

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 June 30, 2024
- ☐ 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
(State or other jurisdiction of
incorporation or organization)

Not Applicable
(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)

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

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 ☐

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 ☐

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☒Accelerated filer☐

Non-accelerated filer☐Smaller reporting company☐

Emerging growth company☐

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. ☐

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

The number of the registrant’s common shares outstanding as of August 1, 2024 was 106,248,966.

Essent Group Ltd. and Subsidiaries

Form 10-Q

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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, 2023 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 or reinsurance;
- 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)	June 30, 2024	December 31, 2023
Assets		
Investments		
Fixed maturities available for sale, at fair value (amortized cost: 2024 — \$4,286,271; 2023 — \$4,658,168)	\$ 3,931,471	\$ 4,335,008
Short-term investments available for sale, at fair value (amortized cost: 2024 — \$1,523,558; 2023 — \$928,562)	1,523,512	928,731
Total investments available for sale	5,454,983	5,263,739
Other invested assets	282,781	277,226
Total investments	5,737,764	5,540,965
Cash	197,402	141,787
Accrued investment income	35,534	35,689
Accounts receivable	56,974	63,266
Deferred policy acquisition costs	9,199	9,139
Property and equipment (at cost, less accumulated depreciation of \$72,911 in 2024 and \$71,168 in 2023)	42,905	41,304
Prepaid federal income tax	487,456	470,646
Goodwill and intangible assets, net	70,258	72,826
Other assets	55,253	51,051
Total assets	\$ 6,692,745	\$ 6,426,673
Liabilities and Stockholders' Equity		
Liabilities		
Reserve for losses and LAE	\$ 260,688	\$ 260,095
Unearned premium reserve	126,938	140,285
Net deferred tax liability	381,393	362,753
Credit facility borrowings (at carrying value, less unamortized deferred costs of \$2,552 in 2024 and \$3,080 in 2023)	422,448	421,920
Other accrued liabilities	121,488	139,070
Total liabilities	1,312,955	1,324,123
Commitments and contingencies (see Note 7)		
Stockholders' Equity		
Common shares, \$0.015 par value:		
Authorized - 233,333; issued and outstanding - 106,372 shares in 2024 and 106,597 shares in 2023	1,596	1,599
Additional paid-in capital	1,278,918	1,299,869
Accumulated other comprehensive loss	(307,637)	(280,496)
Retained earnings	4,406,913	4,081,578
Total stockholders' equity	5,379,790	5,102,550
Total liabilities and stockholders' equity	\$ 6,692,745	\$ 6,426,673

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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues:				
Net premiums written	\$ 245,566	\$ 209,621	\$ 484,106	\$ 415,521
Decrease in unearned premiums	6,325	3,608	13,375	8,966
Net premiums earned	251,891	213,229	497,481	424,487
Net investment income	56,086	45,250	108,171	88,486
Realized investment losses, net	(1,164)	(1,589)	(2,304)	(2,077)
(Loss) income from other invested assets	(419)	(4,852)	(2,334)	(7,554)
Other income	6,548	8,090	10,285	13,032
Total revenues	312,942	260,128	611,299	516,374
Losses and expenses:				
Provision (benefit) for losses and LAE	(334)	1,260	9,579	1,080
Other underwriting and operating expenses	55,987	42,174	113,336	90,369
Premiums retained by agents	10,215	—	19,706	—
Interest expense	7,849	7,394	15,711	14,330
Total losses and expenses	73,717	50,828	158,332	105,779
Income before income taxes	239,225	209,300	452,967	410,595
Income tax expense	35,616	37,067	67,639	67,535
Net income	\$ 203,609	\$ 172,233	\$ 385,328	\$ 343,060
Earnings per share:				
Basic	\$ 1.93	\$ 1.62	\$ 3.65	\$ 3.22
Diluted	1.91	1.61	3.61	3.20
Weighted average shares outstanding:				
Basic	105,657	106,249	105,677	106,594
Diluted	106,778	107,093	106,774	107,338
Net income	\$ 203,609	\$ 172,233	\$ 385,328	\$ 343,060
Other comprehensive income loss:				
Change in unrealized appreciation (depreciation) of investments, net of tax expense (benefit) of (\$1,592) and (\$5,046) in the three months ended June 30, 2024 and 2023 and (\$4,714) and \$4,382 in the six months ended June 30, 2024 and 2023.	(5,375)	(36,098)	(27,141)	22,655
Total other comprehensive income loss	(5,375)	(36,098)	(27,141)	22,655
Comprehensive income	\$ 198,234	\$ 136,135	\$ 358,187	\$ 365,715

See accompanying notes to condensed consolidated financial statements.

Essent Group Ltd. and Subsidiaries

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Common Shares				
Balance, beginning of period	\$ 1,601	\$ 1,615	\$ 1,599	\$ 1,615
Issuance of management incentive shares	1	—	8	8
Forfeiture of management incentive shares	—	—	(1)	—
Cancellation of treasury stock	(6)	(10)	(10)	(18)
Balance, end of period	1,596	1,605	1,596	1,605
Additional Paid-In Capital				
Balance, beginning of period	1,293,424	1,334,607	1,299,869	1,350,377
Dividends and dividend equivalents declared	514	415	803	818
Issuance of management incentive shares	(1)	—	(8)	(8)
Forfeiture of management incentive shares	—	—	1	—
Stock-based compensation expense	6,972	4,354	13,792	9,460
Cancellation of treasury stock	(21,991)	(29,542)	(35,539)	(50,813)
Balance, end of period	1,278,918	1,309,834	1,278,918	1,309,834
Accumulated Other Comprehensive Loss				
Balance, beginning of period	(302,262)	(324,037)	(280,496)	(382,790)
Other comprehensive income (loss)	(5,375)	(36,098)	(27,141)	22,655
Balance, end of period	(307,637)	(360,135)	(307,637)	(360,135)
Retained Earnings				
Balance, beginning of period	4,233,391	3,636,756	4,081,578	3,493,107
Net income	203,609	172,233	385,328	343,060
Dividends and dividend equivalents declared	(30,087)	(26,941)	(59,993)	(54,119)
Balance, end of period	4,406,913	3,782,048	4,406,913	3,782,048
Treasury Stock				
Balance, beginning of period	—	—	—	—
Treasury stock acquired	(21,997)	(29,552)	(35,549)	(50,831)
Cancellation of treasury stock	21,997	29,552	35,549	50,831
Balance, end of period	—	—	—	—
Total Stockholders' Equity	<u>\$ 5,379,790</u>	<u>\$ 4,733,352</u>	<u>\$ 5,379,790</u>	<u>\$ 4,733,352</u>

See accompanying notes to condensed consolidated financial statements.

Essent Group Ltd. and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In thousands)	Six Months Ended June 30,	
	2024	2023
Operating Activities		
Net income	\$ 385,328	\$ 343,060
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized investment losses, net	2,304	2,077
Loss (income) from other invested assets	2,334	7,554
Distribution of income from other invested assets	3,124	1,715
Depreciation and amortization	2,859	1,439
Stock-based compensation expense	13,792	9,460
Amortization of premium on investment securities	9,675	6,707
Deferred income tax provision	20,623	(32,850)
Change in:		
Accrued investment income	155	(2,937)
Accounts receivable	9,992	(5,308)
Deferred policy acquisition costs	(60)	450
Prepaid federal income tax	(16,810)	(28,000)
Other assets	1,513	68,514
Reserve for losses and LAE	593	479
Unearned premium reserve	(13,347)	(8,966)
Other accrued liabilities	(16,449)	(10,894)
Net cash provided by operating activities	405,626	352,500
Investing Activities		
Net change in short-term investments	(594,781)	(331,513)
Purchase of investments available for sale	(63,548)	(849,582)
Proceeds from maturity of investments available for sale	245,491	533,563
Proceeds from sales of investments available for sale	174,121	404,708
Purchase of other invested assets	(12,816)	(19,158)
Return of investment from other invested assets	1,803	1,272
Purchase of property and equipment	(5,542)	(797)
Net cash used in investing activities	(255,272)	(261,507)
Financing Activities		
Treasury stock acquired	(35,549)	(50,831)
Dividends paid	(59,190)	(53,301)
Net cash used in financing activities	(94,739)	(104,132)
Net increase (decrease) in cash	55,615	(13,139)
Cash at beginning of year	141,787	81,240
Cash at end of period	\$ 197,402	\$ 68,101
Supplemental Disclosure of Cash Flow Information		
Income tax payments	\$ (51,256)	\$ (34,671)
Interest payments	(15,444)	(13,520)
Noncash Transactions		
Lease liabilities arising from obtaining right-of-use assets	\$ —	\$ 17,293

See accompanying notes to condensed consolidated financial statements.

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”), which is domiciled in the state of Pennsylvania. Essent Guaranty is headquartered in Radnor, Pennsylvania and maintains an operations center in Winston-Salem, North Carolina. Essent Guaranty is 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.

