UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the period ended March 31, 2019

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 001-36157

ESSENT GROUP LTD.
(Exact name of registrant as specified in its charter)

Bermuda	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Clarendon House
2 Church Street
Hamilton HM11, Bermuda
(Address of principal executive offices and zip code)

(441) 297-9901
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes ☒ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, $0.015 par value	ESNT	New York Stock Exchange

The number of the registrant's common shares outstanding as of May 1, 2019 was 98,368,533.

Essent Group Ltd. and Subsidiaries

Form 10-Q

Index

Unless the context otherwise indicates or requires, the terms "we," "our," "us," "Essent," and the "Company," as used in this Quarterly Report on Form 10-Q, refer to Essent Group Ltd. and its directly and indirectly owned subsidiaries, including our primary operating subsidiaries, Essent Guaranty, Inc. and Essent Reinsurance Ltd., as a combined entity, except where otherwise stated or where it is clear that the terms mean only Essent Group Ltd. exclusive of its subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, or Quarterly Report, includes forward-looking statements pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts or present facts or conditions, such as statements regarding our future financial condition or results of operations, our prospects and strategies for future growth, the introduction of new products and services, and the implementation of our marketing and branding strategies. In many cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this Quarterly Report reflect our views as of the date of this Quarterly Report about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described below, in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report, and in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission. These factors include, without limitation, the following:

- changes in or to Fannie Mae and Freddie Mac, which we refer to collectively as the GSEs, whether through Federal legislation, restructurings or a shift in business practices;
- failure to continue to meet the mortgage insurer eligibility requirements of the GSEs;
- competition for our customers or the loss of a significant customer;
- lenders or investors seeking alternatives to private mortgage insurance;
- increase in the number of loans insured through Federal government mortgage insurance programs, including those offered by the Federal Housing Administration;
- decline in the volume of low down payment mortgage originations;
- uncertainty of loss reserve estimates;
- decrease in the length of time our insurance policies are in force;
- deteriorating economic conditions;
- recently enacted U.S. Federal tax reform and its impact on us, our shareholders and our operations;
- the definition of "Qualified Mortgage" reducing the size of the mortgage origination market or creating incentives to use government mortgage insurance programs;
- the definition of "Qualified Residential Mortgage" reducing the number of low down payment loans or lenders and investors seeking alternatives to private mortgage insurance;
- the implementation of the Basel III Capital Accord, which may discourage the use of private mortgage insurance;
- management of risk in our investment portfolio;
- fluctuations in interest rates;

- inadequacy of the premiums we charge to compensate for our losses incurred;
- dependence on management team and qualified personnel;
- disturbance to our information technology systems;
- change in our customers’ capital requirements discouraging the use of mortgage insurance;
- declines in the value of borrowers’ homes;
- limited availability of capital;
- unanticipated claims arise under and risks associated with our contract underwriting program;
- industry practice that loss reserves are established only upon a loan default;
- disruption in mortgage loan servicing;
- risk of future legal proceedings;
- customers’ technological demands;
- our non-U.S. operations becoming subject to U.S. Federal income taxation;
- becoming considered a passive foreign investment company for U.S. Federal income tax purposes; and
- potential restrictions on the ability of our insurance subsidiaries to pay dividends.

Readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. All of the forward-looking statements we have included in this Quarterly Report are based on information available to us on the date of this Quarterly Report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as otherwise required by law.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Essent Group Ltd. and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

(In thousands, except per share amounts)	March 31, 2019	December 31, 2018
Assets		
Investments		
Fixed maturities available for sale, at fair value (amortized cost: 2019 — $2,752,373; 2018 — $2,638,950)	$ 2,765,267	$ 2,605,666
Short-term investments available for sale, at fair value (amortized cost: 2019 — $210,821; 2018 — $154,400)	210,822	154,400
Total investments available for sale	2,976,089	2,760,066
Other invested assets	32,735	30,952
Total investments	3,008,824	2,791,018
Cash	40,489	64,946
Accrued investment income	18,176	17,627
Accounts receivable	38,194	36,881
Deferred policy acquisition costs	15,657	16,049
Property and equipment (at cost, less accumulated depreciation of $54,771 in 2019 and $53,870 in 2018)	17,940	7,629
Prepaid federal income tax	202,385	202,385
Other assets	11,580	13,436
Total assets	$ 3,353,245	$ 3,149,971
Liabilities and Stockholders' Equity		
Liabilities		
Reserve for losses and LAE	$ 53,484	$ 49,464
Unearned premium reserve	295,320	295,467
Net deferred tax liability	196,040	172,642
Credit facility borrowings (at carrying value, less unamortized deferred costs of $1,193 in 2019 and $1,336 in 2018)	223,807	223,664
Securities purchases payable	22,546	2,041
Other accrued liabilities	34,245	40,976
Total liabilities	825,442	784,254
Commitments and contingencies (see Note 7)		
Stockholders' Equity		
Common shares, $0.015 par value:		
Authorized - 233,333; issued and outstanding - 98,364 shares in 2019 and 98,139 shares in 2018	1,475	1,472
Additional paid-in capital	1,106,797	1,110,800
Accumulated other comprehensive income (loss)	9,373	(28,993)
Retained earnings	1,410,158	1,282,438
Total stockholders' equity	2,527,803	2,365,717
Total liabilities and stockholders' equity	$ 3,353,245	$ 3,149,971

See accompanying notes to condensed consolidated financial statements.

Essent Group Ltd. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands, except per share amounts)	Three Months Ended March 31, 2019	2018
Revenues:		
Net premiums written	$ 177,644	$ 165,225
Decrease (increase) in unearned premiums	147	(12,667)
Net premiums earned	177,791	152,558
Net investment income	19,880	13,714
Realized investment gains, net	660	197
Other income	2,195	994
Total revenues	200,526	167,463
Losses and expenses:		
Provision for losses and LAE	7,107	5,309
Other underwriting and operating expenses	41,030	38,124
Interest expense	2,670	2,450
Total losses and expenses	50,807	45,883
Income before income taxes	149,719	121,580
Income tax expense	21,999	10,511
Net income	$ 127,720	$ 111,069
Earnings per share:		
Basic	$ 1.31	$ 1.14
Diluted	1.30	1.13
Weighted average shares outstanding:		
Basic	97,595	97,298
Diluted	98,104	97,951
Net income	$ 127,720	$ 111,069
Other comprehensive income (loss):		
Change in unrealized appreciation (depreciation) of investments, net of tax expense (benefit) of $7,951 in 2019 and ($5,193) in 2018	38,366	(28,750)
Total other comprehensive income (loss)	38,366	(28,750)
Comprehensive income	$ 166,086	$ 82,319

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Essent Group Ltd. and Subsidiaries

Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

Three Months Ended March 31, 2019

(In thousands)	Common Shares	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 2018	**$ 1,472**	**$ 1,110,800**	**$ (28,993)**	**$ 1,282,438**	**$ —**	**$ 2,365,717**
Net income				127,720		127,720
Other comprehensive income			38,366			38,366
Issuance of management incentive shares	6	(6)				—
Stock-based compensation expense		4,100				4,100
Treasury stock acquired					(8,100)	(8,100)
Cancellation of treasury stock	(3)	(8,097)			8,100	—
Balance at March 31, 2019	**$ 1,475**	**$ 1,106,797**	**$ 9,373**	**$ 1,410,158**	**$ —**	**$ 2,527,803**

Three Months Ended March 31, 2018

(In thousands)	Common Shares	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 2017	**$ 1,476**	**$ 1,127,137**	**$ (3,252)**	**$ 815,075**	**$ —**	**$ 1,940,436**
Net income				111,069		111,069
Other comprehensive loss			(28,750)			(28,750)
Issuance of management incentive shares	6	(6)				—
Stock-based compensation expense		3,605				3,605
Treasury stock acquired					(31,070)	(31,070)
Cancellation of treasury stock	(10)	(31,060)			31,070	—
Balance at March 31, 2018	**$ 1,472**	**$ 1,099,676**	**$ (32,002)**	**$ 926,144**	**$ —**	**$ 1,995,290**

See accompanying notes to condensed consolidated financial statements.

Essent Group Ltd. and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
(In thousands)	**2019**	**2018**
Operating Activities		
Net income	$ 127,720	$ 111,069
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on the sale of investments, net	(660)	(197)
Equity in net income of other invested assets	159	—
Depreciation and amortization	901	897
Stock-based compensation expense	4,100	3,605
Amortization of premium on investment securities	3,551	3,287
Deferred income tax provision	15,447	9,882
Change in:		
Accrued investment income	(549)	(1,576)
Accounts receivable	(1,319)	(2,238)
Deferred policy acquisition costs	392	(209)
Prepaid federal income tax	—	100,863
Other assets	2,370	(4,619)
Reserve for losses and LAE	4,020	3,116
Unearned premium reserve	(147)	12,667
Other accrued liabilities	(17,303)	(14,679)
Net cash provided by operating activities	138,682	221,868
Investing Activities		
Net change in short-term investments	(56,422)	(68,068)
Purchase of investments available for sale	(192,530)	(266,847)
Proceeds from maturity of investments available for sale	17,014	16,601
Proceeds from sales of investments available for sale	79,714	102,458
Purchase of other invested assets	(1,983)	—
Return of investment from other invested assets	179	—
Purchase of property and equipment	(1,011)	(508)
Net cash used in investing activities	(155,039)	(216,364)
Financing Activities		
Credit facility borrowings	—	15,000
Treasury stock acquired	(8,100)	(31,070)
Net cash used in financing activities	(8,100)	(16,070)
Net decrease in cash	(24,457)	(10,566)
Cash at beginning of year	64,946	43,524
Cash at end of period	$ 40,489	$ 32,958
Supplemental Disclosure of Cash Flow Information		
Income tax payments	$ (5)	$ —
Interest payments	(2,532)	(2,324)

See accompanying notes to condensed consolidated financial statements.

Essent Group Ltd. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

In these notes to condensed consolidated financial statements, “Essent”, “Company”, “we”, “us”, and “our” refer to Essent Group Ltd. and its subsidiaries, unless the context otherwise requires.

Note 1. Nature of Operations and Basis of Presentation

Essent Group Ltd. (“Essent Group”) is a Bermuda-based holding company, which, through its wholly-owned subsidiaries, offers private mortgage insurance and reinsurance for mortgages secured by residential properties located in the United States. Mortgage insurance facilitates the sale of low down payment (generally less than 20%) mortgage loans into the secondary mortgage market, primarily to two government-sponsored enterprises (“GSEs”), Fannie Mae and Freddie Mac.

The primary mortgage insurance operations are conducted through Essent Guaranty, Inc. (“Essent Guaranty”), a wholly-owned subsidiary approved as a qualified mortgage insurer by the GSEs and is licensed to write mortgage insurance in all 50 states and the District of Columbia. A significant portion of our premium revenue relates to master policies with certain lending institutions. For the three months ended March 31, 2019, one lender represented 10% of our total revenue. The loss of this customer could have a significant impact on our revenues and results of operations.

Essent Guaranty reinsures 25% of GSE-eligible new insurance written to Essent Reinsurance Ltd. (“Essent Re”), an affiliated Bermuda domiciled Class 3A Insurer licensed pursuant to Section 4 of the Bermuda Insurance Act 1978 that provides insurance and reinsurance coverage of mortgage credit risk. Essent Re also provides insurance and reinsurance to Freddie Mac and Fannie Mae. In 2016, Essent Re formed Essent Agency (Bermuda) Ltd., a wholly-owned subsidiary, which provides underwriting consulting services to third-party reinsurers. In accordance with certain state law requirements, Essent Guaranty also reinsures that portion of the risk that is in excess of 25% of the mortgage balance with respect to any loan insured, after consideration of other reinsurance, to Essent Guaranty of PA, Inc. (“Essent PA”), an affiliate.

In addition to offering mortgage insurance, we provide contract underwriting services on a limited basis through CUW Solutions, LLC ("CUW Solutions"), a Delaware limited liability company, that provides, among other things, mortgage contract underwriting services to lenders and mortgage insurance underwriting services to affiliates.

We have prepared the condensed consolidated financial statements included herein pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). We have condensed or omitted certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) pursuant to such rules and regulations. In the opinion of management, the statements include all adjustments (which include normal recurring adjustments) required for a fair statement of financial position, results of operations and cash flows for the interim periods presented. These statements should be read in conjunction with the consolidated financial statements and notes thereto, including Note 1 and Note 2 to the consolidated financial statements, included in our Annual Report on Form 10-K for the year ended December 31, 2018, which discloses the principles of consolidation and a summary of significant accounting policies. The results of operations for the interim periods are not necessarily indicative of the results for the full year. We evaluated the need to recognize or disclose events that occurred subsequent to March 31, 2019 prior to the issuance of these condensed consolidated financial statements.

Note 2. Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This update requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance also requires additional disclosures about the amount, timing and uncertainty of cash flows arising from leases. The provisions of this update were effective for annual and interim periods beginning after December 15, 2018. We adopted this standard on January 1, 2019 using the modified retrospective adoption approach for our existing operating leases at January 1, 2019. As permitted by this ASU, for leases that commenced before January 1, 2019 we elected the practical expedients of not reassessing whether any expired or existing contracts are or contain leases, not reassessing the lease classification for any expired or existing leases and not reassessing any initial direct costs for existing leases. In addition, we elected the practical expedient to use hindsight in determining the lease term. We also elected to recognize rent expense for short-term leases on a straight line basis over the lease term as permitted under this ASU. The adoption of this ASU did not have a material effect on the Company's consolidated operating results or financial position.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326)*. This update is intended to provide financial statement users with more information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments in this ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new guidance requires financial assets measured at amortized cost to be presented at the net amount expected to be collected through the use of an allowance for credit losses. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance rather than as a write-down of the amortized cost of the securities. The provisions of this update are effective for annual and interim periods beginning after December 15, 2019. While the Company is still evaluating this ASU, we do not expect it to impact our accounting for insurance losses and loss adjustment expenses ("LAE") as these items are not within the scope of this ASU.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update modify the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The provisions of this update are effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted for the removed disclosures. The Company is evaluating the impact the adoption of this ASU will have on the consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The amendments in this update align the requirements for capitalizing implementation costs associated with cloud computing arrangements hosted by a vendor with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The provisions of this update are effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. The Company has elected to adopt this ASU prospectively to eligible costs incurred effective January 1, 2019. The adoption of this ASU did not have a material effect on the Company's consolidated operating results or financial position.

Note 3. Investments

Investments available for sale consist of the following:

March 31, 2019 (In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$ 288,897	$ 1,377	$ (3,431)	$ 286,843
U.S. agency securities	33,638	—	(451)	33,187
U.S. agency mortgage-backed securities	675,268	5,601	(8,727)	672,142
Municipal debt securities(1)	447,538	14,172	(328)	461,382
Non-U.S. government securities	45,034	1,332	—	46,366
Corporate debt securities(2)	759,846	7,690	(4,135)	763,401
Residential and commercial mortgage securities	185,393	2,579	(762)	187,210
Asset-backed securities	316,759	488	(2,511)	314,736
Money market funds	210,821	1	—	210,822
Total investments available for sale	$ 2,963,194	$ 33,240	$ (20,345)	$ 2,976,089

December 31, 2018 (In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$ 295,145	$ 693	$ (5,946)	$ 289,892
U.S. agency securities	33,645	—	(648)	32,997
U.S. agency mortgage-backed securities	649,228	2,520	(14,570)	637,178
Municipal debt securities(1)	481,547	5,351	(3,019)	483,879
Non-U.S. government securities	44,999	285	(283)	45,001
Corporate debt securities(2)	738,964	1,005	(14,768)	725,201
Residential and commercial mortgage securities	122,369	686	(1,217)	121,838
Asset-backed securities	288,371	305	(3,679)	284,997
Money market funds	139,082	1	—	139,083
Total investments available for sale	$ 2,793,350	$ 10,846	$ (44,130)	$ 2,760,066

(1) The following table summarizes municipal debt securities as of :	March 31, 2019	December 31, 2018
Special revenue bonds	68.9%	69.0%
General obligation bonds	25.8	26.0
Certificate of participation bonds	3.8	3.6
Tax allocation bonds	1.0	0.9
Special tax bonds	0.5	0.5
Total	100.0%	100.0%

(2) The following table summarizes corporate debt securities as of :	March 31, 2019	December 31, 2018
Financial	36.1%	37.1%
Consumer, non-cyclical	21.9	20.7
Communications	11.8	12.6
Consumer, cyclical	7.6	7.6
Energy	5.5	5.7
Industrial	5.0	4.7
Utilities	4.9	5.0
Technology	3.9	3.1
Basic materials	3.3	3.5
Total	100.0%	100.0%

The amortized cost and fair value of investments available for sale at March 31, 2019, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Because most U.S. agency mortgage-backed securities, residential and commercial mortgage securities and asset-backed securities provide for periodic payments throughout their lives, they are listed below in separate categories.

