigns or retires as an officer. The Board, initially through the Governance and Nominating Committee, shall review the appropriateness of the member's continued membership on the Board and determine whether or not to accept the resignation.

18. Board Membership Criteria

The Board establishes the criteria for identifying individuals qualified to become Board members. The minimum criteria for selecting director nominees include, but are not limited to, the following:

- a) Highest standards of personal character, conduct and integrity.
- b) An understanding of the interests of shareholders, customers, employees, suppliers, communities and the general public, and the intention and ability to act in the interests of all shareholders.
- c) Experience in a position of leadership and substantial accomplishment in his or her field of endeavor, which may include business, government, not-for-profits or academia.
- d) The ability to understand and exercise sound judgment on issues related to the Company.
- e) A willingness and ability to devote the time and effort required to serve effectively on the Board, including preparation for and attendance at Board and committee meetings.
- f) Freedom from interests or affiliations that could give rise to a biased approach to directorship responsibilities and/or a conflict of interest.

19. Selection of New Director Candidates

It is the responsibility of the Governance and Nominating Committee to identify and recommend nominees for director positions to the Board, which shall in turn submit its recommendations to the shareholders for election. The Governance and Nominating Committee considers candidates recommended by directors and shareholders consistent with the Bylaws of the Company. Shareholders may submit written recommendations for nominees to the chair of the Governance and Nominating Committee in care of the Company's Secretary. The Governance and Nominating Committee shall generally decline to recommend any new non-employee candidate who would not be deemed independent under the independence guidelines set forth in Appendix A. [Appendix A](#).

20. Extending the Invitation to a New Potential Director

An invitation to stand for election to the Board may be extended by the Board itself, or through its authorized delegates, which in most instances will be the chair of the Governance and Nominating Committee.

21. Assessing Board and Committee Performance

On behalf of the Board, the Governance and Nominating Committee oversees an annual evaluation of the

Board's performance and reports the results of such evaluation to the Board, preferably in the last quarter of the year. Each standing committee will perform an annual evaluation of its effectiveness. The results of these evaluations will be discussed with the full Board.

22. Voting for Directors

Any director nominee in an uncontested election who receives a greater number of votes "withheld" from his or her election than votes "for" such election shall tender his or her resignation to the Chairman of the Board promptly following certification of the shareholder vote. The Governance and Nominating Committee shall promptly consider the resignation submitted and recommend to the Board whether to accept it, conditionally accept it, or reject it. When formulating its recommendation, the Governance and Nominating Committee shall consider all factors deemed relevant by the members of the Governance and Nominating Committee including, without limitation, the stated reasons why shareholders "withheld" votes for election from such director, the length of service and qualifications of the director whose resignation has been tendered, the director's contributions to the Company, and these Guidelines on Significant Corporate Governance Issues.

The Board will act on the Governance and Nominating Committee's recommendation no later than 90 days following the date of the shareholders' meeting where the election occurred. In considering the Governance and Nominating Committee's recommendation, the Board will consider the factors considered by the Governance and Nominating Committee and such additional information and factors the Board believes to be relevant. Following the Board's decision on the recommendation, the Company will promptly publicly disclose the Board's decision whether to accept, conditionally accept or reject the resignation as tendered (providing a full explanation of the process by which the decision was reached and, if applicable, the reasons for rejecting the tendered resignation) in a Form 8-K filed with the Securities and Exchange Commission.

To the extent that one or more directors' resignations are accepted by the Board, the Governance and Nominating Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

Any director who tenders his or her resignation pursuant to this provision will not participate in the Governance and Nominating Committee recommendation or Board consideration regarding whether or not to accept the tendered resignation. If a majority of the members of the Governance and Nominating Committee received a greater number of votes "withheld" from their election than votes "for" their election at the same election, then the independent directors who are on the Board who did not receive a greater number of votes "withheld" from their election than votes "for" their election will appoint a Board committee among themselves solely for the purpose of considering the tendered resignations and recommending to the Board whether to accept, conditionally accept or reject them. This Board committee may, but need not, consist of all of the independent directors who did not receive a greater number of votes "withheld" from their election than votes "for" their election or who were not standing for election.