Essent Guaranty reinsures new insurance written (“NIW”) to Essent Reinsurance Ltd. (“Essent Re”), an affiliated Bermuda domiciled Class 3B Insurer licensed pursuant to Section 4 of the Bermuda Insurance Act 1978 that provides insurance and reinsurance coverage of mortgage credit risk. In April 2021, Essent Guaranty and Essent Re agreed to increase the quota share reinsurance coverage provided by Essent Re from 25% to 35% effective January 1, 2021. The quota share reinsurance coverage provided for Essent Guaranty’s NIW prior to January 1, 2021 will continue to be 25%, the quota share percentage in effect at the time NIW was first ceded. 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 prior to April 1, 2019, after consideration of other reinsurance, to Essent Guaranty of PA, Inc. (“Essent PA”), an affiliate domiciled in the state of Pennsylvania.

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. CUW Solutions is headquartered in Radnor, Pennsylvania and it maintains an operations center in Winston-Salem, North Carolina that is subleased from Essent Guaranty.

As a result of our acquisitions of Agents National Title Insurance Company and Boston National Holdings LLC on July 1, 2023, we now offer title insurance products and title and settlement services. Our title insurance operations are headquartered in Columbia, Missouri, and we operate our title agency operations in Charlotte, North Carolina and Pittsburgh, Pennsylvania.

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, 2023, 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 June 30, 2024 prior to the issuance of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 2. Recently Issued Accounting Standards*Accounting Standards Adopted During the Period*

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. This update clarifies the guidance in ASC 820 on the fair value measurement of an equity security that is subject to a contractual sale restriction and requires specific disclosures related to such an equity security. The update clarifies that a contractual sale restriction prohibiting the sale of an equity security is a characteristic of the reporting entity holding the equity security and is not included in the equity security's unit of account. Accordingly, an entity should not consider the contractual sale restriction when measuring the equity security's fair value. The update also requires specific disclosures related to equity securities that are subject to contractual sale restrictions, including (1) the fair value of such equity securities reflected in the balance sheet, (2) the nature and remaining duration of the corresponding restrictions, and (3) any circumstances that could cause a lapse in the restrictions. The ASU was effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, with early adoption permitted. The adoption of this ASU did not have a material effect on the Company's consolidated operating results or financial position.

Accounting Standards Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires public entities to disclose information about their reportable segments' significant expenses on an interim and annual basis. The ASU requires that public entities disclose significant expense categories and amounts for each reportable segment, which are derived from expenses that are 1) regularly reported to an entity's chief operating decision-maker (CODM) and 2) included in a segment's reported measures of profit or loss. Public entities must also disclose an amount for "other segment items," representing the difference between 1) segment revenue less significant segment expenses and 2) the reportable segment's profit or loss measures. A description of the composition of "other segment items" also is required as well as the title and position of the CODM and entities must explain how the CODM uses the reported measures of profit or loss to assess segment performance. The ASU also requires interim disclosure of certain segment-related disclosures that previously were required only on an annual basis and clarifies that entities with a single reportable segment are subject to both new and existing segment reporting requirements under Topic 280. It also clarifies that an entity is permitted to disclose multiple measures of segment profit or loss, provided that certain criteria are met. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Entities must adopt the changes to the segment reporting guidance on a retrospective basis, with early adoption permitted. The Company is currently evaluating the impact that the ASU will have on our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures*. The standard requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid, including taxes paid by jurisdiction. The ASU will be effective for annual periods beginning after December 15, 2024. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively, with early adoption permitted. The Company is currently evaluating the impact that the ASU will have on our consolidated financial statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)
Note 3. Investments

Investments available for sale consist of the following:

June 30, 2024 (In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 1,019,443	\$ 106	\$ (20,373)	\$ 999,176
U.S. agency mortgage-backed securities	876,049	25	(118,484)	757,590
Municipal debt securities (1)	568,369	2,951	(46,924)	524,396
Non-U.S. government securities	77,370	—	(11,339)	66,031
Corporate debt securities (2)	1,248,288	1,034	(97,346)	1,151,976
Residential and commercial mortgage securities	550,708	248	(51,969)	498,987
Asset-backed securities	468,228	410	(13,185)	455,453
Money market funds	1,001,374	—	—	1,001,374
Total investments available for sale	\$ 5,809,829	\$ 4,774	\$ (359,620)	\$ 5,454,983

December 31, 2023 (In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 1,014,076	\$ 1,434	\$ (19,128)	\$ 996,382
U.S. agency securities	7,199	—	(4)	7,195
U.S. agency mortgage-backed securities	922,907	438	(101,999)	821,346
Municipal debt securities (1)	585,047	6,660	(44,449)	547,258
Non-U.S. government securities	77,516	—	(10,069)	67,447
Corporate debt securities (2)	1,380,533	4,425	(87,903)	1,297,055
Residential and commercial mortgage securities	571,163	286	(53,509)	517,940
Asset-backed securities	584,168	203	(19,376)	564,995
Money market funds	444,121	—	—	444,121
Total investments available for sale	\$ 5,586,730	\$ 13,446	\$ (336,437)	\$ 5,263,739

(1) The following table summarizes municipal debt securities as of :	June 30, 2024	December 31, 2023
Special revenue bonds	83.0 %	81.4 %
General obligation bonds	17.0	18.6
Total	100.0 %	100.0 %

(2) The following table summarizes corporate debt securities as of :	June 30, 2024	December 31, 2023
Financial	40.7 %	42.0 %
Consumer, non-cyclical	16.5	15.9
Industrial	7.7	8.1
Consumer, cyclical	7.5	7.1
Communications	7.3	7.2
Utilities	6.2	6.3
Technology	6.5	6.2
Energy	5.0	4.7
Basic Materials	2.6	2.5
Total	100.0 %	100.0 %

Essent Group Ltd. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

The amortized cost and fair value of investments available for sale at June 30, 2024, 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	\$ 669,532	\$ 666,822
Due after 1 but within 5 years	296,652	284,595
Due after 5 but within 10 years	38,816	35,074
Due after 10 years	14,443	12,685
Subtotal	1,019,443	999,176
Municipal debt securities:		
Due in 1 year	10,148	9,992
Due after 1 but within 5 years	86,662	83,246
Due after 5 but within 10 years	125,670	116,787
Due after 10 years	345,889	314,371
Subtotal	568,369	524,396
Non-U.S. government securities:		
Due in 1 year	4,800	4,715
Due after 1 but within 5 years	31,896	30,319
Due after 5 but within 10 years	8,338	6,856
Due after 10 years	32,336	24,141
Subtotal	77,370	66,031
Corporate debt securities:		
Due in 1 year	160,824	159,044
Due after 1 but within 5 years	405,414	384,152
Due after 5 but within 10 years	536,015	491,049
Due after 10 years	146,035	117,731
Subtotal	1,248,288	1,151,976
U.S. agency mortgage-backed securities	876,049	757,590
Residential and commercial mortgage securities	550,708	498,987
Asset-backed securities	468,228	455,453
Money market funds	1,001,374	1,001,374
Total investments available for sale	\$ 5,809,829	\$ 5,454,983

The components of realized investment (losses) gains, net on the condensed consolidated statements of comprehensive income were as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Realized gross gains	\$ 51	\$ 23	\$ 55	\$ 892
Realized gross losses	(692)	(1,436)	(1,836)	(2,793)
Impairment loss	(523)	(176)	(523)	(176)

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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 for which no allowance for credit loss has been recorded were as follows:

	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
June 30, 2024 (In thousands)						
U.S. Treasury securities	\$ 676,520	\$ (10,015)	\$ 156,302	\$ (10,358)	\$ 832,822	\$ (20,373)
U.S. agency mortgage-backed securities	79,991	(2,181)	670,718	(116,303)	750,709	(118,484)
Municipal debt securities	91,994	(2,191)	309,410	(44,733)	401,404	(46,924)
Non-U.S. government securities	2,999	(1,406)	63,032	(9,933)	66,031	(11,339)
Corporate debt securities	256,400	(7,793)	812,456	(89,553)	1,068,856	(97,346)
Residential and commercial mortgage securities	27,485	(1,716)	457,287	(50,253)	484,772	(51,969)
Asset-backed securities	49,201	(1,100)	228,156	(12,085)	277,357	(13,185)
Total	\$ 1,184,590	\$ (26,402)	\$ 2,697,361	\$ (333,218)	\$ 3,881,951	\$ (359,620)

	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2023 (In thousands)						
U.S. Treasury securities	\$ 139,398	\$ (1,075)	\$ 355,921	\$ (18,053)	\$ 495,319	\$ (19,128)
U.S. agency securities	5,572	(2)	1,623	(2)	7,195	(4)
U.S. agency mortgage-backed securities	129,359	(1,616)	654,018	(100,383)	783,377	(101,999)
Municipal debt securities	59,301	(987)	297,039	(43,462)	356,340	(44,449)
Non-U.S. government securities	—	—	67,447	(10,069)	67,447	(10,069)
Corporate debt securities	119,764	(733)	905,606	(87,170)	1,025,370	(87,903)
Residential and commercial mortgage securities	31,936	(999)	459,789	(52,510)	491,725	(53,509)
Asset-backed securities	65,195	(347)	459,324	(19,029)	524,519	(19,376)
Total	\$ 550,525	\$ (5,759)	\$ 3,200,767	\$ (330,678)	\$ 3,751,292	\$ (336,437)

At June 30, 2024 and December 31, 2023, we held 2,117 and 2,256 individual investment securities, respectively, that were in an unrealized loss position. 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 to record an impairment on the securities in an unrealized loss position. In assessing whether the decline in the fair value at June 30, 2024 of any of these securities resulted from a credit loss or other factors, we made inquiries of our investment managers to determine that each issuer was current on its scheduled interest and principal payments. We reviewed the credit rating of these securities noting that approximately 98% of the securities at June 30, 2024 had investment-grade ratings. We concluded that gross unrealized losses noted above were primarily associated with the changes in interest rates subsequent to purchase rather than due to credit impairment. We recorded impairments of \$0.5 million in the three and six months ended June 30, 2024 and impairments of \$0.2 million in the three and six months ended June 30, 2023 due to our intent to sell securities in an unrealized loss position.