(In thousands)	Amortized Cost	Fair Value
U.S. Treasury securities:		
Due in 1 year	$ 9,992	$ 9,932
Due after 1 but within 5 years	179,482	179,829
Due after 5 but within 10 years	99,423	97,082
Subtotal	288,897	286,843
U.S. agency securities:		
Due in 1 year	—	—
Due after 1 but within 5 years	33,638	33,187
Subtotal	33,638	33,187
Municipal debt securities:		
Due in 1 year	4,246	4,251
Due after 1 but within 5 years	85,262	85,920
Due after 5 but within 10 years	184,082	190,665
Due after 10 years	173,948	180,546
Subtotal	447,538	461,382
Non-U.S. government securities:		
Due in 1 year	—	—
Due after 1 but within 5 years	19,804	20,275
Due after 5 but within 10 years	25,230	26,091
Subtotal	45,034	46,366
Corporate debt securities:		
Due in 1 year	82,329	82,043
Due after 1 but within 5 years	421,500	422,725
Due after 5 but within 10 years	254,780	257,349
Due after 10 years	1,237	1,284
Subtotal	759,846	763,401
U.S. agency mortgage-backed securities	675,268	672,142
Residential and commercial mortgage securities	185,393	187,210
Asset-backed securities	316,759	314,736
Money market funds	210,821	210,822
Total investments available for sale	$ 2,963,194	$ 2,976,089

Gross gains and losses realized on the sale of investments available for sale were as follows:

	Three Months Ended March 31,	
(In thousands)	2019	2018
Realized gross gains	$ 671	$ 791
Realized gross losses	11	594

Essent Group Ltd. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

The fair value of investments available for sale in an unrealized loss position and the related unrealized losses were as follows:

March 31, 2019 (In thousands)	Less than 12 months Fair Value	Less than 12 months Gross Unrealized Losses	12 months or more Fair Value	12 months or more Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses
U.S. Treasury securities	$ —	$ —	$ 185,624	$ (3,431)	$ 185,624	$ (3,431)
U.S. agency securities	—	—	33,187	(451)	33,187	(451)
U.S. agency mortgage-backed securities	34,343	(102)	361,212	(8,625)	395,555	(8,727)
Municipal debt securities	539	—	47,265	(328)	47,804	(328)
Corporate debt securities	17,581	(46)	371,460	(4,089)	389,041	(4,135)
Residential and commercial mortgage securities	43,743	(463)	12,345	(299)	56,088	(762)
Asset-backed securities	191,697	(1,910)	51,473	(601)	243,170	(2,511)
Total	$ 287,903	$ (2,521)	$ 1,062,566	$ (17,824)	$ 1,350,469	$ (20,345)

December 31, 2018 (In thousands)	Less than 12 months Fair Value	Less than 12 months Gross Unrealized Losses	12 months or more Fair Value	12 months or more Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses
U.S. Treasury securities	$ 45,505	$ (215)	$ 165,015	$ (5,731)	$ 210,520	$ (5,946)
U.S. agency securities	—	—	32,997	(648)	32,997	(648)
U.S. agency mortgage-backed securities	106,177	(1,070)	341,579	(13,500)	447,756	(14,570)
Municipal debt securities	114,442	(1,176)	104,930	(1,843)	219,372	(3,019)
Non-U.S. government securities	13,497	(283)	—	—	13,497	(283)
Corporate debt securities	381,912	(7,538)	231,124	(7,230)	613,036	(14,768)
Residential and commercial mortgage securities	51,477	(650)	13,321	(567)	64,798	(1,217)
Asset-backed securities	217,546	(3,165)	29,852	(514)	247,398	(3,679)
Total	$ 930,556	$ (14,097)	$ 918,818	$ (30,033)	$ 1,849,374	$ (44,130)

The gross unrealized losses on these investment securities are principally associated with the changes in market interest rates as well as changes in credit spreads subsequent to their purchase. Each issuer is current on its scheduled interest and principal payments. We assess our intent to sell these securities and whether we will be required to sell these securities before the recovery of their amortized cost basis when determining whether an impairment is other-than-temporary. There were no other-than-temporary impairments in each of the three months ended March 31, 2019 and 2018.

The Company's other invested assets at March 31, 2019 and December 31, 2018 totaled $32.7 million and $31.0 million, respectively. Other invested assets are comprised of limited partnership interests which are accounted for under the equity method of accounting with changes in value reported in other income. Due to the timing of receiving financial information from these partnerships, the results are generally reported on a one month or quarter lag.

The fair value of investments deposited with insurance regulatory authorities to meet statutory requirements was $9.2 million at March 31, 2019 and $8.9 million at December 31, 2018. In connection with its insurance and reinsurance activities, Essent Re is required to maintain assets in trusts for the benefit of its contractual counterparties. The fair value of the investments on deposit in these trusts was $871.8 million at March 31, 2019 and $759.9 million at December 31, 2018. In connection with excess of loss reinsurance agreements (see Note 4), Essent Guaranty is required to maintain assets on deposit for the benefit of the reinsurers. The fair value of the assets on deposit was $6.8 million at March 31, 2019 and $3.4 million at December 31, 2018. Essent Guaranty is also required to maintain assets on deposit for the benefit of the sponsor of a fixed income investment commitment. The fair value of the assets on deposit was $6.3 million at March 31, 2019 and $6.3 million at December 31, 2018.

Net investment income consists of:

	Three Months Ended March 31,	
(In thousands)	2019	2018
Fixed maturities	$ 19,743	$ 13,643
Short-term investments	1,058	751
Gross investment income	20,801	14,394
Investment expenses	(921)	(680)
Net investment income	$ 19,880	$ 13,714

Note 4. Reinsurance

In the ordinary course of business, our insurance subsidiaries may use reinsurance to provide protection against adverse loss experience and to expand our capital sources. Reinsurance recoverables are recorded as assets, predicated on a reinsurer's ability to meet their obligations under the reinsurance agreements. If the reinsurers are unable to satisfy their obligations under the agreements, our insurance subsidiaries would be liable for such defaulted amounts.

Essent Guaranty has entered into fully collateralized reinsurance agreements with unaffiliated special purpose insurers domiciled in Bermuda ("Radnor Re Transactions"). For the reinsurance coverage periods, Essent Guaranty and its affiliates retain the first layer of the respective aggregate losses, and a Radnor Re special purpose insurer will then provide second layer coverage up to the outstanding reinsurance coverage amount. Essent Guaranty and its affiliates retain losses in excess of the outstanding reinsurance coverage amount. The reinsurance premium due to each Radnor Re special purpose insurer is calculated by multiplying the outstanding reinsurance coverage amount at the beginning of a period by a coupon rate, which is the sum of one-month LIBOR plus a risk margin, and then subtracting actual investment income collected on the assets in the related reinsurance trust during that period. The aggregate excess of loss reinsurance coverage decreases over a ten-year period as the underlying covered mortgages amortize. Essent Guaranty has rights to terminate the Radnor Re Transactions, which include an option to terminate the reinsurance agreement with Radnor Re 2018-1 Ltd. after five years from issuance and an option to terminate the reinsurance agreement with Radnor Re 2019-1 Ltd. after seven years from issuance. If the reinsurance agreement with Radnor Re 2018-1 Ltd. is not terminated after five years from issuance, the risk margin component of the reinsurance premium payable to Radnor Re 2018-1 Ltd. increases by 50%. If the reinsurance agreement with Radnor Re 2019-1 Ltd. is not terminated after seven years from issuance, there is no increase in the the risk margin component of the reinsurance premium payable to Radnor Re 2019-1 Ltd. The Radnor Re entities financed the coverage by issuing mortgage insurance-linked notes ("ILNs") in an aggregate amount equal to the initial coverage to unaffiliated investors. The notes have ten-year legal maturities and are non-recourse to any assets of Essent Guaranty or its affiliates. The proceeds of the notes were deposited into reinsurance trusts for the benefit of Essent Guaranty that will be the source of reinsurance claim payments to Essent Guaranty and principal repayments on the ILNs.

Essent Guaranty has also entered into reinsurance agreements with a panel of reinsurers that provide aggregate excess of loss coverage immediately above or pari-passu to the coverage provided by the Radnor Re Transactions. The aggregate excess of loss reinsurance coverage decreases over a ten-year period as the underlying covered mortgages amortize. Essent Guaranty has rights to terminate the reinsurance agreement, which includes an option to terminate after five years from issuance. If the reinsurance agreement is not terminated after five years from issuance, the reinsurance premium payable will increase by 50%.

Essent Group Ltd. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table summarizes the respective coverages and retentions as March 31, 2019:

(In thousands)			Remaining Reinsurance in Force			
Origination Year	Remaining Insurance in Force	Remaining Risk in Force	ILN	Other Reinsurance	Total	Remaining First Layer Retention
2017	$ 35,526,434	$ 8,869,353	$ 424,412 **(1)**	$ 165,167 **(2)**	$ 589,579	$ 224,453
2018	43,948,691	11,010,711	473,184 **(3)**	118,650 **(4)**	591,834	253,643
Total	$ 79,475,125	$ 19,880,064	$ 897,596	$ 283,817	$ 1,181,413	$ 478,096

(1) Reinsurance provided by Radnor Re 2018-1 Ltd., through its issuance of ILNs, effective March 2018.
(2) Reinsurance provided by a panel of reinsurers effective November 2018. Coverage provided immediately above the coverage provided by Radnor Re 2018-1 Ltd.
(3) Reinsurance provided by Radnor Re 2019-1 Ltd., through its issuance of ILNs, effective February 2019.
(4) Reinsurance provided by a panel of reinsurers effective February 2019. Coverage provided pari-passu to the coverage provided by Radnor Re 2019-1 Ltd.

The effect of reinsurance on net premiums written and earned is as follows:

	Three Months Ended March 31,	
(In thousands)	2019	2018
Net premiums written:		
Direct	$ 183,682	$ 165,519
Ceded	(6,038)	(294)
Net premiums written	$ 177,644	$ 165,225
Net premiums earned:		
Direct	$ 183,829	$ 152,852
Ceded	(6,038)	(294)
Net premiums earned	$ 177,791	$ 152,558

The amount of monthly reinsurance premium ceded to the Radnor Re entities will fluctuate due to changes in one-month LIBOR and changes in money market rates that affect investment income collected on the assets in the reinsurance trusts. As the reinsurance premium will vary based on changes in these rates, we concluded that the Radnor Re Transactions contain embedded derivatives that will be accounted for separately like freestanding derivatives.

In connection with the Radnor Re Transactions, we concluded that the risk transfer requirements for reinsurance accounting were met as each Radnor Re entity is assuming significant insurance risk and a reasonable possibility of a significant loss. In addition, we assessed whether each Radnor Re entity was a variable interest entity ("VIE") and the appropriate accounting for the Radnor Re entities if they were VIEs. A VIE is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not substantively participate in the gains and losses of the entity. A VIE is consolidated by its primary beneficiary. The primary beneficiary is the entity that has both (1) the power to direct the activities of the VIE that most significantly affect the entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. While also considering these factors, the consolidation conclusion depends on the breadth of the decision-making ability and ability to influence activities that significantly affect the economic performance of the VIE. We concluded that the Radnor Re entities are VIEs. However, given that Essent Guaranty (1) does not have the unilateral power to direct the activities that most significantly affect their economic performance and (2) does not have the obligation to absorb losses or the right to receive benefits that could be potentially significant to these entities, the Radnor Re entities are not consolidated in these financial statements.

The following table presents total assets of each Radnor Re special purpose insurer as well as our maximum exposure to loss associated with each Radnor Re entity, representing the fair value of the embedded derivative included in other assets on our condensed consolidated balance sheet and the estimated net present value of investment earnings on the assets in the reinsurance trust, each as of March 31, 2019:

		Maximum Exposure to Loss		
(In thousands)	**Total VIE Assets**	**On - Balance Sheet**	**Off - Balance Sheet**	**Total**
Radnor Re 2018-1 Ltd.	$ 424,412	$ 1,288	$ 18,051	$ 19,339
Radnor Re 2019-1 Ltd.	473,184	136	27,246	27,382
Total	$ 897,596	$ 1,424	$ 45,297	$ 46,721

Note 5. Reserve for Losses and Loss Adjustment Expenses

The following table provides a reconciliation of the beginning and ending reserve balances for losses and loss adjustment expenses (“LAE”) for the three months ended March 31:

($ in thousands)	**2019**	**2018**
Reserve for losses and LAE at beginning of period	$ 49,464	$ 46,850
Less: Reinsurance recoverables	—	—
Net reserve for losses and LAE at beginning of period	49,464	46,850
Add provision for losses and LAE, net of reinsurance, occurring in:		
Current period	11,828	9,952
Prior years	(4,721)	(4,643)
Net incurred losses and LAE during the current period	7,107	5,309
Deduct payments for losses and LAE, net of reinsurance, occurring in:		
Current period	15	—
Prior years	3,072	2,193
Net loss and LAE payments during the current period	3,087	2,193
Net reserve for losses and LAE at end of period	53,484	49,966
Plus: Reinsurance recoverables	—	—
Reserve for losses and LAE at end of period	$ 53,484	$ 49,966
Loans in default at end of period	4,096	4,442

For the three months ended March 31, 2019, $3.1 million was paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. There has been a $4.7 million favorable prior year development during the three months ended March 31, 2019. Reserves remaining as of March 31, 2019 for prior years are $41.7 million as a result of re-estimation of unpaid losses and loss adjustment expenses. For the three months ended March 31, 2018, $2.2 million was paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. There was a $4.6 million favorable prior year development during the three months ended March 31, 2018. Reserves remaining as of March 31, 2018 for prior years were $40.0 million as a result of re-estimation of unpaid losses and loss adjustment expenses. In both periods, the favorable prior years' loss development was the result of a re-estimation of amounts ultimately to be paid on prior year defaults in the default inventory, including the impact of previously identified defaults that cured. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

Note 6. Debt Obligations

Credit Facility

Essent Group and its subsidiaries, Essent Irish Intermediate Holdings Limited and Essent US Holdings, Inc. (collectively, the "Borrowers"), are parties to a secured credit facility (the “Credit Facility”) with committed capacity of $500 million. The Credit Facility provides for a $275 million revolving credit facility, $225 million of term loans and a $100 million uncommitted line that may be exercised at the Borrowers’ option so long as the Borrowers receive commitments from the lenders. Borrowings under the Credit Facility may be used for working capital and general corporate purposes, including, without limitation, capital contributions to Essent’s insurance and reinsurance subsidiaries. Borrowings accrue interest at a floating rate tied to a standard short-term borrowing index, selected at the Company’s option, plus an applicable margin. A commitment fee is due quarterly on the average daily amount of the undrawn revolving commitment. The applicable margin and the commitment fee are based on the senior unsecured debt rating or long-term issuer rating of Essent Group to the extent available, or the insurer financial strength rating of Essent Guaranty. The current annual commitment fee rate is 0.35%. The obligations under the Credit Facility are secured by certain assets of the Borrowers, excluding the stock and assets of its insurance and reinsurance subsidiaries. The Credit Facility contains several covenants, including financial covenants relating to minimum net worth, capital and liquidity levels, maximum debt to capitalization level and Essent Guaranty's compliance with the PMIERs (see Note 12). The borrowings under the Credit Facility contractually mature on May 17, 2021. This description is not intended to be complete in all respects and is qualified in its entirety by the terms of the Credit Facility, including its covenants. As of March 31, 2019, the Company was in compliance with the covenants and $225 million had been borrowed under the Credit Facility with a weighted average interest rate of 4.48%. As of December 31, 2018, $225 million had been borrowed with a weighted average interest rate of 4.43%.