This corporate governance guideline will be summarized or included in each proxy statement relating to an election of directors of the Company.

23. Directors Who Change Their Present Job Responsibilities

Directors who change their principal employment or other responsibilities are expected to offer to resign from the Board. While such a resignation may not be accepted, the practice provides an opportunity for the Board, initially through the Governance and Nominating Committee, to review the appropriateness of the member's continued membership on the Board.

24. Term Limits

While the Board has not established term limits, the Governance and Nominating Committee, in consultation with the Chairman, will periodically review each director's continuation on the Board.

25. Retirement Age

A director may not stand for re-election in the calendar year following the date of his or her 72nd birthday. The age limit may be waived upon the recommendation of the Chairman, Chief Executive Officer and the Governance and Nominating Committee, subject to approval of the Board.

26. Formal Evaluation of the Chief Executive Officer

The Board performs an annual evaluation of the Chief Executive Officer. The Governance and Nominating Committee provides a written assessment of the Chief Executive Officer as part of the Board's annual evaluation. The results of the evaluation are communicated to the Chief Executive Officer by one or more of the directors.

The evaluation is based on broad-based objective criteria such as the Company's overall performance, accomplishment of long-term strategic objectives, leadership development, and other factors deemed relevant by the Governance and Nominating Committee.

The evaluation is used by the Compensation Committee in its annual review of the compensation of the Chief Executive Officer.

27. Succession Planning

The Chief Executive Officer reports annually to the full Board on succession planning.

The Chief Executive Officer also communicates to the full Board his or her current recommendation as to a successor in case the Chief Executive Officer becomes unable to perform his or her duties.

The Board's succession planning review should include policies and principles for Chief Executive Officer selection and performance review, including the evaluation of potential successors to the Chief Executive Officer and policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer.

28. Communicating with Directors

The Audit Committee and the Board have established procedures to enable shareholders, employees and third parties to communicate with the Board, the presiding director of the Board or a particular Board committee, including the Audit Committee. All such communications, whether by letter, email or telephone, will be received and reviewed by the General Counsel of the Company, and if appropriate, the General Counsel will forward them to the intended or appropriate recipients. Contact information and a description of the procedures for handling these communications is published in the proxy statement for each annual meeting and posted on the Company's internet website.

29. Non-Management Director Communications with Institutional Investors, the Press and Members of the Public

Management appoints persons to interact with institutional investors, the press and members of the public. Non-management directors ordinarily do not communicate directly with these constituencies about Company matters, unless requested to do so by the Board or management.

30. Director Education/Orientation

Directors are strongly encouraged to attend annually a director education program. The Company shall reimburse the directors for all reasonable expenses incurred with attendance at such program. New directors shall participate in an orientation program including presentations by senior management conducted no later than two months after the time the new director joins the Board.

31. Shareholder Rights Plan

Management directors are expected to abstain from voting concerning a shareholder rights plan.

32. Independent Advisors

The Board and each committee have the power to hire at the expense of the Company independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

APPENDIX A

Board Guidelines on Non-Management Director Independence

The PMI Group, Inc. Board of Directors has established the following guidelines to assist in its determinations of director independence.

Part A below sets out categories of relationships that are deemed material for the purposes of determining director independence. If a director has a relationship that falls within Part A, that director will not be considered independent. Part B sets out categories of relationships that are deemed categorically immaterial for the purposes of determining director independence. The fact that a particular relationship either is not addressed or exceeds the thresholds in Part B does not create a presumption that the director is or is not independent. In that case, the Board will determine, after taking into account all relevant facts and circumstances, whether such relationship is material.