The Company's other invested assets at June 30, 2024 and December 31, 2023 totaled \$282.8 million and \$277.2 million, respectively. Other invested assets are principally comprised of limited partnership interests which are generally accounted for under the equity method or fair value using net asset value (or its equivalent) as a practical expedient. Our proportionate share of earnings or losses or changes in fair value are reported in income from other invested assets on the condensed consolidated statements of comprehensive income. For entities accounted for under the equity method that follow industry-specific guidance for investment companies, our proportionate share of earnings or losses includes changes in the fair value of the underlying assets of these entities. Due to the timing of receiving financial information from these partnerships, the results are generally reported on a one month or quarter lag.

Notes to Condensed Consolidated Financial Statements (Unaudited)

Other invested assets that are accounted for at fair value using the net asset value (or its equivalent) as a practical expedient totaled \$138.0 million as of June 30, 2024. The majority of these investments were in limited partnerships invested in real estate or consumer credit. At June 30, 2024, maximum future funding commitments were \$44.5 million. For limited partnership investments that have a contractual expiration date, we expect the liquidation of the underlying assets to occur over the next one to nine years. For certain of these investments, the Company does not have the contractual option to redeem but receives distributions based on the liquidation of the underlying assets. In addition, the Company generally does not have the ability to sell or transfer these investments without the consent from the general partner of individual limited partnerships.

The fair value of investments deposited with insurance regulatory authorities to meet statutory requirements was \$9.2 million at June 30, 2024 and \$9.2 million at December 31, 2023. 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 \$1.0 billion at June 30, 2024 and \$1.1 billion at December 31, 2023. 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 \$9.7 million at June 30, 2024 and \$9.2 million at December 31, 2023.

Net investment income consists of:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Fixed maturities	\$ 45,368	\$ 43,775	\$ 91,656	\$ 87,251
Short-term investments	11,831	3,298	18,974	5,017
Gross investment income	57,199	47,073	110,630	92,268
Investment expenses	(1,113)	(1,823)	(2,459)	(3,782)
Net investment income	\$ 56,086	\$ 45,250	\$ 108,171	\$ 88,486

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 and included in other assets on our condensed consolidated balance sheets, 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.

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net premiums written:				
Direct	\$ 272,910	\$ 249,167	\$ 541,841	\$ 488,658
Ceded (1)	(27,344)	(39,546)	(57,735)	(73,137)
Net premiums written	\$ 245,566	\$ 209,621	\$ 484,106	\$ 415,521
Net premiums earned:				
Direct	\$ 279,235	\$ 252,775	\$ 555,216	\$ 497,624
Ceded (1)	(27,344)	(39,546)	(57,735)	(73,137)
Net premiums earned	\$ 251,891	\$ 213,229	\$ 497,481	\$ 424,487

(1) Net of profit commission.

Quota Share Reinsurance

Essent Guaranty has entered into quota share reinsurance agreements with a panels of third-party reinsurers ("QSR" agreements). Each of the third-party reinsurers has an insurer financial strength rating of A- or better by S&P Global Ratings,

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Notes to Condensed Consolidated Financial Statements (Unaudited)

A.M. Best or both. Under each QSR agreement, Essent Guaranty will cede premiums earned on all eligible policies written during a specified period, in exchange for reimbursement of ceded claims and claims expenses on covered policies, a specified ceding commission, and a profit commission that varies directly and inversely with ceded claims. Essent Guaranty has certain termination rights under each QSR agreement, including the option to terminate each QSR agreement subject to a termination fee.

The following tables summarizes Essent Guaranty's quota share reinsurance agreements as of June 30, 2024:

QSR Agreement	Coverage Period	Ceding Percentage	Ceding Commission	Profit Commission
QSR-2019	September 1, 2019 - December 31, 2020	(1)	20%	63% (2)
QSR-2022	January 1, 2022 - December 31, 2022	20%	20%	62%
QSR-2023	January 1, 2023 - December 31, 2023	17.5%	20%	58%
QSR-2024	January 1, 2024 - December 31, 2024	15.0%	20%	57%

(1) Under QSR-2019, Essent Guaranty cedes 40% of premiums on singles policies and 20% on all other policies.

(2) The original profit commission on QSR-2019 was up to 60%; however because Essent Guaranty did not exercise its option to terminate the QSR Agreement on December 31, 2021, the maximum profit commission that Essent Guaranty could earn increased to 63% in 2022 and thereafter.

Total RIF ceded under the QSR agreements was \$8.4 billion as of June 30, 2024.

Excess of Loss Reinsurance

Essent Guaranty has entered into fully collateralized reinsurance agreements ("Radnor Re Transactions") with unaffiliated special purpose insurers domiciled in Bermuda. 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 SOFR 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. The Radnor Re entities collateralized 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 and 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 panels 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 these reinsurance agreements.

Essent Guaranty has entered into reinsurance agreements with panels of reinsurers that provides excess of loss coverage on new insurance written from January 1, 2018 through August 31, 2019 and from October 1, 2021 through December 31, 2023. Effective July 1, 2024, Essent Guaranty has entered into a reinsurance agreement with a panel of reinsurers that provides excess of loss coverage on new insurance written from January 1, 2024 through December 31, 2024. For the reinsurance coverage periods, Essent Guaranty and its affiliates retain the first layer of the respective aggregate losses, and the reinsurance panels will then provide second layer coverage up to the outstanding reinsurance coverage amounts. Essent Guaranty and its affiliates retain losses in excess of the outstanding reinsurance coverage amounts.

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The following table summarizes Essent Guaranty's excess of loss coverages and retentions provided by insurance linked notes as of June 30, 2024:

(In thousands)

Deal Name	Vintage	Remaining Insurance in Force	Remaining Risk in Force	Remaining Reinsurance in Force	Remaining First Layer Retention	Optional Termination Date
Radnor Re 2021-1	Aug. 2020 - Mar. 2021	\$ 27,796,132	\$ 7,390,779	\$ 250,732	\$ 278,227	June 26, 2028
Radnor Re 2021-2	Apr. 2021 - Sep. 2021	32,876,424	9,007,485	301,015	277,770	November 25, 2027
Radnor Re 2022-1	Oct. 2021 - Jul. 2022	29,790,115	8,096,398	209,409	302,032	September 25, 2028
Radnor Re 2023-1	Aug. 2022 - Jun. 2023	29,594,148	8,102,672	281,462	281,434	July 25, 2028
Total		<u>\$ 120,056,819</u>	<u>\$ 32,597,334</u>	<u>\$ 1,042,618</u>	<u>\$ 1,139,463</u>	

The following table summarizes Essent Guaranty's excess of loss reinsurance coverages and retentions provided by panels of reinsurers as of June 30, 2024:

(In thousands)

Deal Name	Vintage	Remaining Insurance in Force	Remaining Risk in Force	Remaining Reinsurance in Force	Remaining First Layer Retention	Optional Termination Date
XOL 2019-1	Jan. 2018 - Dec. 2018	\$ 5,024,587	\$ 1,321,732	\$ 76,144	\$ 244,991	February 25, 2026
XOL 2020-1	Jan. 2019 - Aug. 2019	6,290,687	1,658,671	32,770	212,557	January 25, 2027
XOL 2022-1	Oct. 2021 - Dec. 2022	67,094,902	18,213,963	141,992	502,788	January 1, 2030
XOL 2023-1	Jan. 2023 - Dec. 2023	39,252,349	10,868,626	36,627	366,154	January 1, 2028
Total		<u>\$ 117,662,525</u>	<u>\$ 32,062,992</u>	<u>\$ 287,533</u>	<u>\$ 1,326,490</u>	

The amount of monthly reinsurance premiums ceded to the Radnor Re entities will fluctuate due to changes in one-month SOFR 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. The change in the fair value of the embedded derivatives is reported in earnings and included in other income.