Note 7. Commitments and Contingencies

Obligations under Guarantees

Under the terms of CUW Solutions' contract underwriting agreements with lenders and subject to contractual limitations on liability, we agree to indemnify certain lenders against losses incurred in the event that we make an error in determining whether loans processed meet specified underwriting criteria, to the extent that such error materially restricts or impairs the salability of such loan, results in a material reduction in the value of such loan or results in the lender repurchasing the loan. The indemnification may be in the form of monetary or other remedies. We paid less than $0.1 million related to remedies for each of the three months ended March 31, 2019 and 2018. As of March 31, 2019, management believes any potential claims for indemnification related to contract underwriting services through March 31, 2019 are not material to our consolidated financial position or results of operations.

In addition to the indemnifications discussed above, in the normal course of business, we enter into agreements or other relationships with third parties pursuant to which we may be obligated under specified circumstances to indemnify the counterparties with respect to certain matters. Our contractual indemnification obligations typically arise in the context of agreements entered into by us to, among other things, purchase or sell services, finance our business and business transactions, lease real property and license intellectual property. The agreements we enter into in the normal course of business generally require us to pay certain amounts to the other party associated with claims or losses if they result from our breach of the agreement, including the inaccuracy of representations or warranties. The agreements we enter into may also contain other indemnification provisions that obligate us to pay amounts upon the occurrence of certain events, such as the negligence or willful misconduct of our employees, infringement of third-party intellectual property rights or claims that performance of the agreement constitutes a violation of law. Generally, payment by us under an indemnification provision is conditioned upon the other party making a claim, and typically we can challenge the other party’s claims. Further, our indemnification obligations may be limited in time and/or amount, and in some instances, we may have recourse against third parties for certain payments made by us under an indemnification agreement or obligation. As of March 31, 2019, contingencies triggering material indemnification obligations or payments have not occurred historically and are not expected to occur. The nature of the indemnification provisions in the various types of agreements and relationships described above are believed to be low risk and pervasive, and we consider them to have a remote risk of loss or payment. We have not recorded any provisions on the condensed consolidated balance sheets related to indemnifications.

Commitments

We lease office space for use in our operations under leases accounted for as operating leases. These leases generally include options to extend them for periods of up to ten years. Our option to extend the term of our primary office locations at the greater of existing or prevailing market rates was not recognized in our right-of-use asset and lease liability. When establishing the value of our right-of-use asset and lease liability, we determine the discount rate for the underlying leases using the prevailing market interest rate for a borrowing of the same duration of the lease plus the risk premium inherent in the borrowings under our Credit Facility. Right-of-use assets and lease liabilities are reported on the condensed consolidated balance sheet as property and equipment and other accrued liabilities, respectively.

The following table presents lease cost and other lease information as of March 31, 2019:

($ in thousands)	Three Months Ended March 31, 2019
Lease cost:	
Operating lease cost	$ 591
Short-term lease cost	42
Sublease income	(32)
Total lease cost	$ 601
Other information:	
Weighted average remaining lease term - operating leases	5.5 years
Weighted average discount rate - operating leases	4.1%

The following table presents a maturity analysis of our lease liabilities as follows at March 31, 2019:

(In thousands)	
2019 (April 1 through December 31)	$ 1,984
2020	2,628
2021	2,657
2022	2,711
2023	2,553
2024 and thereafter	1,963
Total lease payments to be paid	14,496
Less: Future interest expense	(1,584)
Present value of lease liabilities	$ 12,912

The future minimum lease payments of non-cancelable operating leases are as follows at December 31, 2018:

Year Ended December 31 (In thousands)	
2019	$ 2,674
2020	2,628
2021	2,657
2022	2,711
2023	2,553
2024 and thereafter	1,963
Total minimum payments required	$ 15,186

Minimum lease payments shown above have not been reduced by minimum sublease rental income of $0.1 million due in 2019 under the non-cancelable sublease.

Note 8. Stock-Based Compensation

The following table summarizes nonvested common share and nonvested common share unit activity for the three months ended March 31, 2019:

	Time and Performance-Based Share Awards		Time-Based Share Awards		Share Units	
(Shares in thousands)	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Share Units	Weighted Average Grant Date Fair Value
Outstanding at beginning of year	482	$ 29.49	207	$ 32.82	449	$ 34.35
Granted	141	45.32	90	40.98	115	40.98
Vested	(209)	17.01	(123)	27.48	(184)	30.71
Forfeited	—	N/A	—	N/A	(6)	35.98
Outstanding at March 31, 2019	414	$ 41.18	174	$ 40.83	374	$ 38.14

In February 2019, certain members of senior management were granted nonvested common shares under the Essent Group Ltd. 2013 Long-Term Incentive Plan ("2013 Plan") that were subject to time-based vesting. These awards vest in three equal installments on March 1, 2020, 2021 and 2022. In March 2019, certain members of senior management were granted nonvested common shares under the 2013 Plan that were subject to performance-based vesting. The performance-based share awards vest based upon our compounded annual book value per share growth percentage during a three-year performance period that commenced on January 1, 2019 and vest on March 1, 2022. The portion of these nonvested performance-based share awards that will be earned based upon the achievement of compounded annual book value per share growth is as follows:

Performance level	Compounded Annual Book Value Per Share Growth	Nonvested Common Shares Earned
	<14%	0%
Threshold	14%	10%
	15%	35%
	16%	60%
	17%	85%
Maximum	≥18%	100%

In the event that the compounded annual book value per share growth falls between the performance levels shown above, the nonvested common shares earned will be determined on a straight-line basis between the respective levels shown.

In connection with our incentive program covering bonus awards for performance year 2018, in February 2019, time-based share units were issued to certain employees that vest in three equal installments on March 1, 2020, 2021 and 2022. In May 2019, 17,024 time-based share units were granted to non-employee directors that vest one year from the date of grant.

The total fair value on the vesting date of nonvested shares or share units that vested was $22.0 million and $74.0 million for the three months ended March 31, 2019 and 2018, respectively. As of March 31, 2019, there was $28.7 million of total unrecognized compensation expense related to nonvested shares or share units outstanding at March 31, 2019 and we expect to recognize the expense over a weighted average period of 2.3 years.

Employees have the option to tender shares to Essent Group to pay the minimum employee statutory withholding taxes associated with shares upon vesting. Common shares tendered by employees to pay employee withholding taxes totaled 189,965 in the three months ended March 31, 2019. The tendered shares were recorded at cost and included in treasury stock. All treasury stock has been cancelled as of March 31, 2019.

Compensation expense, net of forfeitures, and related tax effects recognized in connection with nonvested shares was as follows:

	Three Months Ended March 31,	
(In thousands)	2019	2018
Compensation expense	$ 4,100	$ 3,605
Income tax benefit	765	672

Note 9. Earnings per Share (EPS)

The following table reconciles the net income and the weighted average common shares outstanding used in the computations of basic and diluted earnings per common share:

	Three Months Ended March 31,	
(In thousands, except per share amounts)	2019	2018
Net income	$ 127,720	$ 111,069
Less: dividends declared	—	—
Net income available to common shareholders	$ 127,720	$ 111,069
Basic earnings per share	$ 1.31	$ 1.14
Diluted earnings per share	$ 1.30	$ 1.13
Basic weighted average shares outstanding	97,595	97,298
Dilutive effect of nonvested shares	509	653
Diluted weighted average shares outstanding	98,104	97,951

There were 142,642 and 166,323 antidilutive shares for the three months ended March 31, 2019 and 2018, respectively.

The nonvested performance-based share awards are considered contingently issuable for purposes of the EPS calculation. Based on the compounded annual book value per share growth as of March 31, 2019 and 2018, 100% of the dilutive performance-based share awards would be issuable under the terms of the arrangements at each date if March 31 was the end of the contingency period.

Note 10. Accumulated Other Comprehensive Income (Loss)

The following table presents the rollforward of accumulated other comprehensive income (loss) for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,					
	2019			2018		
(In thousands)	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Balance at beginning of period	$ (33,276)	$ 4,283	$ (28,993)	$ (1,849)	$ (1,403)	$ (3,252)
Other comprehensive income (loss):						
Unrealized holding gains (losses) on investments:						
Unrealized holding gains (losses) arising during the period	46,977	(8,071)	38,906	(33,746)	5,120	(28,626)
Less: Reclassification adjustment for gains included in net income (1)	(660)	120	(540)	(197)	73	(124)
Net unrealized gains (losses) on investments	46,317	(7,951)	38,366	(33,943)	5,193	(28,750)
Other comprehensive income (loss)	46,317	(7,951)	38,366	(33,943)	5,193	(28,750)
Balance at end of period	$ 13,041	$ (3,668)	$ 9,373	$ (35,792)	$ 3,790	$ (32,002)

(1) Included in net realized investment gains on our condensed consolidated statements of comprehensive income.

Note 11. Fair Value of Financial Instruments

We carry certain of our financial instruments at fair value. We define fair value as the current amount that would be exchanged to sell an asset or transfer a liability, other than in a forced liquidation.

Fair Value Hierarchy

ASC No. 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The level within the fair value hierarchy to measure the financial instrument shall be determined based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

- Level 1 — Quoted prices for identical instruments in active markets accessible at the measurement date.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and valuations in which all significant inputs are observable in active markets. Inputs are observable for substantially the full term of the financial instrument.
- Level 3 — Valuations derived from one or more significant inputs that are unobservable.

Determination of Fair Value

When available, we generally use quoted market prices to determine fair value and classify the financial instrument in Level 1. In cases where quoted market prices for similar financial instruments are available, we utilize these inputs for valuation techniques and classify the financial instrument in Level 2. In cases where quoted market prices are not available, fair values are based on estimates using discounted cash flows, present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rates and estimates of future cash flows and we classify the financial instrument in Level 3. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

We used the following methods and assumptions in estimating fair values of financial instruments:

- Investments available for sale — Investments available for sale are valued using quoted market prices in active markets, when available, and those investments are classified as Level 1 of the fair value hierarchy. Level 1 investments available for sale include investments such as U.S. Treasury securities and money market funds. Investments available for sale are classified as Level 2 of the fair value hierarchy if quoted market prices are not available and fair values are estimated using quoted prices of similar securities or recently executed transactions for the securities. U.S. agency securities, U.S. agency mortgage-backed securities, municipal debt securities, non-U.S. government securities, corporate debt securities, residential and commercial mortgage securities and asset-backed securities are classified as Level 2 investments.

  We use independent pricing sources to determine the fair value of securities available for sale in Level 1 and Level 2 of the fair value hierarchy. We use one primary pricing service to provide individual security pricing based on observable market data and receive one quote per security. To ensure securities are appropriately classified in the fair value hierarchy, we review the pricing techniques and methodologies of the independent pricing service and believe that their policies adequately consider market activity, either based on specific transactions for the issue valued or based on modeling of securities with similar credit quality, duration, yield and structure that were recently traded. U.S. agency securities, U.S. agency mortgage-backed securities, municipal debt securities, non-U.S. government securities and corporate debt securities are valued by our primary vendor using recently executed transactions and proprietary models based on observable inputs, such as interest rate spreads, yield curves and credit risk. Residential and commercial mortgage securities and asset-backed securities are valued by our primary vendor using proprietary models based on observable inputs, such as interest rate spreads, prepayment speeds and credit risk. As part of our evaluation of investment prices provided by our primary pricing service, we obtained and reviewed their pricing methodologies which include a description of how each security type is evaluated and priced. We review the reasonableness of prices received from our primary pricing service by comparison to prices obtained from additional pricing sources. We have not made any adjustments to the prices obtained from our primary pricing service.

Assets and Liabilities Measured at Fair Value

All assets measured at fair value are categorized in the table below based upon the lowest level of significant input to the valuations. All fair value measurements at the reporting date were on a recurring basis.

March 31, 2019 (In thousands)	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring fair value measurements				
Financial Assets:				
U.S. Treasury securities	$ 286,843	$ —	$ —	$ 286,843
U.S. agency securities	—	33,187	—	33,187
U.S. agency mortgage-backed securities	—	672,142	—	672,142
Municipal debt securities	—	461,382	—	461,382
Non-U.S. government securities	—	46,366	—	46,366
Corporate debt securities	—	763,401	—	763,401
Residential and commercial mortgage securities	—	187,210	—	187,210
Asset-backed securities	—	314,736	—	314,736
Money market funds	210,822	—	—	210,822
Total assets at fair value (1)	$ 497,665	$ 2,478,424	$ —	$ 2,976,089

(1) Does not include the fair value of an immaterial embedded derivative, which we have accounted for separately as a freestanding derivative and included in other assets in our condensed consolidated balance sheet. See Note 4 for more information.

December 31, 2018 (In thousands)	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring fair value measurements				
Financial Assets:				
U.S. Treasury securities	$ 289,892	$ —	$ —	$ 289,892
U.S. agency securities	—	32,997	—	32,997
U.S. agency mortgage-backed securities	—	637,178	—	637,178
Municipal debt securities	—	483,879	—	483,879
Non-U.S. government securities	—	45,001	—	45,001
Corporate debt securities	—	725,201	—	725,201
Residential and commercial mortgage securities	—	121,838	—	121,838
Asset-backed securities	—	284,997	—	284,997
Money market funds	139,083	—	—	139,083
Total assets at fair value	$ 428,975	$ 2,331,091	$ —	$ 2,760,066

Note 12. Statutory Accounting

Our U.S. insurance subsidiaries prepare statutory-basis financial statements in accordance with the accounting practices prescribed or permitted by their respective state’s department of insurance, which is a comprehensive basis of accounting other than GAAP. We did not use any prescribed or permitted statutory accounting practices (individually or in the aggregate) that resulted in reported statutory surplus or capital that was significantly different from the statutory surplus or capital that would have been reported had National Association of Insurance Commissioners’ statutory accounting practices been followed. The following table presents Essent Guaranty’s and Essent PA’s statutory net income, statutory surplus and contingency reserve liability as of and for the three months ended March 31:

(In thousands)	2019	2018
Essent Guaranty		
Statutory net income	$ 101,989	$ 93,002
Statutory surplus	905,534	807,363
Contingency reserve liability	981,207	734,944
Essent PA		
Statutory net income	$ 2,093	$ 2,475
Statutory surplus	50,216	46,505
Contingency reserve liability	49,744	44,606

Net income determined in accordance with statutory accounting practices differs from GAAP. In 2019 and 2018, the more significant differences between net income determined under statutory accounting practices and GAAP for Essent Guaranty and Essent PA relate to policy acquisition costs and income taxes. Under statutory accounting practices, policy acquisition costs are expensed as incurred while such costs are capitalized and amortized to expense over the life of the policy under GAAP. We are eligible for a tax deduction, subject to certain limitations for amounts required by state law or regulation to be set aside in statutory contingency reserves when we purchase non-interest-bearing United States Mortgage Guaranty Tax and Loss Bonds (“T&L Bonds”) issued by the Treasury Department. Under statutory accounting practices, this deduction reduces the tax provision recorded by Essent Guaranty and Essent PA and, as a result, increases statutory net income and surplus as compared to net income and equity determined in accordance with GAAP.

At March 31, 2019 and 2018, the statutory capital of our U.S. insurance subsidiaries, which is defined as the total of statutory surplus and contingency reserves, was in excess of the statutory capital necessary to satisfy their regulatory requirements.

Effective December 31, 2015, Fannie Mae and Freddie Mac, at the direction of the Federal Housing Finance Agency, implemented new coordinated Private Mortgage Insurer Eligibility Requirements, which we refer to as the "PMIERs." The PMIERs represent the standards by which private mortgage insurers are eligible to provide mortgage insurance on loans owned or guaranteed by Fannie Mae and Freddie Mac. The PMIERs include financial strength requirements incorporating a risk-based framework that require approved insurers to have a sufficient level of liquid assets from which to pay claims. The PMIERs also include enhanced operational performance expectations and define remedial actions that apply should an approved insurer fail to comply with these requirements. In 2018, the GSEs released revised PMIERs framework ("PMIERs 2.0") which became effective on March 31, 2019. As of March 31, 2019, Essent Guaranty, our GSE-approved mortgage insurance company, was in compliance with PMIERs 2.0.