A. Impairment of Independence

1. A director is not independent if:

(a) the director is or was employed by The PMI Group, Inc. (together with its consolidated subsidiaries, the "Company") within the last three years;

(b) an "immediate family member" of the director, as that term is defined by the NYSE, is or was employed by the Company as an executive officer within the last three years;

(c) the director (i) is currently a partner or employed by the Company's independent auditor or internal auditor or (ii) was a partner or employee of such firm and personally worked on the Company's audit within the last three years;

(d) an immediate family member of the director (i) is a current partner of the Company's independent auditor or internal auditor, (ii) is a current employee of the Company's independent auditor or internal auditor and personally works on the Company's audit, or (iii) was a partner or employee of such firm and personally worked on the Company's audit within the last three years; or

(e) the director, or an immediate family member of the director, is or was within the last three years employed as an executive officer by a company at the same time when a PMI executive officer serves or served on that company's compensation committee.

2. A director is not independent if, during any 12-month period within the preceding three years, the director or an immediate family member has received from the Company more than \$120,000 in direct compensation, which shall not include: (a) director or committee fees and pension or other forms of deferred compensation for prior service; provided that such compensation is not contingent on continued service; (b) compensation for former service as an interim chairman or CEO or other executive officer; and (c) compensation received by an immediate family member for service as an employee at a level below executive officer. Audit

Committee members, however, may not have any direct or indirect financial relationship with the Company other than as directors. Audit Committee members may receive directors' fees in the form of cash, stock, stock units, stock options, deferred compensation, or other in-kind consideration ordinarily available to directors, as well as regular benefits that other directors receive.

3. A director is not independent if the director is currently employed, or has an immediate family member currently employed as an executive officer, by another company, including a tax exempt organization, that has made payments to or received payments from the Company for property or services in an amount that exceeds, in any of the last three fiscal years of such company, the greater of \$1 million or 2% of the other company's consolidated gross revenues.

B. Categorical Standards of Independence

The following are categorically immaterial relationships for purposes of determining a director's independence:

(a) the director, a family member of the director, or an entity in which the director or a family member is an employee, partner, trustee or shareholder, has been indebted to the Company in an amount equal to or less than \$120,000 at any time during the past fiscal year through the date of determination of independence. For this purpose, debt in the ordinary course of business shall not be counted.

(b) the Company has been indebted to the director, a family member of the director, or an entity in which the director or family member is an employee, partner, trustee or shareholder, in the past fiscal year in an amount less than 1% of the total consolidated assets of the Company.

(c) the director is a current employee, or a family member of the director serves as an executive officer, of a tax-exempt organization and the Company's contributions to the organization (excluding Company automatic matching of employee contributions) in any fiscal year are equal to or less than the greater of \$1 million or 2% of that organization's consolidated gross revenues.

(d) the director or a family member of the director has received an amount equal to or less than \$120,000 in direct or indirect compensation from the Company in any 12-month period, excluding director or committee fees (whether in the form of cash or equity) and a director's pension or other forms of deferred compensation for prior service that are not contingent on continued service.

(e) the director is an employee or a family member currently serves as an executive officer of a company that has made payments to or received payments from the Company for property, goods or services in one or more business transactions in an amount in any fiscal year of such company that is less than the greater of \$1 million or 2% of the other company's consolidated gross revenues.

(f) the director, or a family member of the director, serves, or has served, as a director or advisory director (or similar position) of another company or tax-exempt organization that has made payments to or received payments from, or engaged in transactions with, the Company.

(g) a family member of a director is currently employed in a non-executive capacity by a company or tax-exempt organization that has made payments to or received payments from, or engaged in transactions with, the Company.

(h) the director or a director's family member is currently employed, or is a director or partner of an entity that provides goods or services to a trade or professional association, or tax-exempt organization of which the Company, its affiliates, directors or employees is a member, so long as (i) the Company or its affiliates, directors or employees do not have sole discretion over the engagement of such entity by such association or tax-exempt organization; and (ii) the director or director's family member has no other relationship to such association or tax-exempt organization.

Notwithstanding the foregoing, no relationship shall be deemed categorically immaterial pursuant to this section that is required to be disclosed in SEC filings under Item 404 of Regulation S-K, as it may be amended

from time to time.