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.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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 derivatives, using observable inputs in active markets (Level 2), included in other assets (other accrued liabilities) on our condensed consolidated balance sheet and the estimated net present value of investment earnings on the assets in the reinsurance trusts, each as of June 30, 2024:

(In thousands)	Total VIE Assets	Maximum Exposure to Loss		Total
		On - Balance Sheet	Off - Balance Sheet	
Radnor Re 2021-1 Ltd.	\$ 250,732	\$ (5,098)	\$ 36	\$ (5,062)
Radnor Re 2021-2 Ltd.	301,015	(5,561)	63	(5,498)
Radnor Re 2022-1 Ltd.	209,409	74	44	118
Radnor Re 2023-1 Ltd.	281,462	341	76	417
Total	\$ 1,042,618	\$ (10,244)	\$ 219	\$ (10,025)

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 six months ended June 30:

(In thousands)	2024	2023
Reserve for losses and LAE at beginning of period	\$ 260,095	\$ 216,464
Less: Reinsurance recoverables	24,104	14,618
Net reserve for losses and LAE at beginning of period	235,991	201,846
Add provision for losses and LAE, net of reinsurance, occurring in:		
Current period	70,584	64,070
Prior years	(61,005)	(62,990)
Net incurred losses and LAE during the current period	9,579	1,080
Deduct payments for losses and LAE, net of reinsurance, occurring in:		
Current period	885	31
Prior years	10,118	3,910
Net loss and LAE payments during the current period	11,003	3,941
Net reserve for losses and LAE at end of period	234,567	198,985
Plus: Reinsurance recoverables	26,121	17,958
Reserve for losses and LAE at end of period	<u>\$ 260,688</u>	<u>\$ 216,943</u>

For the six months ended June 30, 2024, \$10.1 million was paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. There has been a \$61.0 million favorable prior year development during the six months ended June 30, 2024. Reserves remaining as of June 30, 2024 for prior years are \$164.9 million as a result of re-estimation of unpaid losses and loss adjustment expenses. For the six months ended June 30, 2023, \$3.9 million was paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. There was a \$63.0 million favorable prior year development during the six months ended June 30, 2023. Reserves remaining as of June 30, 2023 for prior years were \$134.9 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.

The Federal Reserve increased the target federal funds rate several times during 2022 and 2023 in an effort to reduce consumer price inflation. These rate increases have resulted in higher mortgage interest rates which may lower home sale activity and affect the options available to delinquent borrowers. It is reasonably possible that our estimate of losses could change in the near term as a result of changes in the economic environment, the impact of elevated mortgage interest rates on home sale activity, housing inventory and home prices.

Notes to Condensed Consolidated Financial Statements (Unaudited)**Note 6. Debt Obligations****Credit Facility**

Through June 30, 2024, Essent Group and its subsidiaries, Essent Irish Intermediate Holdings Limited and Essent US Holdings, Inc. (collectively, the "Borrowers"), were parties to a five-year secured credit facility with a committed capacity of \$825 million (the "Existing Credit Facility"). The Existing Credit Facility also provided for up to \$175 million aggregate principal amount of uncommitted incremental term loan and/or revolving credit facilities that may be exercised at the Borrowers' option so long as the Borrowers receive commitments from the lenders. Borrowings under the Existing Credit Facility may have been used for working capital and general corporate purposes, including, without limitation, capital contributions to Essent's insurance and reinsurance subsidiaries. Borrowings accrued 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 was due quarterly on the average daily amount of the undrawn revolving commitment. The applicable margin and the commitment fee were 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 annual commitment fee rate at June 30, 2024 was 0.25%. The obligations under the Existing Credit Facility were secured by certain assets of the Borrowers, excluding the stock and assets of its insurance and reinsurance subsidiaries. The Credit Facility contained 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 14). As of June 30, 2024, the Company was in compliance with the covenants and \$425 million had been borrowed under the term loan portion of the Existing Credit Facility with a weighted average interest rate of 7.07%. As of December 31, 2023, \$425 million had been borrowed with a weighted average interest rate of 7.11%.

On July 1, 2024, Essent Group completed an underwritten public offering of \$500 million principal amount of 6.25% Senior Notes due 2029 (the "Senior Notes" or "Offering"). Interest on the Senior Notes will be payable semi-annually in arrears on January 1 and July 1 of each year, beginning on January 1, 2025. The Senior Notes will mature on July 1, 2029. At any time prior to June 1, 2029 (one month prior to the maturity date), the Company may redeem the Senior Notes, at its option, in whole or in part, at any time and from time to time, at a redemption price described in the Supplemental Indenture plus accrued and unpaid interest, if any, to, but excluding, the redemption date. At any time and from time to time on or after June 1, 2029, the Company may redeem, at its option, in whole or in part, the Notes at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest, if any, to, but excluding, the redemption date. The net proceeds from the sale of the Senior Notes, after deducting the underwriting discounts and commissions and estimated offering expenses, were approximately \$495.3 million. The Company used the net proceeds from the sale of the Senior Notes to repay all of the borrowings outstanding under the term loan portion of the Existing Credit Facility described above, and intends to use the remaining net proceeds for general corporate purposes.

On July 1, 2024, concurrently with the closing of the Offering of the Senior Notes and the repayment of all of the borrowings outstanding under the term loan portion of its Existing Credit Agreement, the Fourth Amended and Restated Credit Agreement (the "Revolving Credit Agreement") became effective and amends and restates the Existing Credit Facility. Under the Revolving Credit Agreement, the Refinancing Agreement Revolving Lenders (as defined therein) agreed to provide the Company with a five-year unsecured revolving credit facility of up to \$500 million of senior unsecured revolving loans (the "Revolving Credit Facility"). The Revolving Credit Facility also provides for an aggregate principal amount of up to \$250 million in uncommitted incremental revolving credit facilities that may be exercised at the Company's option, so long as the Company receives sufficient commitments from the bank lenders.

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 in remedy payments in the six months ended June 30, 2024, and we made no remedy payments in the six months ended June 30, 2023. As

Notes to Condensed Consolidated Financial Statements (Unaudited)

of June 30, 2024, management believes any potential claims for indemnification related to contract underwriting services through June 30, 2024 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 June 30, 2024, 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.

Note 8. Capital Stock

Our authorized share capital consists of 233.3 million shares of a single class of common shares. The common shares have no preemptive rights or other rights to subscribe for additional shares, and no rights of redemption, conversion or exchange. Under certain circumstances and subject to the provisions of Bermuda law and our bye-laws, we may be required to make an offer to repurchase shares held by members. The common shares rank pari passu with one another in all respects as to rights of payment and distribution. In general, holders of common shares will have one vote for each common share held by them and will be entitled to vote, on a non-cumulative basis, at all meetings of shareholders. In the event that a shareholder is considered a 9.5% Shareholder under our bye-laws, such shareholder's votes will be reduced by whatever amount is necessary so that after any such reduction the votes of such shareholder will not result in any other person being treated as a 9.5% Shareholder with respect to the vote on such matter. Under these provisions certain shareholders may have their voting rights limited to less than one vote per share, while other shareholders may have voting rights in excess of one vote per share.

Dividends

The following table presents the amounts declared and paid per common share each quarter:

Quarter Ended	2024	2023
March 31	\$ 0.28	\$ 0.25
June 30	0.28	0.25
September 30	—	0.25
December 31	—	0.25
Total dividends per common share declared and paid	\$ 0.56	\$ 1.00

In August 2024, the Board of Directors declared a quarterly cash dividend of \$0.28 per common share payable on September 10, 2024 to shareholders of record on August 30, 2024.

Share Repurchase Plan

In October 2023, the Board of Directors approved a share repurchase plan that authorizes the Company to repurchase \$250 million of common shares in the open market between January 1, 2024 and December 31, 2025. Through June 30, 2024, the Company repurchased 492,790 common shares at a cost of \$27.1 million under the 2023 plan, leaving \$222.9 million remaining unused under the authorized repurchase plan as of June 30, 2024.

Notes to Condensed Consolidated Financial Statements (Unaudited)
Note 9. Stock-Based Compensation

In 2013, Essent Group's Board of Directors adopted, and Essent Group's shareholders approved, the Essent Group Ltd. 2013 Long-Term Incentive Plan (the "2013 Plan"), which was effective upon completion of the initial public offering. The 2013 Plan was most recently amended effective upon shareholder approval in May 2023 to increase the number of shares available for issuance under the 2013 Plan by 2 million shares. The types of awards available under the 2013 Plan include nonvested shares, nonvested share units, non-qualified share options, incentive stock options, share appreciation rights, and other share-based or cash-based awards. Nonvested shares and nonvested share units granted under the 2013 Plan have rights to dividends, which entitle holders to the same dividend value per share as holders of common shares in the form of dividend equivalent units ("DEUs"). DEUs are subject to the same vesting and other terms and conditions as the corresponding nonvested shares and nonvested share units. DEUs vest when the underlying shares or share units vest and are forfeited if the underlying share or share units forfeit prior to vesting. The maximum number of shares and share units available for issuance is 7.5 million under the 2013 Plan, as amended. As of June 30, 2024, there were 3.3 million common shares available for future grant under the 2013 Plan.