Statement of Statutory Accounting Principles No. 58, *Mortgage Guaranty Insurance*, requires mortgage insurers to establish a special contingency reserve for statutory accounting purposes included in total liabilities equal to 50% of earned premium for that year. During the three months ended March 31, 2019, Essent Guaranty increased its contingency reserve by $64.6 million and Essent PA increased its contingency reserve by $1.2 million. This reserve is required to be maintained for a period of 120 months to protect against the effects of adverse economic cycles. After 120 months, the reserve is released to unassigned funds. In the event an insurer’s loss ratio in any calendar year exceeds 35%, however, the insurer may, after regulatory approval, release from its contingency reserves an amount equal to the excess portion of such losses. Essent Guaranty and Essent PA did not release any amounts from their contingency reserves in the three months ended March 31, 2019 or 2018.

Under The Insurance Act 1978, as amended, and related regulations of Bermuda (the "Insurance Act"), Essent Re is required to annually prepare statutory financial statements and a statutory financial return in accordance with the financial reporting provisions of the Insurance Act, which is a basis other than GAAP. The Insurance Act also requires that Essent Re maintain minimum share capital of $1 million and must ensure that the value of its general business assets exceeds the amount of its general business liabilities by an amount greater than the prescribed minimum solvency margins and enhanced capital requirement pertaining to its general business. At December 31, 2018, all such requirements were met.

Essent Re's statutory capital and surplus was $846.4 million as of March 31, 2019 and $798.5 million as of December 31, 2018. Essent Re's statutory net income was $39.5 million and $31.2 million for the three months ended March 31, 2019 and 2018, respectively. Statutory capital and surplus as of March 31, 2019 and December 31, 2018 and statutory net income in the three months ended March 31, 2019 and 2018 determined in accordance with statutory accounting practices were not significantly different than the amounts determined under GAAP.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read together with the "Selected Financial Data" and our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K as of and for the year ended December 31, 2018 as filed with the Securities and Exchange Commission and referred to herein as the "Annual Report," and our condensed consolidated financial statements and related notes as of and for the three months ended March 31, 2019 included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which we refer to as the "Quarterly Report." In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in the sections entitled "Special Note Regarding Forward-Looking Statements" in this Quarterly Report and Part I, Item 1A "Risk Factors" in our Annual Report. We are not undertaking any obligation to update any forward-looking statements or other statements we may make in the following discussion or elsewhere in this document even though these statements may be affected by events or circumstances occurring after the forward-looking statements or other statements were made.

Overview

We are an established and growing private mortgage insurance company. Essent Guaranty, Inc., our wholly-owned insurance subsidiary which we refer to as "Essent Guaranty," is licensed to write coverage in all 50 states and the District of Columbia. The financial strength of Essent Guaranty is rated Baa1 with a stable outlook by Moody's Investor Services ("Moody's"), BBB+ with a stable outlook by S&P Global Ratings ("S&P") and A (Excellent) with a stable outlook by A.M. Best.

Our holding company is domiciled in Bermuda and our U.S. insurance business is headquartered in Radnor, Pennsylvania. We operate additional underwriting and service centers in Winston-Salem, North Carolina and Irvine, California. We have a highly experienced, talented team with 377 employees as of March 31, 2019. We generated new insurance written, or NIW, of approximately $11.0 billion and $9.3 billion for the three months ended March 31, 2019 and 2018, respectively. As of March 31, 2019, we had approximately $143.2 billion of insurance in force.

We also offer mortgage-related insurance and reinsurance through our wholly-owned Bermuda-based subsidiary, Essent Reinsurance Ltd., which we refer to as "Essent Re." As of March 31, 2019, Essent Re provided insurance or reinsurance relating to GSE risk share and other reinsurance transactions covering approximately $771.2 million of risk. Essent Re has also reinsured 25% of Essent Guaranty's GSE-eligible mortgage insurance NIW originated since July 1, 2014 under a quota share reinsurance agreement. The insurer financial strength rating of Essent Re is BBB+ with a stable outlook by S&P and A (Excellent) with a stable outlook by A.M. Best.

Legislative and Regulatory Developments

Our results are significantly impacted by, and our future success may be affected by, legislative and regulatory developments affecting the housing finance industry. See Part I, Item 1 "Business—Regulation" and Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Legislative and Regulatory Developments" in our Annual Report for a discussion of the laws and regulations to which we are subject as well as legislative and regulatory developments affecting the housing finance industry.

Effective December 31, 2015, Fannie Mae and Freddie Mac, at the direction of the Federal Housing Finance Agency ("FHFA"), implemented new coordinated Private Mortgage Insurer Eligibility Requirements, which we refer to as the "PMIERs." The PMIERs represent the standards by which private mortgage insurers are eligible to provide mortgage insurance on loans owned or guaranteed by Fannie Mae and Freddie Mac. The PMIERs include financial strength requirements incorporating a risk-based framework that require approved insurers to have a sufficient level of liquid assets from which to pay claims. The PMIERs also include enhanced operational performance expectations and define remedial actions that apply should an approved insurer fail to comply with these requirements. In 2018, the GSEs released revised PMIERs framework ("PMIERs 2.0") which became effective on March 31, 2019. As of March 31, 2019, Essent Guaranty, our GSE-approved mortgage insurance company, was in compliance with PMIERs 2.0. See additional discussion in "—Liquidity and Capital Resources —Private Mortgage Insurer Eligibility Requirements."

Factors Affecting Our Results of Operations

Net Premiums Written and Earned

Premiums associated with our U.S. mortgage insurance business are based on insurance in force ("IIF") during all or a portion of a period. A change in the average IIF during a period causes premiums to increase or decrease as compared to prior periods. Average net premium rates in effect during a given period will also cause premiums to differ when compared to earlier periods. IIF at the end of a reporting period is a function of the IIF at the beginning of such reporting period plus NIW less policy cancellations (including claims paid) during the period. As a result, premiums are generally influenced by:

- NIW, which is the aggregate principal amount of the new mortgages that are insured during a period. Many factors affect NIW, including, among others, the volume of low down payment home mortgage originations and the competition to provide credit enhancement on those mortgages;

- Cancellations of our insurance policies, which are impacted by payments on mortgages, home price appreciation, or refinancings, which in turn are affected by mortgage interest rates. Cancellations are also impacted by the levels of claim payments and rescissions;

- Premium rates, which represent the amount of the premium due as a percentage of IIF. Premium rates are based on the risk characteristics of the loans insured, the percentage of coverage on the loans, competition from other mortgage insurers and general industry conditions; and

- Premiums ceded or assumed under reinsurance arrangements. See Note 4 to our condensed consolidated financial statements.

Premiums are paid either on a monthly installment basis (“monthly premiums”), in a single payment at origination (“single premiums”), or in some cases as an annual premium. For monthly premiums, we receive a monthly premium payment which is recorded as net premiums earned in the month the coverage is provided. Monthly premium payments are based on the original mortgage amount rather than the amortized loan balance. Net premiums written may be in excess of net premiums earned due to single premium policies. For single premiums, we receive a single premium payment at origination, which is recorded as “unearned premium” and earned over the estimated life of the policy, which ranges from 36 to 156 months depending on the term of the underlying mortgage and loan-to-value ratio at date of origination. If single premium policies are cancelled due to repayment of the underlying loan and the premium is non-refundable, the remaining unearned premium balance is immediately recognized as earned premium revenue. Substantially all of our single premium policies in force as of March 31, 2019 were non-refundable. Premiums collected on annual policies are recognized as net premiums earned on a straight-line basis over the year of coverage. For the three months ended March 31, 2019, monthly and single premium policies comprised 87.3% and 12.7% of our NIW, respectively.

Premiums associated with our GSE and other risk share transactions are based on the level of risk in force.

Persistency and Business Mix

The percentage of IIF that remains on our books after any 12-month period is defined as our persistency rate. Because our insurance premiums are earned over the life of a policy, higher persistency rates can have a significant impact on our profitability. The persistency rate on our portfolio was 85.1% at March 31, 2019. Generally, higher prepayment speeds lead to lower persistency.

Prepayment speeds and the relative mix of business between single premium policies and monthly premium policies also impact our profitability. Our premium rates include certain assumptions regarding repayment or prepayment speeds of the mortgages. Because premiums are paid at origination on single premium policies, assuming all other factors remain constant, if loans are prepaid earlier than expected, our profitability on these loans is likely to increase and, if loans are repaid slower than expected, our profitability on these loans is likely to decrease. By contrast, if monthly premium loans are repaid earlier than anticipated, our premium earned with respect to those loans and therefore our profitability declines. Currently, the expected return on single premium policies is less than the expected return on monthly policies.

Net Investment Income

Our investment portfolio was predominantly comprised of investment-grade fixed income securities and money market funds as of March 31, 2019. The principal factors that influence investment income are the size of the investment portfolio and the yield on individual securities. As measured by amortized cost (which excludes changes in fair market value, such as from changes in interest rates), the size of our investment portfolio is mainly a function of increases in capital and cash generated from or used in operations which is impacted by net premiums received, investment earnings, net claim payments and expenses. Realized gains and losses are a function of the difference between the amount received on the sale of a security and the security's amortized cost, as well as any "other-than-temporary" impairments recognized in earnings. The amount received on the sale of fixed income securities is affected by the coupon rate of the security compared to the yield of comparable securities at the time of sale.

Other Income

Other income includes revenues associated with contract underwriting services and underwriting consulting services to third-party reinsurers. The level of contract underwriting revenue is dependent upon the number of customers who have engaged us for this service and the number of loans underwritten for these customers. Revenue from underwriting consulting services to third-party reinsurers is dependent upon the number of customers who have engaged us for this service and the level of premiums associated with the transactions underwritten for these customers.

In connection with the acquisition of our mortgage insurance platform, we entered into a services agreement with Triad Guaranty Inc. and its wholly-owned subsidiary, Triad Guaranty Insurance Corporation, which we refer to collectively as "Triad," to provide certain information technology maintenance and development and customer support-related services. In return for these services, we receive a fee which is recorded in other income. This fee is adjusted monthly based on the number of Triad's mortgage insurance policies in force and, accordingly, will decrease over time as Triad's existing policies are cancelled. The services agreement was automatically extended until November 30, 2019.

As more fully described in Note 4 to our condensed consolidated financial statements, the premium ceded under certain reinsurance contracts with unaffiliated third parties varies based on changes in market interest rates. Under GAAP, these contracts contain embedded derivatives that are accounted for separately as freestanding derivatives. The change in the fair value of the embedded derivatives is reported in earnings and included in other income.

Provision for Losses and Loss Adjustment Expenses

The provision for losses and loss adjustment expenses reflects the current expense that is recorded within a particular period to reflect actual and estimated loss payments that we believe will ultimately be made as a result of insured loans that are in default.

Losses incurred are generally affected by:

- the overall state of the economy, which broadly affects the likelihood that borrowers may default on their loans and have the ability to cure such defaults;
- changes in housing values, which affect our ability to mitigate our losses through the sale of properties with loans in default as well as borrower willingness to continue to make mortgage payments when the value of the home is below or perceived to be below the mortgage balance;
- the product mix of IIF, with loans having higher risk characteristics generally resulting in higher defaults and claims;
- the size of loans insured, with higher average loan amounts tending to increase losses incurred;
- the loan-to-value ratio, with higher average loan-to-value ratios tending to increase losses incurred;
- the percentage of coverage on insured loans, with deeper average coverage tending to increase losses incurred;
- credit quality of borrowers, including higher debt-to-income ratios and lower FICO scores, which tend to increase incurred losses;
- the level and amount of reinsurance coverage maintained with third parties;
- the rate at which we rescind policies. Because of tighter underwriting standards generally in the mortgage lending industry and terms set forth in our master policy, we expect that our level of rescission activity will be lower than rescission activity seen in the mortgage insurance industry for vintages originated prior to the financial crisis; and

- the distribution of claims over the life of a book. As of March 31, 2019, 64% of our IIF relates to business written since January 1, 2017 and was less than three years old. As a result, based on historical industry performance, we expect the number of defaults and claims we experience, as well as our provision for losses and loss adjustment expenses, to increase as our portfolio seasons. See “— Mortgage Insurance Earnings and Cash Flow Cycle” below.

We establish loss reserves for delinquent loans when we are notified that a borrower has missed at least two consecutive monthly payments (“Case Reserves”), as well as estimated reserves for defaults that may have occurred but not yet been reported to us (“IBNR Reserves”). We also establish reserves for the associated loss adjustment expenses (“LAE”), consisting of the estimated cost of the claims administration process, including legal and other fees. Using both internal and external information, we establish our reserves based on the likelihood that a default will reach claim status and estimated claim severity. See Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies” included in our Annual Report for further information.

We believe, based upon our experience and industry data, that claims incidence for mortgage insurance is generally highest in the third through sixth years after loan origination. As of March 31, 2019, 64% of our IIF relates to business written since January 1, 2017 and was less than three years old. Although the claims experience on new insurance written by us to date has been favorable, we expect incurred losses and claims to increase as a greater amount of this book of insurance reaches its anticipated period of highest claim frequency. The actual default rate and the average reserve per default that we experience as our portfolio matures is difficult to predict and is dependent on the specific characteristics of our current in-force book (including the credit score of the borrower, the loan-to-value ratio of the mortgage, geographic concentrations, etc.), as well as the profile of new business we write in the future. In addition, the default rate and the average reserve per default will be affected by future macroeconomic factors such as housing prices, interest rates and employment.

During the third quarter of 2017, certain regions of the U.S. experienced hurricanes which have impacted our insured portfolio’s performance. Loans in default identified as hurricane-related defaults totaled 2,288 as of December 31, 2017. In the year ended December 31, 2018, 2,150 of the 2,288 defaults previously identified as hurricane-related cured. Based on our experience to date and prior industry experience, we expect the ultimate number of hurricane-related defaults that result in claims will be less than the default-to-claim experience of non-hurricane-related defaults. In addition, under our master policy, our exposure may be limited on hurricane-related claims. For example, we are permitted to exclude a claim entirely where damage to the property underlying a mortgage was the proximate cause of the default and adjust a claim where the property underlying a mortgage in default is subject to unrestored physical damage.

Third-Party Reinsurance

We use third-party reinsurance to provide protection against adverse loss experience and to expand our capital sources. When we enter into a reinsurance agreement, the reinsurer receives a premium and, in exchange, agrees to insure an agreed upon portion of incurred losses. These arrangements have the impact of reducing our earned premiums, but also reduce our risk in force ("RIF"), which provides capital relief, and may include capital relief under the PMIERs financial strength requirements. Our incurred losses are reduced by any incurred losses ceded in accordance with the reinsurance agreement. For additional information regarding reinsurance, see Note 4 to our condensed consolidated financial statements.

Other Underwriting and Operating Expenses

Our other underwriting and operating expenses include components that are substantially fixed, as well as expenses that generally increase or decrease in line with the level of NIW.

Our most significant expense is compensation and benefits for our employees, which represented 57% of other underwriting and operating expenses for the three months ended March 31, 2019, compared to 62% of other underwriting and operating expenses for the three months ended March 31, 2018. Compensation and benefits expense includes base and incentive cash compensation, stock compensation expense, benefits and payroll taxes.

Underwriting and other expenses include legal, consulting, other professional fees, premium taxes, travel, entertainment, marketing, licensing, supplies, hardware, software, rent, utilities, depreciation and amortization and other expenses. We anticipate that as we continue to add new customers and increase our IIF, our expenses will also continue to increase. In addition, as a result of the increase in our IIF, we expect that our net premiums earned will grow faster than our underwriting and other expenses resulting in a decline in our expense ratio for the full year 2019 as compared to 2018.

Interest Expense

Interest expense is incurred as a result of borrowings under our secured credit facility (the “Credit Facility”). Borrowings under the Credit Facility may be used for working capital and general corporate purposes, including, without limitation, capital contributions to Essent’s insurance and reinsurance subsidiaries. Borrowings accrue interest at a floating rate tied to a standard short-term borrowing index, selected at the Company’s option, plus an applicable margin.

Income Taxes

Income taxes are incurred based on the amount of earnings or losses generated in the jurisdictions in which we operate and the applicable tax rates and regulations in those jurisdictions. Our U.S. insurance subsidiaries are generally not subject to income taxes in the states in which we operate; however, our non-insurance subsidiaries are subject to state income taxes. In lieu of state income taxes, our insurance subsidiaries pay premium taxes that are recorded in other underwriting and operating expenses.