The following table summarizes nonvested common share, nonvested common share unit and DEU activity for the six months ended June 30, 2024:

(Shares in thousands)	Time and Performance-Based Share Awards		Time-Based Share Awards		Share Units		DEUs	
	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	Dividend Equivalent Units	Weighted Average Grant Date Fair Value
Outstanding at beginning of year	844	\$ 14.29	149	\$ 44.40	724	\$ 41.49	57	\$ 44.00
Granted	244	21.84	53	53.87	339	50.02	18	56.84
Vested	(167)	15.64	(73)	44.44	(194)	41.18	(19)	43.73
Forfeited	(84)	15.64	—	—	(13)	43.78	(5)	44.08
Outstanding at June 30, 2024	837	\$ 16.09	129	\$ 48.26	856	\$ 44.91	51	\$ 48.57

In February 2024, certain members of senior management were granted nonvested common shares under the 2013 Plan that were subject to time-based and performance-based vesting. The time-based share awards granted in February 2024 vest annually in three equal installments commencing on March 1 of the year following the grant year. The performance-based share awards granted in February 2024 vest based upon our compounded annual book value per share growth percentage and relative total shareholder return during a three-year performance period that commenced on January 1, 2024 and vest on March 1, 2027. Shares were issued at the maximum 200% of target. The portion of these nonvested performance-based share awards that will be earned is as follows:

		Relative Total Shareholder Return vs. S&P 1500 Financial Services Index		
		≤25th percentile	50th percentile	≥75th percentile
Three-Year Book Value Per Share CAGR	12%	100%	150%	200%
	11%	75%	125%	175%
	10%	50%	100%	150%
	8%	25%	75%	125%
	7%	0%	50%	100%

Notes to Condensed Consolidated Financial Statements (Unaudited)

In the event that the compounded annual book value per share growth or the relative total shareholder return 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 February 2024, nonvested common share units were issued to certain vice president and staff level employees and are subject to time-based vesting in two equal installments on January 6, 2025 and 2026. In connection with our incentive program covering bonus awards for performance year 2023, in February 2024, time-based share units were issued to certain employees that vest in three equal installments on March 1, 2025, 2026 and 2027. Also in February 2024, time-based share units were granted to certain vice president and staff level employees that vest in three equal installments on March 1, 2027, 2028 and 2029.

Quoted market prices are used for the valuation of common shares granted that do not contain a market condition under ASC 718. The performance-based share awards granted in February 2022, 2023 and 2024 contain a market condition and were valued based on analysis provided by a third-party valuation firm using a risk-neutral simulation taking into effect the vesting conditions of the grant.

The total fair value on the vesting date of nonvested shares, share units or DEUs that vested was \$24.3 million and \$14.5 million for the six months ended June 30, 2024 and 2023, respectively. As of June 30, 2024, there was \$37.7 million of total unrecognized compensation expense related to nonvested shares or share units outstanding at June 30, 2024 and we expect to recognize the expense over a weighted average period of 2.6 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 157,832 in the six months ended June 30, 2024. The tendered shares were recorded at cost and included in treasury stock. All treasury stock has been cancelled as of June 30, 2024.

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Compensation expense	\$ 6,972	\$ 4,354	\$ 13,792	\$ 9,460
Income tax benefit	1,400	861	2,778	1,879

Note 10. Dividends Restrictions

Our U.S. insurance subsidiaries are subject to certain capital and dividend rules and regulations as prescribed by jurisdictions in which they are authorized to operate. Under the insurance laws of the Commonwealth of Pennsylvania, Essent Guaranty and Essent PA may pay dividends during any 12-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 specifies that dividends and other distributions can be paid out of positive unassigned surplus without prior approval. At June 30, 2024, Essent Guaranty had unassigned surplus of approximately \$352.4 million and Essent PA had unassigned surplus of approximately \$19.4 million. In three and six months ended June 30, 2024 Essent Guaranty paid dividends of \$62.5 million and \$107.5 million, respectively, to its parent, Essent US Holdings, Inc. In three and six months ended June 30, 2023, Essent Guaranty paid dividends of \$90 million and \$180 million to its parent, Essent US Holdings, Inc. Essent PA did not pay a dividend in the three and six months ended June 30, 2024 or 2023. As of June 30, 2024, Essent Guaranty and Essent PA could pay additional ordinary dividends in 2023 of \$323.8 million and \$5.4 million, respectively.

Essent Re is subject to certain dividend restrictions as prescribed by the Bermuda Monetary Authority and under certain agreements with counterparties. In connection with the quota share reinsurance agreement with Essent Guaranty, Essent Re has agreed to maintain a minimum total equity of \$100 million. As of June 30, 2024, Essent Re had total equity of \$1.8 billion. At June 30, 2024, our insurance subsidiaries were in compliance with these rules, regulations and agreements.

Essent Group Ltd. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 11. 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:

(In thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	\$ 203,609	\$ 172,233	\$ 385,328	\$ 343,060
Basic weighted average shares outstanding	105,657	106,249	105,677	106,594
Dilutive effect of nonvested shares	1,121	844	1,097	744
Diluted weighted average shares outstanding	106,778	107,093	106,774	107,338
Basic earnings per share	\$ 1.93	\$ 1.62	\$ 3.65	\$ 3.22
Diluted earnings per share	\$ 1.91	\$ 1.61	\$ 3.61	\$ 3.20

There were 37,219 and 15,528 antidilutive shares for the three months ended June 30, 2024 and 2023, respectively, and 102,475 and 63,433 antidilutive shares for the six months ended June 30, 2024 and 2023, respectively.

Nonvested performance-based share awards are considered contingently issuable for purposes of the EPS calculation. The 2024, 2023, and 2022 performance-based share awards vest based upon our compounded annual book value per share growth percentage and relative total shareholder return during a three-year performance period. The following table summarizes the performance-based shares issuable if the reporting date was the end of the contingency period.

Reporting Date	2024 Performance-Based Grants		2023 Performance-Based Grants		2022 Performance-Based Grants		2021 Performance-Based Grants	
	Percent Issuable Relative to Target	As a Percent of Shares Issued	Percent Issuable Relative to Target	As a Percent of Shares Issued	Percent Issuable Relative to Target	As a Percent of Shares Issued	Percent Issuable Relative to Target	As a Percent of Shares Issued
June 30, 2024	190%	95%	200%	100%	200%	100%	(1)	(1)
June 30, 2023			200%	100%	200%	100%	139%	69.5%

(1) The 2021 performance based awards vested at 133% relative to target on March 1, 2024.

Notes to Condensed Consolidated Financial Statements (Unaudited)
Note 12. Accumulated Other Comprehensive Income (Loss)

The following table presents the rollforward of accumulated other comprehensive loss for the three and six months ended June 30, 2024 and 2023:

(In thousands)	Three Months Ended June 30,			2023		
	2024			2024		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Balance at beginning of period	\$ (347,880)	\$ 45,618	\$ (302,262)	\$ (375,049)	\$ 51,012	\$ (324,037)
Other comprehensive income (loss):						
Unrealized holding gains (losses) on investments:						
Unrealized holding gains (losses) arising during the period	(8,131)	1,773	(6,358)	(42,733)	5,385	(37,348)
Less: Reclassification adjustment for (gains) losses included in net income (1)	1,164	(181)	983	1,589	(339)	1,250
Net unrealized gains (losses) on investments	(6,967)	1,592	(5,375)	(41,144)	5,046	(36,098)
Other comprehensive income (loss)	(6,967)	1,592	(5,375)	(41,144)	5,046	(36,098)
Balance at end of period	\$ (354,847)	\$ 47,210	\$ (307,637)	\$ (416,193)	\$ 56,058	\$ (360,135)

(In thousands)	Six Months Ended June 30,			2023		
	2024			2024		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Balance at beginning of period	\$ (322,992)	\$ 42,496	\$ (280,496)	\$ (443,230)	\$ 60,440	\$ (382,790)
Other comprehensive income (loss):						
Unrealized holding gains (losses) on investments:						
Unrealized holding gains (losses) arising during the period	(34,159)	5,142	(29,017)	24,960	(4,091)	20,869
Less: Reclassification adjustment for (gains) losses included in net income (1)	2,304	(428)	1,876	2,077	(291)	1,786
Net unrealized gains (losses) on investments	(31,855)	4,714	(27,141)	27,037	(4,382)	22,655
Other comprehensive income (loss)	(31,855)	4,714	(27,141)	27,037	(4,382)	22,655
Balance at end of period	\$ (354,847)	\$ 47,210	\$ (307,637)	\$ (416,193)	\$ 56,058	\$ (360,135)

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

Note 13. 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.

Notes to Condensed Consolidated Financial Statements (Unaudited)

- 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.

Essent Group Ltd. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

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.

June 30, 2024 (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	\$ 999,176	\$ —	\$ —	\$ 999,176
U.S. agency securities	—	—	—	—
U.S. agency mortgage-backed securities	—	757,590	—	757,590
Municipal debt securities	—	524,396	—	524,396
Non-U.S. government securities	—	66,031	—	66,031
Corporate debt securities	—	1,151,976	—	1,151,976
Residential and commercial mortgage securities	—	498,987	—	498,987
Asset-backed securities	—	455,453	—	455,453
Money market funds	1,001,374	—	—	1,001,374
Total assets at fair value (1) (2)	\$ 2,000,550	\$ 3,454,433	\$ —	\$ 5,454,983

December 31, 2023 (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	\$ 996,382	\$ —	\$ —	\$ 996,382
U.S. agency securities	—	7,195	—	7,195
U.S. agency mortgage-backed securities	—	821,346	—	821,346
Municipal debt securities	—	547,258	—	547,258
Non-U.S. government securities	—	67,447	—	67,447
Corporate debt securities	—	1,297,055	—	1,297,055
Residential and commercial mortgage securities	—	517,940	—	517,940
Asset-backed securities	—	564,995	—	564,995
Money market funds	444,121	—	—	444,121
Total assets at fair value (1) (2)	\$ 1,440,503	\$ 3,823,236	\$ —	\$ 5,263,739

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

(2) Does not include certain other invested assets that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient, as applicable accounting standards do not provide for classification within the fair value hierarchy.

Notes to Condensed Consolidated Financial Statements (Unaudited)
Note 14. 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 tables present Essent Guaranty's and Essent PA's statutory net income for the three and six months ended June 30, 2024 and 2023 as well as statutory surplus and contingency reserve liability at June 30, 2024 and December 31, 2023:

(In thousands)	Six Months Ended June 30,	
	2024	2023
Essent Guaranty		
Statutory net income	\$ 261,082	\$ 185,102
Essent PA		
Statutory net income (loss)	\$ 229	\$ (3,519)

(In thousands)	June 30, 2024	December 31, 2023
Essent Guaranty		
Statutory surplus	1,057,702	1,004,104
Contingency reserve liability	2,366,236	2,265,713
Essent PA		
Statutory surplus	58,396	54,044
Contingency reserve liability	48,120	52,244

Net income determined in accordance with statutory accounting practices differs from GAAP. In 2024 and 2023, 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 June 30, 2024 and December 31, 2023, 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 June 30, 2024, Essent Guaranty, our GSE-approved mortgage insurance company, was in compliance with PMIERs 2.0.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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. 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. During the six months ended June 30, 2024, Essent Guaranty increased its contingency reserve by \$100.5 million and Essent PA decreased its contingency reserve by \$4.1 million. During the six months ended June 30, 2024 and 2023, Essent Guaranty released contingency reserves of \$43.2 million and \$22.5 million, respectively, and Essent PA released contingency reserves of \$4.3 million and \$1.9 million, respectively, to unassigned funds upon completion of the 120 month holding period.

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, 2023, all such requirements were met.

Essent Re's statutory capital and surplus was \$1.8 billion as of June 30, 2024 and \$1.9 billion as of December 31, 2023. Essent Re's statutory net income was \$170.5 million and \$150.0 million for the six months ended June 30, 2024 and 2023, respectively. Statutory capital and surplus as of June 30, 2024 and December 31, 2023 and statutory net income in the six months ended June 30, 2024 and 2023 determined in accordance with statutory accounting practices were not significantly different than the amounts determined under GAAP.

Notes to Condensed Consolidated Financial Statements (Unaudited)
Note 15. Acquisitions

Effective July 1, 2023, Essent Holdings acquired all of the issued and outstanding shares of capital stock of Agents National Title Holding Company (“Agents National Title”) and the issued and outstanding membership interests of Boston National Holdings LLC (“Boston National Title”) for \$92.6 million in cash in a single settlement with the seller. The purchase price was subject to further customary post-closing adjustments as described in a securities purchase agreement among the parties to the transaction, in which a post closing adjustment of \$1.3 million was paid by the seller to Essent Holdings. The acquisition provides complementary products and services to our mortgage insurance business, adding a team of seasoned title professionals to Essent and providing a platform to leverage our capital, lender network and operational expertise in a well-established, adjacent real estate sector.

The acquired businesses contributed revenues of \$37.2 million, principally comprised of \$31.9 million of net premiums earned and \$2.8 million of settlement services revenues, which are included in other income, and pre-tax net losses of \$8.7 million to our results for the six months ended June 30, 2024.

We incurred \$4.2 million of acquisition-related costs for the six months ended June 30, 2023. These expenses are included in other underwriting and operating expenses on our condensed consolidated income statement.

The acquisition of Agents National Title and Boston National Title was accounted for as a business combination using the acquisition method of accounting and, accordingly, the assets acquired, liabilities assumed and consideration transferred were recorded at their estimated fair values as of the acquisition date. The excess of consideration transferred over the fair value of net assets acquired was recorded as goodwill. The Company allocated the goodwill to its Title operating segment.

The following table summarizes the consideration transferred to acquire Agents National Title and Boston National Title and the amounts of identified assets acquired and liabilities assumed, including purchase accounting adjustments that have been recorded by Essent during the measurement period:

	Originally Reported	Measurement Period Adjustments	As Reported
Consideration Paid:			
Cash	\$ 92,625	\$ (1,315)	\$ 91,310
Assets Acquired:			
Cash and cash equivalents	5,864	—	5,864
Short-term investments	21,108	—	21,108
Fixed maturities available for sale	9,668	—	9,668
Identifiable intangible assets	26,300	(3,400)	22,900
Other assets	16,366	(2,297)	14,069
Liabilities Assumed:			
Reserve for losses	14,613	(464)	14,149
Other liabilities	10,399	6,512	16,911
Total Identifiable Net Assets	54,294	(11,745)	42,549
Goodwill	\$ 38,331	\$ 10,430	\$ 48,761

Adjustments to Goodwill were primarily related to the fair value of claims reserve liabilities, agency relationship intangible assets and other assets. The fair values of assets acquired and liabilities assumed, as well as resulting goodwill, were finalized as of June 30, 2024.

The amount of goodwill recorded reflects the increased market share and related synergies that are expected to result from the acquisition, and represents the excess purchase price over the estimated fair value of the net assets acquired from Agents National Title and Boston National Title. As of June 30, 2024, intangible assets were \$21.5 million, net of \$1.4 million of accumulated amortization.

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, 2023 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 and six months ended June 30, 2024 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 and Part II, Item 1A "Risk Factors" in this Quarterly 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

Essent Group Ltd. (collectively with its subsidiaries, "Essent") serves the housing finance industry by offering private mortgage insurance, reinsurance, and title insurance and settlement services to mortgage lenders, borrowers, and investors to support homeownership.

Essent Guaranty, Inc., our wholly-owned mortgage insurance subsidiary which we refer to as "Essent Guaranty," is approved by Fannie Mae and Freddie Mac and licensed to write coverage in all 50 states and the District of Columbia. Our mortgage insurance operations generated new insurance written, or NIW, of approximately \$12.5 billion and \$20.8 billion for the three and six months ended June 30, 2024, respectively, compared to approximately \$13.5 billion and \$26.4 billion for the three and six months ended June 30, 2023, respectively. The financial strength ratings of Essent Guaranty are A3 with a positive outlook by Moody's Investors Service ("Moody's"), A- with a stable outlook by S&P Global Ratings ("S&P") and A (Excellent) with a stable outlook by A.M. Best.

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 June 30, 2024, Essent Re provided insurance or reinsurance relating to GSE risk share and other reinsurance transactions covering approximately \$2.3 billion of risk. Essent Re also reinsures Essent Guaranty's NIW under a quota share reinsurance agreement. In April 2021, Essent Guaranty and Essent Re agreed to increase the quota share reinsurance coverage of Essent Guaranty's NIW provided by Essent Re from 25% to 35% effective January 1, 2021. The quota share reinsurance coverage provided by Essent Re for Essent Guaranty's NIW prior to January 1, 2021 will continue to be 25%, the quota share percentage in effect at the time NIW was first ceded. The insurer financial strength ratings of Essent Re are A- with a stable outlook by S&P and A (Excellent) with a stable outlook by A.M. Best.

As a result of our acquisitions of Agents National Title Insurance Company and Boston National Holdings LLC effective July 1, 2023, we offer title insurance and settlement services.

We have a highly experienced, talented team with 528 employees as of June 30, 2024. Our holding company is domiciled in Bermuda and our U.S. mortgage insurance business is headquartered in Radnor, Pennsylvania.

Current Economic Developments

The Federal Reserve increased the target federal funds rate several times during 2022 and 2023 in an effort to reduce consumer price inflation. These rate increases have resulted in higher mortgage interest rates which reduced home buying and mortgage refinance activity resulting in lower volumes of mortgage originations, new insurance written and title insurance and settlement service transactions. These rate increases have also resulted in increases in our net investment income generated by our investment portfolio and the persistency of our mortgage insurance in force.

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.

U.S. Tax Reform

On August 16, 2022, the “Inflation Reduction Act of 2022” (“IRA”), was enacted, which, among other things, provides for a corporate alternative minimum tax and an excise tax on corporate stock repurchases. Based on our current analysis of the provisions, we do not expect the IRA to have a material impact on our financial position or results of operations. As the IRS issues additional guidance related to the IRA, we will evaluate any potential impact to our consolidated financial statements.

Bermuda Corporate Income Tax

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act 2023 (“CIT”). Starting January 1, 2025, the CIT will result in a new 15% corporate income tax on in-scope entities that are resident in Bermuda or that have a Bermuda permanent establishment, without regard to any assurances that had previously been given pursuant to the Exempted Undertakings Tax Protection Act 1966.

The CIT also includes various transitional provisions and elections that we are in the process of evaluating. In particular, we believe that, based on their current structure and operations, our Bermuda companies will be eligible to elect a five-year “limited international presence” exemption under the CIT. We intend to make this election within the timeframe required under Bermuda law, and therefore do not expect the CIT to have a material impact upon our effective tax rate until we no longer meet the exemption criteria, or January 1, 2030, the fifth anniversary of the inception date of the tax, whichever may occur sooner. The exemption criteria are subject to interpretation of existing Bermuda law, as well as any related new regulations that may be issued by the Government of Bermuda. No assurances can be made that we will continue meeting such criteria for the entire five-year period.