Essent Group Ltd. and its wholly-owned subsidiary, Essent Re, are domiciled in Bermuda, which does not have a corporate income tax. Effective July 2014, Essent Re began to reinsure 25% of GSE-eligible new insurance written of Essent Guaranty, an affiliate. Essent Re also provides insurance and reinsurance to Freddie Mac and Fannie Mae.

The amount of income tax expense or benefit recorded in future periods will be dependent on the jurisdictions in which we operate and the tax laws and regulations in effect.

Mortgage Insurance Earnings and Cash Flow Cycle

In general, the majority of any underwriting profit (premium revenue minus losses) that a book generates occurs in the early years of the book, with the largest portion of any underwriting profit realized in the first year. Subsequent years of a book generally result in modest underwriting profit or underwriting losses. This pattern generally occurs because relatively few of the claims that a book will ultimately experience typically occur in the first few years of the book, when premium revenue is highest, while subsequent years are affected by declining premium revenues, as the number of insured loans decreases (primarily due to loan prepayments), and by increasing losses.

Key Performance Indicators

Insurance In Force

As discussed above, premiums we collect and earn are generated based on our IIF, which is a function of our NIW and cancellations. The following table includes a summary of the change in our IIF for the three months ended March 31, 2019 and 2018 for our U.S. mortgage insurance portfolio. In addition, this table includes RIF at the end of each period.

	Three Months Ended March 31,	
(In thousands)	**2019**	**2018**
IIF, beginning of period	$ 137,720,786	$ 110,461,950
NIW - Flow	10,945,307	9,336,150
NIW - Bulk	55,002	—
Cancellations	(5,539,454)	(4,547,151)
IIF, end of period	$ 143,181,641	$ 115,250,949
Average IIF during the period	$ 140,137,045	$ 112,940,346
RIF, end of period	$ 34,744,417	$ 28,267,149

The following is a summary of our IIF at March 31, 2019 by vintage:

($ in thousands)	$	%
2019 (through March 31)	$ 10,922,815	7.6%
2018	44,763,371	31.3
2017	36,591,717	25.6
2016	23,979,879	16.7
2015	12,685,939	8.9
2014 and prior	14,237,920	9.9
	$ 143,181,641	100.0%

Average Net Premium Rate

Our average net premium rate is dependent on a number of factors, including: (1) the risk characteristics and average coverage on the mortgages we insure; (2) the mix of monthly premiums compared to single premiums in our portfolio; (3) cancellations of non-refundable single premiums during the period; (4) changes to our pricing; and (5) premiums ceded under third-party reinsurance agreements. For the three months ended March 31, 2019 and 2018, our average net premium rate was 0.48% and 0.52%, respectively. In 2018 and 2019, Essent Guaranty entered into third-party reinsurance agreements, and in June 2018, we announced a reduction in pricing on our published rates effective for future NIW. We anticipate that the continued use of third-party reinsurance and the announced pricing reductions on future NIW will reduce our average net premium rate in future periods.

Persistency Rate

The measure for assessing the impact of policy cancellations on IIF is our persistency rate, defined as the percentage of IIF that remains on our books after any twelve-month period. See additional discussion regarding the impact of the persistency rate on our performance in "— Factors Affecting Our Results of Operations — Persistency and Business Mix."

Risk-to-Capital

The risk-to-capital ratio has historically been used as a measure of capital adequacy in the U.S. mortgage insurance industry and is calculated as a ratio of net risk in force to statutory capital. Net risk in force represents total risk in force net of reinsurance ceded and net of exposures on policies for which loss reserves have been established. Statutory capital for our U.S. insurance companies is computed based on accounting practices prescribed or permitted by the Pennsylvania Insurance Department. See additional discussion in "— Liquidity and Capital Resources — Insurance Company Capital."

As of March 31, 2019, our combined net risk in force for our U.S. insurance companies was $26.8 billion and our combined statutory capital was $2.0 billion, resulting in a risk-to-capital ratio of 13.5 to 1. The amount of capital required varies in each jurisdiction in which we operate; however, generally, the maximum permitted risk-to-capital ratio is 25.0 to 1. State insurance regulators are currently examining their respective capital rules to determine whether, in light of the financial crisis, changes are needed to more accurately assess mortgage insurers' ability to withstand stressful economic conditions. As a result, the capital metrics under which they assess and measure capital adequacy may change in the future. Independent of the state regulator and GSE capital requirements, management continually assesses the risk of our insurance portfolio and current market and economic conditions to determine the appropriate levels of capital to support our business.

Results of Operations

The following table sets forth our results of operations for the periods indicated:

Summary of Operations (In thousands)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Revenues:		
Net premiums written	$ 177,644	$ 165,225
Decrease (increase) in unearned premiums	147	(12,667)
Net premiums earned	177,791	152,558
Net investment income	19,880	13,714
Realized investment gains, net	660	197
Other income	2,195	994
Total revenues	200,526	167,463
Losses and expenses:		
Provision for losses and LAE	7,107	5,309
Other underwriting and operating expenses	41,030	38,124
Interest expense	2,670	2,450
Total losses and expenses	50,807	45,883
Income before income taxes	149,719	121,580
Income tax expense	21,999	10,511
Net income	**$ 127,720**	**$ 111,069**

Three Months Ended March 31, 2019 Compared to the Three Months Ended March 31, 2018

For the three months ended March 31, 2019, we reported net income of $127.7 million, compared to net income of $111.1 million for the three months ended March 31, 2018. The increase in our operating results in 2019 over the same period in 2018 was primarily due to the increase in net premiums earned associated with the growth of our IIF and the increase in net investment income, partially offset by increases in the provision for losses and LAE, other underwriting and operating expenses and income tax expense.

Net Premiums Written and Earned

Net premiums earned increased in the three months ended March 31, 2019 by 17%, compared to the three months ended March 31, 2018 primarily due to the increase in our average IIF from $112.9 billion at March 31, 2018 to $140.1 billion at March 31, 2019, partially offset by a decrease in average net premium rate from 0.52% for the three months ended March 31, 2018 to 0.48% for the three months ended March 31, 2019. The decrease in the average net premium rate during the three months ended March 31, 2019 is primarily due to premiums ceded under third-party reinsurance agreements and a decrease in premiums earned on the cancellation of non-refundable single premium policies relative to average IIF in the respective periods, along with changes in the mix of the mortgages we insure and changes in our pricing.

Net premiums written increased in the three months ended March 31, 2019 by 8%, compared to the three months ended March 31, 2018. The increase was due primarily to the increase in average IIF for the three months ended March 31, 2019 as compared to the same period in 2018, partially offset by a decrease in new single premium policies written, an increase in premiums ceded under third-party reinsurance agreements, changes in the mix of mortgages we insure and changes in our pricing.

In the three months ended March 31, 2019 and 2018, unearned premiums decreased by $0.1 million and increased by $12.7 million, respectively. The change in unearned premiums was a result of net premiums written on single premium policies of $20.0 million and $31.2 million, respectively, which was partially offset by $20.1 million and $18.5 million, respectively, of unearned premium that was recognized in earnings during the periods.

Net Investment Income

Our net investment income was derived from the following sources for the periods indicated:

	Three Months Ended March 31,	
(In thousands)	2019	2018
Fixed maturities	$ 19,743	$ 13,643
Short-term investments	1,058	751
Gross investment income	20,801	14,394
Investment expenses	(921)	(680)
Net investment income	$ 19,880	$ 13,714

The increase in net investment income for the three months ended March 31, 2019 as compared to the same period in 2018 was due to the increase in the weighted average balance of our investment portfolio and the increase in the pre-tax investment income yield. The average cash and investment portfolio balance increased to $2.9 billion for the three months ended March 31, 2019 from $2.4 billion for the three months ended March 31, 2018, primarily as a result of investing cash flows from operations. The pre-tax investment income yield increased from 2.4% in the three months ended March 31, 2018 to 2.8% in the three months ended March 31, 2019, primarily due to an increase in market interest rates, an increase in the portion of our investment portfolio invested in spread and duration assets and higher yields on new investments. The pre-tax investment income yields are calculated based on amortized cost and exclude investment expenses. See “— Liquidity and Capital Resources” for further details of our investment portfolio.

Other Income

Other income includes fees earned for information technology and customer support services provided to Triad, contract underwriting revenues, underwriting consulting services to third-party reinsurers and changes in the fair value of embedded derivatives contained in certain of our reinsurance agreements. The increase in other income for the three months ended March 31, 2019 as compared to the same period in 2018 was primarily due to the increase in the change in the fair value of the embedded derivatives, partially offset by a decrease in contract underwriting revenues.

Provision for Losses and Loss Adjustment Expenses

The provision for losses and LAE was $7.1 million and $5.3 million in the three months ended March 31, 2019 and 2018, respectively. The increase in the provision for losses and LAE in the three months ended March 31, 2019 as compared to the same period in 2018 was primarily due to the increase in the number of insured loans in default in the current period along with an increase in the age and composition of the insured loans in default. The following table presents a rollforward of insured loans in default for the periods indicated:

	Three Months Ended March 31,	
	2019	2018
Beginning default inventory	4,024	4,783
Plus: new defaults	2,918	1,994
Less: cures	(2,749)	(2,270)
Less: claims paid	(88)	(63)
Less: rescissions and denials, net	(9)	(2)
Ending default inventory	4,096	4,442

The decrease in the number of defaults at March 31, 2019 compared to March 31, 2018 was primarily due to the previously identified hurricane-related defaults that have cured subsequent to March 31, 2018, partially offset by new defaults from the increase in our IIF and policies in force and further seasoning of our insurance portfolio. A total of 1,630 previously identified hurricane-related defaults cured between April 1, 2018 and December 31, 2018.

The following table includes additional information about our loans in default as of the dates indicated:

	As of March 31,	
	2019	2018
Case reserves (in thousands)	$ 49,093	$ 45,702
Total reserves (in thousands)	$ 53,484	$ 49,966
Ending default inventory	4,096	4,442
Average case reserve per default (in thousands)	$ 12.0	$ 10.3
Average total reserve per default (in thousands)	$ 13.1	$ 11.2
Default rate	0.65%	0.86%
Claims received included in ending default inventory	71	31

The increase in the average case reserve per default was primarily due to a decrease in the proportion of hurricane-related defaults in the default inventory at March 31, 2019 as compared to March 31, 2018. Based on our experience to date and prior industry experience, we expect the ultimate number of hurricane-related defaults that result in claims will be less than the default-to-claim experience of non-hurricane-related defaults. Accordingly, we applied a lower estimated claim rate to hurricane-related default notices than the claim rate we apply to other notices in our default inventory. Other factors affecting the average case reserve per default were changes in the composition (such as mark-to-market loan-to-value ratios, risk in force, and number of months past due) of the underlying loans in default and improvements in economic fundamentals.

The following tables provide a reconciliation of the beginning and ending reserve balances for losses and LAE and a detail of reserves and defaulted RIF by the number of missed payments and pending claims:

	Three Months Ended March 31,	
(In thousands)	2019	2018
Reserve for losses and LAE at beginning of period	$ 49,464	$ 46,850
Add provision for losses and LAE occurring in:		
Current period	11,828	9,952
Prior years	(4,721)	(4,643)
Incurred losses and LAE during the current period	7,107	5,309
Deduct payments for losses and LAE occurring in:		
Current period	15	—
Prior years	3,072	2,193
Loss and LAE payments during the current period	3,087	2,193
Reserve for losses and LAE at end of period	$ 53,484	$ 49,966

	As of March 31, 2019					
($ in thousands)	Number of Policies in Default	Percentage of Policies in Default	Amount of Reserves	Percentage of Reserves	Defaulted RIF	Reserves as a Percentage of Defaulted RIF
Missed payments:						
Three payments or less	2,172	53%	$ 11,374	23%	$ 117,607	10%
Four to eleven payments	1,492	36	23,599	48	80,842	29
Twelve or more payments	361	9	11,105	23	20,526	54
Pending claims	71	2	3,015	6	3,517	86
Total case reserves	4,096	100%	49,093	100%	$ 222,492	22
IBNR			3,682			
LAE and other			709			
Total reserves for losses and LAE			$ 53,484			

Table of Contents

($ in thousands)	As of March 31, 2018 Number of Policies in Default	Percentage of Policies in Default	Amount of Reserves	Percentage of Reserves	Defaulted RIF	Reserves as a Percentage of Defaulted RIF
Missed payments:						
Three payments or less	1,958	44%	$ 10,879	24%	$ 110,964	10%
Four to eleven payments	2,214	50	25,547	56	130,461	20
Twelve or more payments	239	5	7,877	17	13,343	59
Pending claims	31	1	1,399	3	1,576	89
Total case reserves	4,442	100%	45,702	100%	$ 256,344	18
IBNR			3,428			
LAE and other			836			
Total reserves for losses and LAE			$ 49,966			

During the three months ended March 31, 2019, the provision for losses and LAE was $7.1 million, comprised of $11.8 million of current year losses partially offset by $4.7 million of favorable prior years' loss development. During the three months ended March 31, 2018, the provision for losses and LAE was $5.3 million, comprised of $10.0 million of current year losses partially offset by $4.6 million of favorable prior years' loss development. In both periods, the prior years' loss development was the result of a re-estimation of amounts ultimately to be paid on prior year defaults in the default inventory, including the impact of previously identified defaults that cured.

The following table includes additional information about our claims paid and claim severity as of the dates indicated:

($ in thousands)	Three Months Ended March 31, 2019	2018
Number of claims paid	88	63
Amount of claims paid	$ 2,899	$ 2,143
Claim severity	78%	76%

Other Underwriting and Operating Expenses

Following are the components of our other underwriting and operating expenses for the periods indicated:

	Three Months Ended March 31,			
	2019		2018	
($ in thousands)	$	%	$	%
Compensation and benefits	$ 23,349	57%	$ 23,565	62%
Other	17,681	43	14,559	38
Total other underwriting and operating expenses	$ 41,030	100%	$ 38,124	100%
Number of employees at end of period	377		395	

The significant factors contributing to the change in other underwriting and operating expenses are:

- Compensation and benefits decreased in the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 primarily due to a decrease in payroll taxes associated with the full vesting of stock grants issued in 2013 and 2014 during the three months ended March 31, 2018, partially offset by an increase in stock compensation expense associated with shares granted in 2018 and 2019. Compensation and benefits includes salaries, wages and bonus, stock compensation expense, benefits and payroll taxes.

- Other expenses increased as a result of the continued expansion of our business. Other expenses include premium taxes, travel, marketing, hardware, software, rent, depreciation and amortization and other facilities expenses.

Interest Expense

For the three months ended March 31, 2019, we incurred interest expense of $2.7 million as compared to $2.5 million for the three months ended March 31, 2018. The increase was primarily due to an increase in the weighted average interest rate for borrowings outstanding, partially offset by a decrease in the average amounts outstanding under the Credit Facility. As of March 31, 2019 and 2018, the borrowings under the Credit Facility had a weighted average interest rate of 4.48% and 3.82%, respectively. For the three months ended March 31, 2019, the average amount outstanding under the Credit Facility was $225.0 million as compared to $260.2 million for the three months ended March 31, 2018.

Income Taxes

Our subsidiaries in the United States file a consolidated U.S. Federal income tax return. For interim reporting periods, we use an annual effective tax rate method required under GAAP to calculate the income tax provision. Our income tax expense was $22.0 million and $10.5 million for the three months ended March 31, 2019 and 2018. Income tax expense for the three months ended March 31, 2019 was calculated using an estimated annual effective tax rate of 16.0%, as compared to 16.5% for the three months ended March 31, 2018 and an annual effective tax rate of 16.0% for the full year 2018. For the three months ended March 31, 2019 and 2018, income tax expense was reduced by excess tax benefits associated with the vesting of common shares and common share units of $2.0 million and $9.5 million, respectively. The tax effects associated with the vesting of common shares and common share units are treated as discrete items in the reporting period in which they occur and are not considered in determining the annual effective tax rate.

Liquidity and Capital Resources

Overview

Our sources of funds consist primarily of:

- our investment portfolio and interest income on the portfolio;
- net premiums that we will receive from our existing IIF as well as policies that we write in the future;
- borrowings under our Credit Facility; and
- issuance of capital shares.