Factors Affecting Our Results of Operations

Net Premiums Written and Earned

Premiums associated with our U.S. mortgage insurance business are based on mortgage insurance in force, or 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, the competition to provide credit enhancement on those mortgages, the number of customers who have approved us to provide mortgage insurance and changes in our NIW from certain customers;
- 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.

Mortgage insurance 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 June 30, 2024 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 six months ended June 30, 2024 and 2023, monthly premium policies comprised 98% and 96% of our NIW, respectively.

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

Title insurance premiums are based on the number of title insurance policies issued and generally recognized as income at the transaction closing date which approximates the policy effective date.

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 86.7% at June 30, 2024. 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 June 30, 2024. 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 provision for credit losses or 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.

Income from Other Invested Assets

As part of our overall investment strategy, we also allocate a relatively small percentage of our portfolio to limited partnership investments in real estate, consumer credit and traditional venture capital and private equity investments. The results of these investing activities are reported in income from other invested assets. These investments are generally accounted for under the equity method or fair value using net asset value (or its equivalent) as a practical expedient. For entities accounted for under the equity method that follow industry-specific guidance for investment companies, our proportionate share of earnings or losses includes changes in the fair value of the underlying assets of these entities. Fluctuations in the fair value of these entities may increase the volatility of the Company’s reported results of operations.

Other Income

Other income includes revenues associated with underwriting consulting services to third-party reinsurers, title settlement services and contract underwriting services. The level of these revenues are dependent upon the number of customers who have engaged us for these services. Revenue from underwriting consulting services to third-party reinsurers is also dependent upon the level of premiums associated with the transactions underwritten for these customers. Revenue from title settlement services and contract underwriting revenue are also dependent upon the number of loans 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 flat monthly fee which is recorded in other income. During 2023, Triad entered into a three year renewal and extended the services agreement through November 2026.

As more fully described in Note 4 to our condensed consolidated financial statements, the premiums 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 June 30, 2024, 49% of our IIF relates to business written since January 1, 2022 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 (“LAE”), 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, 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.

Based upon our experience and industry data, claims incidence for mortgage insurance is generally highest in the third through sixth years after loan origination. As of June 30, 2024, 49% of our IIF relates to business written since January 1, 2022 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.

The economy in the United States has been experiencing elevated levels of consumer price inflation. The Federal Reserve increased the target federal funds rate several times during 2022 and 2023 in an effort to reduce consumer price inflation. These rate increases have resulted in higher mortgage interest rates which may lower home sale activity and affect the options available to delinquent borrowers. It is reasonably possible that our estimate of losses could change in the near term as a result of changes in the economic environment, the impact of elevated levels of consumer price inflation on home sale activity, housing inventory, and home prices.

As more fully described in Note 4 to our condensed consolidated financial statements, at June 30, 2024, we had approximately \$1.3 billion of excess of loss reinsurance covering NIW from January 1, 2018 through December 31, 2019 and August 1, 2020 through December 31, 2023 and quota share reinsurance on portions of our NIW effective September 1, 2019 through December 31, 2020 and January 1, 2022 through December 31, 2024. The impact on our reserves in future periods will be dependent upon the amount of delinquent notices received from loan servicers, the performance of defaults and our expectations for the amount of ultimate losses on these delinquencies.

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 60% of other underwriting and operating expenses for both the three and six months ended June 30, 2024, compared to 58% and 57% of other underwriting and operating expenses for the three and six months ended June 30, 2023, respectively. 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 mortgage insurance IIF, title insurance policies issued and settlement services provided, our expenses will also continue to increase.

Premiums Retained by Agents

Premiums retained by agents represent the portion of title insurance premiums retained by our third-party agents pursuant to the terms of their respective agency contracts. These amounts are recorded as an expense and reported separately on the condensed consolidated statements of comprehensive income, consistent with industry practice. The percentage of premiums retained by agents vary according to regional differences in real estate closing practices and state regulations.

Interest Expense

Through June 30, 2024, interest expense was incurred as a result of borrowings under our secured credit facility (the “Existing Credit Facility”). Borrowings accrued interest at a floating rate tied to a standard short-term borrowing index, selected at the Company’s option, plus an applicable margin. On July 1, 2024, we completed an underwritten public offering of \$500 million of 6.25% Senior Notes due in 2029 and used approximately \$425 million of the net proceeds to repay all of the borrowings outstanding under the term loan portion of the Existing Credit Facility. Concurrently, on July 1, 2024, the Fourth Amended and Restated Credit Agreement (the “Revolving Credit Agreement”) became effective providing for an effective increase in the Company’s revolving credit facility borrowing capacity from \$400 million to \$500 million. See Note 6 to our condensed consolidated financial statements.

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 most 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. ("Essent Group") and its wholly-owned subsidiary, Essent Re, are domiciled in Bermuda, and their income is currently not subject to a corporate income tax. See "—Legislative and Regulatory Developments—Bermuda Corporate Income Tax" above. Under a quota share reinsurance agreement, Essent Re reinsures 25% of Essent Guaranty’s NIW through December 31, 2020 and 35% of Essent Guaranty’s NIW after December 31, 2020. 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, mortgage insurance 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 and six months ended June 30, 2024 and 2023 for our U.S. mortgage insurance portfolio. In addition, this table includes our RIF at the end of each period.

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
IIF, beginning of period	\$ 238,477,402	\$ 231,537,416	\$ 239,078,262	\$ 227,062,055
NIW - Flow	12,503,125	13,498,080	20,826,669	26,391,869
NIW - Bulk	—	—	—	—
Cancellations	(10,311,362)	(9,385,612)	(19,235,766)	(17,804,040)
IIF, end of period	\$ 240,669,165	\$ 235,649,884	\$ 240,669,165	\$ 235,649,884
Average IIF during the period	\$ 239,538,571	\$ 233,484,941	\$ 239,151,136	\$ 231,134,720
RIF, end of period	\$ 55,521,538	\$ 53,290,643	\$ 55,521,538	\$ 53,290,643

The following is a summary of our IIF at June 30, 2024 by vintage:

(\$ in thousands)	\$	%
2024 (through June 30)	20,408,337	8.5 %
2023	43,986,658	18.3
2022	54,555,338	22.7
2021	55,842,833	23.2
2020	40,789,474	16.9
2019	11,216,155	4.7
2018 and prior	13,870,370	5.7
	<u>\$ 240,669,165</u>	<u>100.0 %</u>

Average Net Premium Rate

Our average net premium rate is calculated by dividing net premiums earned for the U.S. mortgage insurance portfolio by average insurance in force for the period and 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 for NIW; and (5) premiums ceded under third-party reinsurance agreements. The following table presents the average net premium rate for our U.S. mortgage insurance portfolio:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Base average premium rate	0.41 %	0.40 %	0.41 %	0.40 %
Single premium cancellations	—	—	—	—
Gross average premium rate	0.41	0.40	0.41	0.40
Ceded premiums	(0.05)	(0.07)	(0.05)	(0.06)
Net average premium rate	<u>0.36 %</u>	<u>0.33 %</u>	<u>0.36 %</u>	<u>0.34 %</u>

The continued use of third-party reinsurance along with changes to the level of future cancellations of non-refundable single premium policies and mix of IIF may impact 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 June 30, 2024, our combined net risk in force for our U.S. mortgage insurance companies was \$34.8 billion and our combined statutory capital was \$3.5 billion, resulting in a risk-to-capital ratio of 9.9:1. 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues:				
Net premiums written	\$ 245,566	\$ 209,621	\$ 484,106	\$ 415,521
Decrease in unearned premiums	6,325	3,608	13,375	8,966
Net premiums earned	251,891	213,229	497,481	424,487
Net investment income	56,086	45,250	108,171	88,486
Realized investment gains (losses), net	(1,164)	(1,589)	(2,304)	(2,077)
Income (loss) from other invested assets	(419)	(4,852)	(2,334)	(7,554)
Other income	6,548	8,090	10,285	13,032
Total revenues	312,942	260,128	611,299	516,374
Losses and expenses:				
Provision (benefit) for losses and LAE	(334)	1,260	9,579	1,080
Other underwriting and operating expenses	55,987	42,174	113,336	90,369
Premiums retained by agents	10,215	—	19,706	—
Interest expense	7,849	7,394	15,711	14,330
Total losses and expenses	73,717	50,828	158,332	105,779
Income before income taxes	239,225	209,300	452,967	410,595
Income tax expense	35,616	37,067	67,639	67,535
Net income	\$ 203,609	\$ 172,233	\$ 385,328	\$ 343,060

Three and Six Months Ended June 30, 2024 Compared to the Three and Six Months Ended June 30, 2023

For the three months ended June 30, 2024, we reported net income of \$203.6 million, compared to net income of \$172.2 million for the three months ended June 30, 2023. For the six months ended June 30, 2024, we reported net income of \$385.3 million, compared to net income of \$343.1 million for the six months ended June 30, 2023. The increases in our operating results in 2024 over the same periods in 2023 was primarily due to increases in net premiums earned and net investment income, partially offset by increases in operating expenses.