Our obligations consist primarily of:

- claim payments under our policies;
- interest payments and repayment of borrowings under our Credit Facility; and
- the other costs and operating expenses of our business.

As of March 31, 2019, we had substantial liquidity with cash of $40.5 million, short-term investments of $210.8 million and fixed maturity investments of $2.8 billion. We also had $275 million available capacity under the revolving credit component of our Credit Facility, with $225 million of term borrowings outstanding under our Credit Facility. Borrowings under the Credit Facility contractually mature on May 17, 2021. At March 31, 2019, net cash and investments at the holding company were $73.8 million. In addition, Essent Guaranty is a member of the Federal Home Loan Bank of Pittsburgh (the “FHLBank”) and has access to secured borrowing capacity with the FHLBank to provide Essent Guaranty with supplemental liquidity. Essent Guaranty had no outstanding borrowings with the FHLBank at March 31, 2019.

Management believes that the Company has sufficient liquidity available both at the holding company and in its insurance and other operating subsidiaries to meet its operating cash needs and obligations and committed capital expenditures for the next 12 months.

While the Company and all of its subsidiaries are expected to have sufficient liquidity to meet all their expected obligations, additional capital may be required to meet any new capital requirements that are adopted by regulatory authorities or the GSEs, or to provide additional capital related to the growth of our risk in force in our mortgage insurance portfolio, or to fund new business initiatives including the insurance activities of Essent Re. We continually evaluate opportunities based upon market conditions to further increase our financial flexibility through the issuance of equity or debt, or other options including reinsurance or credit risk transfer transactions. There can be no guarantee that any such opportunities will be available on acceptable terms or at all.

At the operating subsidiary level, liquidity could be impacted by any one of the following factors:

- significant decline in the value of our investments;
- inability to sell investment assets to provide cash to fund operating needs;
- decline in expected revenues generated from operations;
- increase in expected claim payments related to our IIF; or
- increase in operating expenses.

Our U.S. insurance subsidiaries are subject to certain capital and dividend rules and regulations prescribed by jurisdictions in which they are authorized to operate and the GSEs. Under the insurance laws of the Commonwealth of Pennsylvania, the insurance subsidiaries may pay dividends during any twelve-month period in an amount equal to the greater of (i) 10% of the preceding year-end statutory policyholders' surplus or (ii) the preceding year's statutory net income. The Pennsylvania statute also requires that dividends and other distributions be paid out of positive unassigned surplus without prior approval. At March 31, 2019, Essent Guaranty had unassigned surplus of approximately $200.2 million. Essent Guaranty of PA, Inc. ("Essent PA") had unassigned surplus of approximately $11.2 million as of March 31, 2019. Essent Re is subject to certain dividend restrictions as prescribed by the Bermuda Monetary Authority and under certain agreements with counterparties. In connection with a quota share reinsurance agreement with Essent Guaranty, Essent Re has agreed to maintain a minimum total equity of $100 million. As of March 31, 2019, Essent Re had total equity of $846.6 million. In connection with its insurance and reinsurance activities, Essent Re is required to maintain assets in trusts for the benefit of its contractual counterparties. See Note 3 to our condensed consolidated financial statements. At March 31, 2019, our insurance subsidiaries were in compliance with these rules, regulations and agreements.

Cash Flows

The following table summarizes our consolidated cash flows from operating, investing and financing activities:

	Three Months Ended March 31,	
(In thousands)	**2019**	**2018**
Net cash provided by operating activities	$ 138,682	$ 221,868
Net cash used in investing activities	(155,039)	(216,364)
Net cash used in financing activities	(8,100)	(16,070)
Net decrease in cash	$ (24,457)	$ (10,566)

Operating Activities

Cash flow provided by operating activities totaled $138.7 million for the three months ended March 31, 2019, as compared to $221.9 million for the three months ended March 31, 2018. The decrease in cash flow provided by operating activities of $83.2 million was primarily due the net decrease in United States Mortgage Guaranty Tax and Loss Bonds ("T&L Bonds") during 2018, partially offset by increases in premiums collected during 2019.

Investing Activities

Cash flow used in investing activities totaled $155.0 million for the three months ended March 31, 2019, primarily related to investing cash flows from the business. Cash flow used in investing activities totaled $216.4 million for the three months ended March 31, 2018, primarily related to investing cash flows from the business, the net redemption of T&L Bonds as well as net increased borrowings under the Credit Facility in 2018.

Financing Activities

Cash flow used in financing activities totaled $8.1 million for the three months ended March 31, 2019, primarily related to treasury stock acquired from employees to satisfy tax withholding obligations. Cash flow used in financing activities totaled $16.1 million for the three months ended March 31, 2018, primarily related to treasury stock acquired from employees to satisfy tax withholding obligations, partially offset by $15 million of net increased borrowings under the Credit Facility.

Insurance Company Capital

We compute a risk-to-capital ratio for our U.S. insurance companies on a separate company statutory basis, as well as for our combined insurance operations. The risk-to-capital ratio is our net risk in force divided by our statutory capital. Our net risk in force represents risk in force net of reinsurance ceded, if any, and net of exposures on policies for which loss reserves have been established. Statutory capital consists primarily of statutory policyholders' surplus (which increases as a result of statutory net income and decreases as a result of statutory net loss and dividends paid), plus the statutory contingency reserve. The statutory contingency reserve is reported as a liability on the statutory balance sheet. A mortgage insurance company is required to make annual contributions to the contingency reserve of 50% of net premiums earned. These contributions must generally be maintained for a period of ten years. However, with regulatory approval, a mortgage insurance company may make early withdrawals from the contingency reserve when incurred losses exceed 35% of net premiums earned in a calendar year.

During the three months ended March 31, 2019, no capital contributions were made to our U.S. insurance subsidiaries. During the three months ended March 31, 2018, Essent US Holdings, Inc. made capital contributions to Essent Guaranty of $15 million to support new and existing business.

Essent Guaranty has entered into reinsurance agreements that provide excess of loss reinsurance coverage for new defaults on portfolios of mortgage insurance policies issued in 2017 and 2018. The aggregate excess of loss reinsurance coverages decrease over a ten-year period as the underlying covered mortgages amortize. The reinsurance coverage also reduces net risk in force and PMIERs Minimum Required Assets. See Note 4 to our condensed consolidated financial statements.

Our combined risk-to-capital calculation for our U.S. insurance subsidiaries as of March 31, 2019 was as follows:

Combined statutory capital: **($ in thousands)**		
Policyholders' surplus	$	956,097
Contingency reserves		1,030,951
Combined statutory capital	$	1,987,048
Combined net risk in force	$	26,813,408
Combined risk-to-capital ratio		13.5:1

For additional information regarding regulatory capital, see Note 12 to our condensed consolidated financial statements. Our combined statutory capital equals the sum of statutory capital of Essent Guaranty plus Essent PA, after eliminating the impact of intercompany transactions. The combined risk-to-capital ratio equals the sum of the net risk in force of Essent Guaranty and Essent PA divided by combined statutory capital. The information above has been derived from the annual and quarterly statements of our insurance subsidiaries, which have been prepared in conformity with accounting practices prescribed or permitted by the Pennsylvania Insurance Department and the National Association of Insurance Commissioners Accounting Practices and Procedures Manual. Such practices vary from accounting principles generally accepted in the United States.

Essent Re has entered into GSE and other risk share transactions, including insurance and reinsurance transactions with Freddie Mac and Fannie Mae. Essent Re also executed a quota share reinsurance transaction with Essent Guaranty to reinsure 25% of Essent Guaranty's GSE-eligible NIW effective July 1, 2014. As of March 31, 2019, Essent Re had total stockholders' equity of $846.6 million and net risk in force of $8.6 billion.

Financial Strength Ratings

The insurer financial strength rating of Essent Guaranty, our principal mortgage insurance subsidiary, is rated Baa1 with a stable outlook by Moody's, BBB+ with a stable outlook by S&P and A (Excellent) with stable outlook by A.M. Best. The insurer financial strength rating of Essent Re is BBB+ with a stable outlook by S&P and A (Excellent) with stable outlook by A.M. Best.

Private Mortgage Insurer Eligibility Requirements

Effective December 31, 2015, Fannie Mae and Freddie Mac, at the direction of the FHFA, implemented new coordinated Private Mortgage Insurer Eligibility Requirements, which we refer to as the "PMIERs." The PMIERs represent the standards by which private mortgage insurers are eligible to provide mortgage insurance on loans owned or guaranteed by Fannie Mae and Freddie Mac. The PMIERs include financial strength requirements incorporating a risk-based framework that require approved insurers to have a sufficient level of liquid assets from which to pay claims. This risk-based framework provides that an insurer must hold a substantially higher level of required assets for insured loans that are in default compared to a performing loan. The PMIERs also include enhanced operational performance expectations and define remedial actions that apply should an approved insurer fail to comply with these requirements. In 2018, the GSEs released revised PMIERs framework ("PMIERs 2.0") which became effective on March 31, 2019. As of March 31, 2019, Essent Guaranty, our GSE-approved mortgage insurance company, was in compliance with PMIERs 2.0. As of March 31, 2019, Essent Guaranty's Available Assets were $2.02 billion and its Minimum Required Assets were $1.21 billion based on our interpretation of PMIERs 2.0.

Financial Condition

Stockholders’ Equity

As of March 31, 2019, stockholders’ equity was $2.5 billion, compared to $2.4 billion as of December 31, 2018. This increase was primarily due to net income generated in 2019 and an increase in accumulated other comprehensive income related to an increase in our unrealized investment gains.

Investments

As of March 31, 2019, investments totaled $3.0 billion compared to $2.8 billion as of December 31, 2018. In addition, our total cash was $40.5 million as of March 31, 2019, compared to $64.9 million as of December 31, 2018. The increase in investments was primarily due to investing net cash flows from operations during the three months ended March 31, 2019.

Table of Contents

Investments Available for Sale by Asset Class

Asset Class ($ in thousands)	March 31, 2019 Fair Value	March 31, 2019 Percent	December 31, 2018 Fair Value	December 31, 2018 Percent
U.S. Treasury securities	$ 286,843	9.6%	$ 289,892	10.5%
U.S. agency securities	33,187	1.1	32,997	1.2
U.S. agency mortgage-backed securities	672,142	22.6	637,178	23.1
Municipal debt securities(1)	461,382	15.5	483,879	17.5
Non-U.S. government securities	46,366	1.6	45,001	1.6
Corporate debt securities(2)	763,401	25.6	725,201	26.3
Residential and commercial mortgage securities	187,210	6.3	121,838	4.4
Asset-backed securities	314,736	10.6	284,997	10.3
Money market funds	210,822	7.1	139,083	5.1
Total Investments Available for Sale	**$ 2,976,089**	**100.0%**	**$ 2,760,066**	**100.0%**

(1) The following table summarizes municipal debt securities as of :	March 31, 2019	December 31, 2018
Special revenue bonds	68.9%	69.0%
General obligation bonds	25.8	26.0
Certificate of participation bonds	3.8	3.6
Tax allocation bonds	1.0	0.9
Special tax bonds	0.5	0.5
Total	100.0%	100.0%

(2) The following table summarizes corporate debt securities as of :	March 31, 2019	December 31, 2018
Financial	36.1%	37.1%
Consumer, non-cyclical	21.9	20.7
Communications	11.8	12.6
Consumer, cyclical	7.6	7.6
Energy	5.5	5.7
Industrial	5.0	4.7
Utilities	4.9	5.0
Technology	3.9	3.1
Basic materials	3.3	3.5
Total	100.0%	100.0%

Investments Available for Sale by Rating

Rating(1)	March 31, 2019		December 31, 2018	
($ in thousands)	Fair Value	Percent	Fair Value	Percent
Aaa	$ 1,526,070	51.3%	$ 1,362,781	49.4%
Aa1	132,432	4.4	124,435	4.5
Aa2	180,472	6.1	196,218	7.1
Aa3	151,085	5.1	143,315	5.2
A1	232,703	7.8	222,073	8.0
A2	197,798	6.6	199,238	7.2
A3	166,266	5.6	146,300	5.3
Baa1	148,334	5.0	162,695	5.9
Baa2	151,430	5.1	140,168	5.1
Baa3	33,284	1.1	26,805	1.0
Below Baa3	56,215	1.9	36,038	1.3
Total Investments Available for Sale	**$ 2,976,089**	**100.0%**	**$ 2,760,066**	**100.0%**

(1) Based on ratings issued by Moody’s, if available. S&P or Fitch Ratings ("Fitch") rating utilized if Moody’s not available.

Investments Available for Sale by Effective Duration

Effective Duration	March 31, 2019		December 31, 2018	
($ in thousands)	Fair Value	Percent	Fair Value	Percent
< 1 Year	$ 669,219	22.5%	$ 529,545	19.2%
1 to < 2 Years	300,735	10.1	285,060	10.3
2 to < 3 Years	302,996	10.2	251,763	9.1
3 to < 4 Years	424,770	14.3	278,804	10.1
4 to < 5 Years	318,980	10.7	429,005	15.6
5 or more Years	959,389	32.2	985,889	35.7
Total Investments Available for Sale	**$ 2,976,089**	**100.0%**	**$ 2,760,066**	**100.0%**

Top Ten Investments Available for Sale Holdings

Rank ($ in thousands)	March 31, 2019 Security	Fair Value	Amortized Cost	Unrealized Gain (Loss)(1)	Credit Rating(2)
1	U.S. Treasury 2.625% 7/15/2021	$ 36,483	$ 36,139	$ 344	Aaa
2	U.S. Treasury 5.250% 11/15/2028	28,739	29,293	(554)	Aaa
3	U.S. Treasury 2.625% 6/30/2023	26,910	26,354	556	Aaa
4	U.S. Treasury 1.500% 8/15/2026	19,334	20,415	(1,081)	Aaa
5	Fannie Mae 4.500% 5/1/2048	18,753	18,770	(17)	Aaa
6	Fannie Mae 4.000% 5/1/2056	14,253	13,771	482	Aaa
7	Fannie Mae 3.000% 12/1/2032	12,508	12,302	206	Aaa
8	Fannie Mae 4.500% 11/1/2048	12,120	11,801	319	Aaa
9	U.S. Treasury 2.000% 1/15/2021	11,437	11,450	(13)	Aaa
10	Fannie Mae 1.500% 6/22/2020	11,182	11,304	(122)	Aaa
Total		$ 191,719	$ 191,599	$ 120	
Percent of Investments Available for Sale		**6.4%**			

(1) As of March 31, 2019, for securities in unrealized loss positions, management believes decline in fair values are principally associated with the changes in the interest rate environment subsequent to their purchase. Also, see Note 3 to our condensed consolidated financial statements, which summarizes the aggregate amount of gross unrealized losses by asset class in which the fair value of investments available for sale has been less than cost for less than 12 months and for 12 months or more.

(2) Based on ratings issued by Moody's, if available. S&P or Fitch rating utilized if Moody's not available.

Rank ($ in thousands)	December 31, 2018 Security	Fair Value
1	U.S. Treasury 2.625% 7/15/2021	$ 36,323
2	U.S. Treasury 5.250% 11/15/2028	28,213
3	U.S. Treasury 2.625% 6/30/2023	26,637
4	Fannie Mae 4.500% 5/1/2048	19,419
5	U.S. Treasury 1.500% 8/15/2026	18,924
6	Fannie Mae 4.000% 5/1/2056	14,287
7	Fannie Mae 3.000% 12/1/2032	12,797
8	Fannie Mae 4.500% 11/1/2048	12,130
9	U.S. Treasury 2.000% 1/15/2021	11,382
10	Fannie Mae 1.500% 6/22/2020	11,133
Total		$ 191,245
Percent of Investments Available for Sale		**6.9%**

Table of Contents

The following tables include municipal debt securities for states that represent more than 10% of the total municipal bond position as of March 31, 2019:

($ in thousands)	Fair Value	Amortized Cost	Credit Rating (1), (2)
Texas			
State of Texas	$ 8,436	$ 8,251	Baa1
City of Houston	7,210	6,874	Aa3
The Texas A&M University System	6,198	6,061	Aaa
University of Houston System	3,321	3,268	Aa2
City of El Paso	2,373	2,349	Aa2
Dallas/Fort Worth International Airport	2,355	2,203	A1
City of Austin	2,318	2,173	Aa3
North Texas Municipal Water District	2,025	2,001	Aaa
Harris County Cultural Education	2,003	2,000	A1
Carrollton-Farmers Branch Independent School District	1,857	1,870	Aaa
City of Dallas	1,819	1,702	Aa3
Tarrant Regional Water District	1,544	1,483	Aaa
Fort Worth TX W&S Revenue	1,535	1,515	Aa1
City of College Station	1,378	1,392	Aa1
City of Garland	1,370	1,373	Aa1
City of San Antonio	1,303	1,206	A1
Bryan Independent School District	1,296	1,302	Aaa
Spring Independent School District	1,218	1,212	Aaa
City of Corpus Christi	1,145	1,093	A1
Harris County Toll Road Authority	1,079	1,061	Aa2
Pharr-San Juan-Alamo Independent School District	1,044	1,053	Aaa
Port Arthur Independent School District	957	962	Aaa
San Jacinto Community College District	869	832	Aa3
County of Fort Bend	836	817	Aa1
Austin-Bergstrom Landhost Enterprises, Inc.	613	599	A3
	$ 56,102	$ 54,652	

($ in thousands)	Fair Value	Amortized Cost	Credit Rating (1), (2)
New York			
City of New York	$ 7,936	$ 7,600	Aa1
The Dormitory Authority of the State of New York	7,412	7,214	Aa1
The Port Authority of New York and New Jersey	7,223	7,006	Aa3
New York City Transitional Finance Authority	6,937	6,705	Aa2
Metropolitan Transportation Authority	5,309	5,216	A1
New York State Urban Development Corporation	3,676	3,570	Aa1
TSASC, Inc.	2,357	2,219	A2
County of Nassau	2,140	2,041	A2
Public Service Enterprise Group, Inc.	1,862	1,796	A3
Town of Oyster Bay	1,110	1,066	Aa2
Syracuse Industrial Development Agency	342	341	Baa1
	$ 46,304	$ 44,774	

(1) Certain of the above securities may include financial guaranty insurance or state enhancements. The above ratings include the effect of these credit enhancements, if applicable.

(2) Based on ratings issued by Moody’s, if available. S&P or Fitch rating utilized if Moody’s not available.

Off-Balance Sheet Arrangements

Radnor Re 2018-1 Ltd. and Radnor Re 2019-1 Ltd. are special purpose variable interest entities that are not consolidated in our condensed consolidated financial statements because we do not have the unilateral power to direct those activities that are significant to their economic performance. As of March 31, 2019, our estimated off-balance sheet maximum exposure to loss from the Radnor Re entities was $45.3 million, representing the estimated net present value of investment earnings on the assets in the reinsurance trusts. See Note 4 to our condensed consolidated financial statements for additional information.

Critical Accounting Policies

As of the filing date of this report, there were no significant changes in our critical accounting policies from those discussed in our 2018 Form 10-K. See Note 2 to our condensed consolidated financial statements for recently issued accounting standards under evaluation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We own and manage a large investment portfolio of various holdings, types and maturities. Investment income is one of our primary sources of cash flow supporting operations and claim payments. The assets within the investment portfolio are exposed to the same factors that affect overall financial market performance. While our investment portfolio is exposed to factors affecting markets worldwide, it is most sensitive to fluctuations in the drivers of U.S. markets.

We manage market risk via defined investment policy implemented by our treasury function with oversight from our board of directors and our senior management. Important drivers of our market risk exposure monitored and managed by us include but are not limited to:

- *Changes to the level of interest rates.* Increasing interest rates may reduce the value of certain fixed-rate bonds held in the investment portfolio. Higher rates may cause variable-rate assets to generate additional income. Decreasing rates will have the reverse impact. Significant changes in interest rates can also affect persistency and claim rates which may in turn require that the investment portfolio be restructured to better align it with future liabilities and claim payments. Such restructuring may cause investments to be liquidated when market conditions are adverse.

- *Changes to the term structure of interest rates.* Rising or falling rates typically change by different amounts along the yield curve. These changes may have unforeseen impacts on the value of certain assets.

- *Market volatility/changes in the real or perceived credit quality of investments.* Deterioration in the quality of investments, identified through changes to our own or third-party (e.g., rating agency) assessments, will reduce the value and potentially the liquidity of investments.

- *Concentration Risk.* If the investment portfolio is highly concentrated in one asset, or in multiple assets whose values are highly correlated, the value of the total portfolio may be greatly affected by the change in value of just one asset or a group of highly correlated assets.

- *Prepayment Risk.* Bonds may have call provisions that permit debtors to repay prior to maturity when it is to their advantage. This typically occurs when rates fall below the interest rate of the debt.

Market risk is measured for all investment assets at the individual security level. Market risks that are not fully captured by the quantitative analysis are highlighted. In addition, material market risk changes that occur from the last reporting period to the current are discussed. Changes to how risks are managed will also be identified and described.

At March 31, 2019, the effective duration of our investments available for sale was 3.5 years, which means that an instantaneous parallel shift (movement up or down) in the yield curve of 100 basis points would result in a change of 3.5% in fair value of our investments available for sale. Excluding short-term investments, our investments available for sale effective duration was 3.8 years, which means that an instantaneous parallel shift (movement up or down) in the yield curve of 100 basis points would result in a change of 3.8% in fair value of our investments available for sale.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2019, the end of the period covered by this Quarterly Report.

Changes in Internal Control Over Financial Reporting

During our most recent fiscal quarter, there has not been any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently subject to any material legal proceedings.

Item 1A. Risk Factors

Risk factors that affect our business and financial results are discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no material changes in our risk factors from those previously disclosed in our Annual Report. You should carefully consider the risks described in our Annual Report, which could materially affect our business, financial condition or future results. The risks described in our Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases of Securities

The table below sets forth information regarding repurchases of our common shares during the three months ended March 31, 2019. All of the shares represent common shares that were tendered to the Company by employees in connection with the vesting of restricted shares to satisfy tax withholding obligations. We do not consider these transactions to be a share buyback program.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 - January 31, 2019	—	N/A	—	—
February 1 - February 28, 2019	—	N/A	—	—
March 1 - March 31, 2019	131,639	$ 43.69	—	—
Total	131,639		—	—

Item 5. Other Information

2019 Annual General Meeting of Shareholders

On May 1, 2019, we held our 2019 Annual General Meeting of Shareholders (the "Annual Meeting"). A total of 98,223,057 common shares were entitled to vote as of March 15, 2019, the record date for the Annual Meeting, of which 88,830,699 shares were present in person or by proxy at the Annual Meeting.

The following is a summary of the final voting results for each matter presented to shareholders at the Annual Meeting.

Proposal 1 - Election of members of our board of directors:

	Votes For	**Votes Withheld**	**Broker Non-Votes**
Class II Director to Serve Through the 2022 Annual General Meeting of Shareholders:			
Angela L. Heise	84,943,424	157,333	3,729,942
Robert Glanville	84,309,037	791,720	3,729,942

Proposal 2 - The re-appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2019 and until the 2020 Annual General Meeting of Shareholders, and the referral of the determination of the auditors' compensation to the board of directors, was ratified:

Votes For	87,576,958
Votes Against	1,116,172
Abstentions	137,569

Proposal 3 - Provide a non-binding, advisory vote on our executive compensation:

Votes For	84,417,902
Votes Against	579,292
Abstentions	103,563
Broker Non-Votes	3,729,942

Item 6. Exhibits

(a) Exhibits:

Exhibit No.	Description
10.1*	Form of Performance-Based Restricted Stock Agreement (2019)
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101†	The following financial information from this Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, formatted in XBRL (Extensible Business Reporting Language) and filed electronically herewith: (i) the Condensed Consolidated Balance Sheets (Unaudited); (ii) the Condensed Consolidated Statements of Comprehensive Income (Unaudited); (iii) the Condensed Consolidated Statements of Changes in Stockholders’ Equity (Unaudited); (iv) the Condensed Consolidated Statements of Cash Flows (Unaudited); and (v) the Notes to Condensed Consolidated Financial Statements (Unaudited), tagged as blocks of text.

---

* Management contract or compensatory plan or arrangement.

† Pursuant to applicable securities laws and regulations, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, on the date indicated.

	ESSENT GROUP LTD.
Date: May 6, 2019	/s/ MARK A. CASALE
	Mark A. Casale President, Chief Executive Officer and Chairman (Principal Executive Officer)
Date: May 6, 2019	/s/ LAWRENCE E. MCALEE
	Lawrence E. McAlee Senior Vice President and Chief Financial Officer (Principal Financial Officer)
Date: May 6, 2019	/s/ DAVID B. WEINSTOCK
	David B. Weinstock Vice President and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 10.1

FORM OF RESTRICTED STOCK AGREEMENT

Pursuant to the Notice of Grant of Stock (the "Grant Notice") attached to this Restricted Stock Agreement (the "Agreement"), Essent Group Ltd. (the "Company") has granted to the holder named in the row entitled "Participant Name" in the Grant Notice (the "Participant") the number of shares of Stock (as defined below) set forth in the row entitled "Share Amount" in the Grant Notice (the "Shares") pursuant to the Company's 2013 Long-Term Incentive Plan, as amended from time to time (the "Plan").

ARTICLE I.

GENERAL

1.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in Exhibit A to this Agreement, the Plan or the Grant Notice.

1.2 Incorporation of Terms of Plan. The Shares issued to Participant hereunder are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement or the Grant Notice, the terms of the Plan shall control.

ARTICLE II.

ISSUANCE OF SHARES

2.1 Issuance of Shares. In consideration of Participant's past and/or continued employment with or service to the Company or one of its Affiliates and for other good and valuable consideration, effective as of the date set forth in the Grant Notice in the row entitled "Grant/Award Date" (the "Grant Date"), the Company has granted to Participant the number of Shares set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement.

2.2 Issuance Mechanics. As of the Grant Date, the Company shall issue the Shares in the form of the Company's common shares, par value $0.015 per share ("Stock"), to Participant and shall (a) cause a stock certificate or certificates representing such shares of Stock to be registered in the name of Participant, or (b) cause such shares of Stock to be held in book-entry form. If a stock certificate is issued, it shall be delivered to and held in custody by the Company and shall bear the restrictive legends required by Section 5.1. If the shares of Stock are held in book-entry form, then such entry will reflect that the shares are subject to the restrictions of this Agreement.

ARTICLE III.

FORFEITURE AND TRANSFER RESTRICTIONS

3.1 Forfeiture Restriction. Subject to the provisions of Section 3.2 below, in the event of Participant's Termination for any reason, including as a result of Participant's death or Disability, all of the Unreleased Shares (as defined in Section 3.2(d) below) shall thereupon be forfeited immediately for no consideration and without any further action by the Company (the "Forfeiture Restriction"), except as otherwise provided in a written agreement between Participant and the Company. Upon the occurrence of such forfeiture, the Company shall become the legal and beneficial owner of the Unreleased Shares and all rights and interests therein or relating thereto, and the Company shall have the right to retain and transfer to its own name the number of Unreleased Shares being forfeited by Participant. The Unreleased Shares shall be held by the Company in accordance with Section 3.3 until the Shares are forfeited as provided in this Section 3.1, until such Unreleased Shares are fully released from the Forfeiture Restriction as provided in Section 3.2 or until such time as this Agreement is no longer in effect. Participant hereby authorizes and directs the Company (or such person designated by the Committee), to transfer any Unreleased Shares that are forfeited pursuant to this Section 3.1 from Participant to the Company.

3.2 Release of Shares from Forfeiture Restriction.

(a) Following the completion of the Performance Period, the Committee shall determine the Company's BVPS Growth Percentage and will certify the level of achievement with respect to the BVPS Vesting Percentage and the portion of Shares granted herein that have become Earned Shares. Following the Committee's determination, Participant shall immediately forfeit for no consideration any and all Shares which do not become Earned Shares, and Participant's rights in any such Shares which do not become Earned Shares shall immediately lapse and expire. Each Earned Share shall be fully vested on the date set forth in the Grant Notice under the heading "Vesting Schedule" (the "Vesting Date").

(b) Notwithstanding the foregoing, if a Change in Control occurs:

(i) on or following the completion of the Performance Period but prior to the Vesting Date, one hundred percent (100%) of the then-unvested Earned Shares shall fully vest upon the consummation of such Change in Control; or

(ii) prior to the expiration of the Performance Period:

(A) the number of Shares which become Earned Shares upon the consummation of such Change in Control shall be the number of Shares that would have become Earned Shares at the "Target" level BVPS Growth Percentage as set forth in the definition of "BVPS Vesting Percentage" in Exhibit A hereto; and

(B) the treatment of the Earned Shares determined pursuant to Section 3.2(b)(ii)(A) above will be dependent upon whether the acquiring or surviving company (the "Acquirer") assumes the outstanding equity awards as follows:

(i) if the Acquirer does not assume the Shares on or before the date of such Change in Control, the Earned Shares shall become fully vested on such date and shall be treated in the same manner as Stock held by shareholders of the Company in connection with such Change in Control; or

(ii) if the Acquirer assumes the Shares, provided that Participant remains employed by the Service Recipient pursuant to terms and conditions substantially similar to those set forth in the Participant's Employment Agreement with the Service Recipient, dated September 30, 2013, as such agreement may be amended, restated or otherwise modified from time to time (the "Employment Agreement"), the Acquirer or any of their respective Affiliate(s), as the case may be, upon and after the consummation of such Change in Control, the Earned Shares shall be converted into a number of time-based restricted shares of the Acquirer's common stock (or, if the Acquirer is a subsidiary of another company, time-based restricted shares of the Acquirer's ultimate parent entity) that have in the aggregate a fair market value equal to the fair market value of such Earned Shares as of the consummation of such Change in Control, and that shall fully vest on the earlier of (A) December 31, 2021, or (B) a Termination of Participant's employment with the Service Provider, the Acquirer and/or their respective Affiliate(s) upon or after such Change in Control as a result of Participant's death or

Disability (as such term is defined in and subject to the applicable provisions set forth in the Employment Agreement), a Termination by the Company without Cause (as such term is defined in and subject to the applicable provisions set forth in the Employment Agreement), or a Termination by Participant for Good Reason (as such term is defined in and subject to the applicable provisions set forth in the Employment Agreement); provided, however, that notwithstanding the foregoing, in no event shall any Earned Shares be exchanged for or converted into shares of a class or series that is not publicly traded and marketable as of the date of such Change in Control without the prior consent of Participant in his or her sole discretion, and in the event that Participant does not so consent then such Earned Shares shall be deemed to be fully vested as of such Change in Control in accordance with Section 3.2(b)(ii)(A) and shall be treated in the same manner as Stock held by shareholders of the Company in connection with such Change in Control; and

(C) Participant shall immediately forfeit for no consideration any and all Shares which do not become Earned Shares as of the consummation of such Change in Control, and Participant's rights in any such Shares which do not become Earned Shares shall immediately lapse and expire.

(c) In the event Participant incurs a Termination as a result of (i) Participant's death, (ii) Participant's Disability (as such term is defined in and subject to the applicable provisions set forth in the Employment Agreement), (iii) a Termination by the Service Recipient without Cause (as such term is defined in and subject to the applicable provisions set forth in the Employment Agreement), (iv) a Termination by Participant for Good Reason (as such term is defined in and subject to the applicable provisions set forth in the Employment Agreement), or (v) a voluntary Termination by Participant that follows (x) satisfaction for late, normal or early retirement under the tax-qualified defined contribution plan in which Participant is eligible to participate, as defined in such plan or (y) the date after which Participant has attained the age of sixty-two (62) and completed at least ten (10) years of continuous service with the Company or its Affiliates, then:

(i) if such Termination occurs on or following the completion of the Performance Period, one hundred percent (100%) of the Earned Shares for such Performance Period shall fully vest upon the Vesting Date;

(ii) if such Termination occurs prior to the expiration of the Performance Period, the Shares shall remain outstanding through the last day of the Performance Period, without regard to the Termination, the number of Shares which become Earned Shares, if any, shall be determined based on the BVPS Vesting Percentage during the Performance Period, and the number of Earned Shares that become vested shall be determined by multiplying the number of Earned Shares by a fraction, the numerator of which is the number of days which elapsed from the commencement of the Performance Period through the date of the Termination and the denominator of which is 1,095, and any other unvested Shares (excluding unvested Earned Shares) as of such date shall immediately be forfeited for no consideration, and Participant's rights in any such unvested Shares (excluding unvested Earned Shares) shall immediately lapse and expire (the "Initial Termination Shares"); provided, however that if such Termination is by the Service Recipient without Cause or by Participant for Good Reason and:

(A) a Change in Control does not occur prior to the last day of the Performance Period (assuming no Change in Control), (1) if the date of the Termination was not more than 180 days prior to the last day of the Performance Period, the unvested Earned Shares shall remain outstanding through the last day of the 180-day period following the date of the Termination (the "Protected Period"), and (2) if a Change in Control occurs after the last day of the Performance Period and during the Protected Period, then in addition to the vesting of the Initial Termination Shares upon such Termination, one hundred percent

(100%) of the then-unvested Earned Shares shall fully vest upon the consummation of such Change in Control; and

(B) a Change in Control occurs prior to the last day of the Performance Period (assuming no Change in Control) and during the Protected Period, the number of Shares which become Earned Shares will be determined in accordance with Section 3.2(b)(ii).

(d) The Shares shall be released from the Forfeiture Restriction in accordance with the vesting schedule set forth in the Grant Notice. Any of the Shares which, from time to time, have not yet been released from the Forfeiture Restriction are referred to herein as "Unreleased Shares." In the event any of the Unreleased Shares are released from the Forfeiture Restriction, any Retained Distributions (as defined below) paid on such Unreleased Shares shall be promptly paid by the Company to Participant. As soon as administratively practicable following the release of any Shares from the Forfeiture Restriction, the Company shall, as applicable, either deliver to Participant the certificate or certificates representing such Shares in the Company's possession belonging to Participant, or, if the Shares are held in book-entry form, then the Company shall remove the notations indicating that the Shares are subject to the restrictions of this Agreement. Participant (or the beneficiary or personal representative of Participant in the event of Participant's death or incapacity, as the case may be) shall deliver to the Company any representations or other documents or assurances as the Company or its representatives deem necessary or advisable in connection with any such delivery.

3.3 Escrow.

(a) The Unreleased Shares shall be held by the Company until such Unreleased Shares are forfeited as provided in Section 3.1, until such Unreleased Shares are fully released from the Forfeiture Restriction as provided in Section 3.2, or until such time as this Agreement is no longer in effect. Participant shall not retain physical custody of any certificates representing Unreleased Shares issued to Participant. Participant, by acceptance of this Agreement, shall be deemed to appoint, and does so appoint, the Company and each of its authorized representatives as Participant's attorney(s)-in-fact to effect any transfer of forfeited Unreleased Shares (and Retained Distributions, if any, paid on such forfeited Unreleased Shares) to the Company as may be required pursuant to the Plan or this Agreement, and to execute such representations or other documents or assurances as the Company or such representatives deem necessary or advisable in connection with any such transfer. To the extent allowable by applicable law and the applicable rules of each national securities exchange on which the Stock is listed, the Company, or its designee, shall not be liable for any act it may do or omit to do with respect to holding the Shares in escrow and while acting in good faith and in the exercise of its judgment.

(b) The Company will retain custody of all cash dividends and other distributions ("Retained Distributions") made or declared with respect to Unreleased Shares (and such Retained Distributions will be subject to the Forfeiture Restriction and the other terms and conditions under this Agreement that are applicable to the Shares) until such time, if ever, as the Unreleased Shares with respect to which such Retained Distributions shall have been made, paid or declared shall have become vested pursuant to the Grant Notice. Retained Distributions that were made or declared in cash will be deemed reinvested in notional shares of Stock such that upon release and distribution of such Retained Distributions to Participant as set forth in the immediately preceding sentence, Participant shall be entitled to receive on the date of such distribution or release an amount of cash or the number of whole shares of Stock or a combination thereof, as determined by the Committee, the aggregate fair value of which shall be equal to the Fair Market Value of the notional shares of Stock to which such released Retained Distributions relate. Any Retained Distributions with respect to Unreleased Shares shall be forfeited in the event such Unreleased Shares are forfeited.

3.4 Rights as Stockholder. Except as otherwise provided herein, upon issuance of the Shares by the Company, Participant shall have all the rights of a stockholder with respect to said Shares, subject to the restrictions herein, including the right to vote the Shares and to receive all dividends or other distributions paid or made with respect to the Shares.

ARTICLE IV.

TAXATION AND TAX WITHHOLDING

4.1 Representation. Participant represents to the Company that Participant has reviewed with his or her own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Participant is ultimately liable and responsible for all taxes owed in connection with this investment and the transactions contemplated by this Agreement, regardless of any action the Company or any of its Affiliates take with respect to any tax withholding obligations that arise in connection with the Shares. Neither the Company nor any of its Affiliates make any representation or undertaking regarding the treatment of any tax withholding in connection with the Shares or Participant's sale of shares of Stock. The Company and its Affiliates do not commit and are under no obligation to structure this investment or the transactions contemplated by this Agreement to reduce or eliminate Participant's tax liability.

4.2 Section 83(b) Election. If Participant makes an election under Section 83(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), to be taxed with respect to the Shares as of the date of transfer of the Shares rather than as of the date or dates upon which Participant would otherwise be taxable under Section 83(a) of the Code, Participant shall deliver a copy of such election to the Company promptly upon filing such election with the Internal Revenue Service.

4.3 Tax Withholding. Notwithstanding any other provision of this Agreement:

(a) The Company and its Affiliates have the authority to deduct or withhold, or require Participant to remit to the Company or the applicable Affiliate, an amount sufficient to satisfy applicable federal, state, local and foreign taxes (including the employee portion of any FICA obligation) required by law to be withheld with respect to any taxable event arising pursuant to this Agreement. The Company and its Affiliates may withhold or Participant may make such payment in one or more of the forms specified below:

(i) by cash or check made payable to the Company or its Affiliate with respect to which the withholding obligation arises;

(ii) by the deduction of such amount from other compensation payable to Participant;

(iii) with respect to any withholding taxes arising in connection with the vesting of the Shares, with the consent of the Committee, by requesting that the Company and its Affiliates withhold a net number of vested Shares having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Affiliates based on the minimum applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes;

(iv) with respect to any withholding taxes arising in connection with the vesting of the Shares, with the consent of the Committee, by tendering to the Company vested shares of Stock having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Affiliates based on the minimum applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes;

(v) with respect to any withholding taxes arising in connection with the vesting of the Shares, through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to those Shares that are then becoming vested and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company or the Affiliate with respect to which the withholding obligation arises in satisfaction of such withholding taxes; provided that payment of such proceeds is then made to the Company or the applicable Affiliate at such time as may be required by the Committee, but in any event not later than the settlement of such sale; or

(vi) in any combination of the foregoing.

(b) With respect to any withholding taxes arising in connection with the Shares, in the event Participant fails to provide timely payment of all sums required pursuant to Section 4.3(a), the Company shall have the right and option, but not the obligation, to treat such failure as an election by Participant to satisfy all or any portion of Participant's required payment obligation pursuant to Section 4.3(a)(ii) or Section 4.3(a)(iii) above, or any combination of the foregoing as the Company may determine to be appropriate; provided that, in the event a taxable event occurs in connection with the shares of a successor entity following a Change in Control, then Participant shall have the right to elect to satisfy applicable withholding taxes in accordance with the cashless method described in Section 4.3(a)(iii) above.

(c) The Company shall not be obligated to deliver any certificate representing the Shares to Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Participant resulting from the vesting of the Shares or any other taxable event related to the Shares.

(d) In the event any tax withholding obligation arising in connection with the Shares will be satisfied under Section 4.3(a)(iii), then the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on Participant's behalf a whole number of shares of Stock from those Shares that are then becoming vested as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the tax withholding obligation and to remit the proceeds of such sale to the Company or the Affiliate with respect to which the withholding obligation arises. Participant's acceptance of this Agreement constitutes Participant's instruction and authorization to the Company and such brokerage firm to complete the transactions described in this Section 4.3(d), including the transactions described in the previous sentence, as applicable. The Company may refuse to deliver any certificate representing the Shares to Participant or his or her legal representative until the foregoing tax withholding obligations are satisfied.

(e) Participant is ultimately liable and responsible for all taxes owed in connection with the Shares, regardless of any action the Company or any of its Affiliates takes with respect to any tax withholding obligations that arise in connection with the Shares. Neither the Company nor any of its Affiliates make any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the Shares or the subsequent sale of the Shares. The Company and its Affiliates do not commit and are under no obligation to structure this Agreement to reduce or eliminate Participant's tax liability.

ARTICLE V.

RESTRICTIVE LEGENDS AND STOP-TRANSFER ORDERS

5.1 Legends. The certificate or certificates representing the Shares, if any, shall bear the following legend (as well as any legends required by the Company's charter and applicable law):

> THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO FORFEITURE IN FAVOR OF THE COMPANY AND MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF A RESTRICTED STOCK AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

5.2 Refusal to Transfer; Stop-Transfer Notices. The Company shall not be required (a) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (b) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred. Participant agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

5.3 Removal of Legend. After such time as the Forfeiture Restriction shall have lapsed with respect to the Shares, and upon Participant's request, a new certificate or certificates representing such Shares shall be issued without the legend referred to in Section 5.1 and delivered to Participant. If the Shares are held in book entry form, the Company shall cause any restrictions noted on the book form to be removed.

ARTICLE VI.

OTHER PROVISIONS

6.1 Administration. The Committee shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee will be final, binding, and conclusive upon Participant, the Company and all other interested persons. To the extent allowable pursuant to applicable law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

6.2 Shares Not Transferable. The Shares and Retained Distributions may not be sold, pledged, assigned or transferred in any manner unless and until the Forfeiture Restrictions have lapsed. No Unreleased Shares or Retained Distributions or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect.

6.3 Adjustments. The Committee may accelerate the vesting of all or a portion of the Unreleased Shares in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the Shares are subject to adjustment, modification and termination in certain events as provided in this Agreement and Section 11 of the Plan.

6.4 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 6.4, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

6.5 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

6.6 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of Bermuda without reference to the principles of conflicts of laws thereof.

6.7 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all applicable laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Shares are granted, only in such a manner as to conform to applicable law. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to applicable law.

6.8 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Committee or the Board, provided that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the Shares in any material way without the prior written consent of Participant.

6.9 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 6.2 and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

6.10 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Shares, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

6.11 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of the Company or any of its Affiliates or shall interfere with or restrict in any way the rights of the Company or its Affiliates, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or one of its Affiliates and Participant.

6.12 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

6.13 Sections 409A and 457A. This Agreement is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, "Section 409A"). However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Committee determines that this Agreement (or any portion thereof) may be subject to Section 409A or Section 457A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, "Section 457A"), the Committee shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Committee determines are necessary or appropriate for this Agreement and the award of Shares either to be exempt from the application of Section 409A or Section 457A or to comply with the requirements of Section 409A or Section 457A.

6.14 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

6.15 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Shares.

6.16 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to applicable law, each of which shall be deemed an original and all of which together shall constitute one instrument.

6.17 Broker-Assisted Sales. In the event of any broker-assisted sale of shares of Stock in connection with the payment of withholding taxes as provided in Section 4.3(a)(iii) or Section 4.3(a)(v): (A) any shares of Stock to be sold through a broker-assisted sale will be sold on the day the tax withholding obligation arises or as soon thereafter as practicable; (B) such shares of Stock may be sold as part of a block trade with other participants in the Plan in which all participants receive an average price; (C) Participant will be responsible for all broker's fees and other costs of sale, and Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (D) to the extent the proceeds of such sale exceed the applicable tax withholding obligation, the Company agrees to pay such excess in cash to Participant as soon as reasonably practicable; (E) Participant acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the applicable tax withholding obligation; and (F) in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Participant agrees to pay immediately upon demand to the Company or its Affiliate with respect to which the withholding obligation arises an amount in cash sufficient to satisfy any remaining portion of the Company's or the applicable Affiliate's withholding obligation.

6.18 Lock-Up. Participant shall agree, if so requested by the Company and any underwriter in connection with any public offering of securities of the Company, not to directly or indirectly offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of or otherwise dispose of or transfer any shares of Common Stock held by him or her for such period, not to exceed one hundred eighty (180) days following the effective date of the relevant registration statement filed under the Securities Act in connection with such public offering, as such underwriter shall specify reasonably and in good faith. The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such 180-day period.

6.19 Acceptance of Agreement, Plan and Grant Notice. By his or her acceptance of the Grant Notice, Participant agrees to be bound by the terms and conditions of the Agreement, the Plan and the Grant Notice. Participant has reviewed the Agreement, the Plan and the Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to accepting the Grant Notice and fully understands all provisions of the Grant Notice, the Agreement and the Plan. Participant agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Agreement, Plan or the Grant Notice.

* * *

EXHIBIT A

CERTAIN DEFINED TERMS

For purposes of the Grant Notice and the Agreement, the following terms have the following meanings:

(a) "Adjusted Book Value" means, for any year, (i) the consolidated stockholder's equity of the Company computed in accordance with GAAP, as reflected in the Company's financial statements, plus or minus (ii) accumulated other comprehensive income (loss) (within the meaning of GAAP) as reflected in the Company's financial statements, plus (iii) the proceeds from the assumed exercise of all outstanding "in-the-money" stock options, warrants, or similar instruments, plus (iv) cash dividends and other distributions paid in respect of the Company's outstanding equity, and assuming that all cash dividends and cash distributions are immediately reinvested in common shares of the Company using the closing market price on the ex-dividend date, plus (v) any amounts paid by the Company to its equityholders for the repurchase of shares of Company's outstanding equity. For purposes of determining "Adjusted Book Value" (A) the following items shall not be taken into account, (x) the cumulative effect of changes in accounting principles under GAAP, (y) the cumulative effective of changes in tax laws and/or tax rates, and (z) the impact of extraordinary, unusual and/or non-recurring items, in each case, at the discretion of the Committee and (B) there shall be adjustments to give effect to any stock dividends or stock splits.

(b) "BVPS" means, for any year, Adjusted Book Value divided by Diluted Common Shares Outstanding, as determined by the Committee in good faith.

(c) "BVPS Growth Percentage" means, for the Performance Period, the compounded annual growth rate in BVPS measured at the end of the Performance Period over the BVPS measured at the end of the year prior to the beginning of the Performance Period.

(d) "BVPS Vesting Percentage" means a function of the BVPS Growth Percentage achieved by the Company during the Performance Period, rounded to the nearest tenth of a percent (0.1%), and shall be determined as follows:

	BVPS Growth Percentage (rounded to the nearest tenth of a percent)	BVPS Vesting Percentage*
"Threshold Level"		
"Target/Maximum Level"		

* In the event that the BVPS Growth Percentage falls between the performance levels shown above, the BVPS Vesting Percentage shall be determined using a straight line linear interpolation between the respective levels shown.

(e) "Diluted Common Shares Outstanding" means, (i) the total number shares of Stock outstanding, plus all "in-the-money" stock options, warrants and similar instruments and equity instruments (including any Restricted Stock Units) issued to employees, officers, directors and consultants of the Company and its Affiliates; provided, however, that Diluted Common Shares Outstanding shall be equitably adjusted to give effect to any of the Company's equity shares repurchased during the Performance Period.

(f) "Earned Shares" means (i) the number of Shares granted herein, *multiplied* by (ii) the BVPS Vesting Percentage.

(g) "Performance Period" means the period commencing on January 1, 20__ and ending on the earlier of (i) December 31, 20__ or (ii) the consummation of a Change in Control.

Exhibit 31.1

CERTIFICATION

I, Mark A. Casale, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Essent Group Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2019

/s/ MARK A. CASALE

Mark A. Casale
President, Chief Executive Officer and Chairman
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Lawrence E. McAlee, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Essent Group Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2019

/s/ LAWRENCE E. MCALEE

Lawrence E. McAlee
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Mark A. Casale, President, Chief Executive Officer and Chairman of Essent Group Ltd. (the “Company”), and Lawrence E. McAlee, Senior Vice President and Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2019

/s/ MARK A. CASALE

Mark A. Casale
President, Chief Executive Officer and Chairman

/s/ LAWRENCE E. MCALEE

Lawrence E. McAlee
Senior Vice President and Chief Financial Officer