Net Premiums Written and Earned

Net premiums written and earned increased in the three months ended June 30, 2024 by 17% and 18%, respectively compared to the three months ended June 30, 2023. Net premium written and earned increased in the six months ended June 30, 2024 by 17% and 18%, respectively compared to the six months ended June 30, 2023.

30, 2024 by 17%, compared to the six months ended June 30, 2023. Net premiums written and earned in the three and six months ended June 30, 2024 include \$16.6 million and \$31.9 million of net premiums written and earned by our title insurance operations. The increase in net premiums written and earned was also due to the increase in our average IIF from \$233.5 billion for the three months ended June 30, 2023 to \$239.5 billion for the three months ended and June 30, 2024, and \$231.1 billion for the six months ended June 30, 2023 to \$239.2 billion for the six months ended June 30, 2024. The average net premium rate was 0.36% and 0.33% for the three months ended June 30, 2024 and 2023, respectively. The average net premium rate was 0.36% and 0.34% in the six months ended June 30, 2024 and 2023, respectively. The increase in the average net premium rate in the three and six month periods ended June 30, 2024 was a result of a decrease in ceded premiums, changes in the mix of mortgages we insure, higher persistency and changes in our pricing. In the three and six months ended June 30, 2024, ceded premiums decreased to \$27.3 million and \$57.7 million, respectively, from \$39.5 million and \$73.1 million in the three and six months ended June 30, 2023, respectively, due to a decrease in outstanding excess of loss reinsurance in the three and six months ended June 30, 2024 than the comparable periods of the prior year, as a result of the retiring of outstanding notes for two of our seasoned ILN transactions in 2023.

In the three months ended June 30, 2024 and 2023, unearned premiums decreased by \$6.3 million and \$3.6 million, respectively. The change in unearned premiums was a result of net premiums written on single premium policies of \$1.6 million and \$7.4 million, respectively, which was offset by \$7.9 million and \$11.0 million, respectively, of unearned premium that was recognized in earnings during the periods. In the six months ended June 30, 2024 and 2023, unearned premiums decreased by \$13.4 million and \$9.0 million, respectively. This was a result of net premiums written on single premium policies of \$4.5 million and \$14.3 million, respectively, which was offset by \$17.9 million and \$23.3 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:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Fixed maturities	\$ 45,368	\$ 43,775	\$ 91,656	\$ 87,251
Short-term investments	11,831	3,298	18,974	5,017
Gross investment income	57,199	47,073	110,630	92,268
Investment expenses	(1,113)	(1,823)	(2,459)	(3,782)
Net investment income	\$ 56,086	\$ 45,250	\$ 108,171	\$ 88,486

The increases in net investment income for the three and six months ended June 30, 2024 as compared to the same periods in 2023 was due to an increase in the pre-tax investment income yield as well as an increase in the weighted average balance of our investment portfolio. The pre-tax investment income yield decreased from 3.5% and 3.4% in the three and six months ended June 30, 2023 to 3.8% in both the three and six months ended June 30, 2024, respectively, primarily due to a general increase in investment yields due to rising interest rate. The average cash and investment portfolio balance increased to \$6.0 billion for the three months ended June 30, 2024 from \$5.4 billion for the three months ended June 30, 2023. The average cash and investment portfolio balance increased to \$5.9 billion for the six months ended June 30, 2024 from \$5.4 billion for the six months ended June 30, 2023. The increase in the average cash and investment portfolio was primarily due to investing cash flows from operations, See “— Liquidity and Capital Resources” for further details of our investment portfolio.

Income (Loss) from Other Invested Assets

Income (loss) from other invested assets for the three months ended June 30, 2024 was a loss of \$0.4 million as compared to a loss of \$4.9 million for the three months ended June 30, 2023. Income (loss) from other invested assets for the six months ended June 30, 2024 was a loss of \$2.3 million as compared to a loss of \$7.6 million for the six months ended June 30, 2023. The decrease in losses from other invested assets was primarily due to improved fair value adjustments recorded during the three and six months ended June 30, 2024 as compared to the same periods in 2023.

Other Income

Other income for the three months ended June 30, 2024 was \$6.5 million as compared to \$8.1 million for the three months ended June 30, 2023. Other income for the six months ended June 30, 2024 was \$10.3 million compared to \$13.0 million for the six months ended June 30, 2023. The decrease in other income for the three and six months ended June 30, 2024 as compared to the same periods in 2023 was primarily due to a decrease in the fair value adjustments on our embedded derivatives contained in certain of our reinsurance agreements. In the three months ended June 30, 2024, we recorded a favorable increase in the fair value of these embedded derivatives of \$0.7 million compared to a favorable increase in the fair value of the embedded derivatives of \$2.7 million in the three months ended June 30, 2023. In the six months ended June 30, 2024 we recorded a net unfavorable decrease in the fair value of the embedded derivatives of \$1.2 million compared to a net favorable increase of \$2.4 million in the six months ended June 30, 2023. Other income also includes Triad service fee income, contract underwriting revenues and underwriting consulting services to third-party reinsurers. For the three and six months ended June 30, 2024, other income also includes settlement services revenues from our title operations.

Provision for Losses and Loss Adjustment Expenses

In the three months ended June 30, 2024 we recorded a benefit for losses of \$0.3 million compared to a provision of \$1.3 million for the three months ended June 30, 2023. In the six months ended June 30, 2024 we recorded a provision for losses of \$9.6 million compared to a provision of \$1.1 million for the three months ended June 30, 2023. The decrease in provision for losses during the three months ended June 30, 2024 was primarily due the composition of cure activity of defaults that cured in the three months ended June 30, 2024, compared to the same period in 2023. The increase in the provision for losses in the six months ended June 30, 2024 compared to six months ended June 30, 2023 was primarily due to a provision for losses recorded for current year defaults along with an increase in reserve per default, partially offset by cure activity for defaults reported in prior years.

The following table presents a rollforward of insured loans in default for our U.S. mortgage insurance portfolio for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Beginning default inventory	13,992	12,773	14,819	13,433
Plus: new defaults	8,119	6,575	16,379	13,590
Less: cures	(7,956)	(6,761)	(16,907)	(14,335)
Less: claims paid	(183)	(96)	(306)	(190)
Less: rescissions and denials, net	(18)	(11)	(31)	(18)
Ending default inventory	13,954	12,480	13,954	12,480

The following table includes additional information about our loans in default as of the dates indicated for our U.S. mortgage insurance portfolio:

	As of June 30,	
	2024	2023
Case reserves (in thousands) (1)	\$ 226,976	\$ 199,976
Total reserves (in thousands) (1)	\$ 246,107	\$ 216,888
Ending default inventory	13,954	12,480
Average case reserve per default (in thousands)	\$ 16.3	\$ 16.0
Average total reserve per default (in thousands)	\$ 17.6	\$ 17.4
Default rate	1.71 %	1.52 %
Claims received included in ending default inventory	135	129

(1) The U.S. mortgage insurance portfolio reserves exclude reserves on GSE and other risk share risk in force at Essent Re of \$33 thousand, as well as title insurance reserves of \$14.5 million, as of June 30, 2024.

The following table provides a reconciliation of the beginning and ending reserve balances for losses and LAE:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Reserve for losses and LAE at beginning of period	\$ 267,324	\$ 216,022	\$ 260,095	\$ 216,464
Less: Reinsurance recoverables	26,670	16,357	24,104	14,618
Net reserve for losses and LAE at beginning of period	240,654	199,665	235,991	201,846
Add provision for losses and LAE occurring in:				
Current period	31,188	31,376	70,584	64,070
Prior years	(31,522)	(30,116)	(61,005)	(62,990)
Incurred losses and LAE during the current period	(334)	1,260	9,579	1,080
Deduct payments for losses and LAE occurring in:				
Current period	481	31	885	31
Prior years	5,272	1,909	10,118	3,910
Loss and LAE payments during the current period	5,753	1,940	11,003	3,941
Net reserve for losses and LAE at end of period	234,567	198,985	234,567	198,985
Plus: Reinsurance recoverables	26,121	17,958	26,121	17,958
Reserve for losses and LAE at end of period	<u>\$ 260,688</u>	<u>\$ 216,943</u>	<u>\$ 260,688</u>	<u>\$ 216,943</u>

The following tables provide a detail of reserves and defaulted RIF by the number of missed payments and pending claims for our U.S. mortgage insurance portfolio:

(\$ in thousands)	As of June 30, 2024					
	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	7,024	50 %	\$ 43,396	19 %	\$ 525,876	8%
Four to eleven payments	4,887	35	93,489	41	383,685	24
Twelve or more payments	1,908	14	82,529	37	135,616	61
Pending claims	135	1	7,562	3	8,540	89
Total case reserves (1)	<u>13,954</u>	<u>100 %</u>	<u>226,976</u>	<u>100 %</u>	<u>\$ 1,053,717</u>	<u>22%</u>
IBNR			17,023			
LAE			2,108			
Total reserves for losses and LAE (1)			<u>\$ 246,107</u>			

(1) The U.S. mortgage insurance portfolio reserves exclude reserves on GSE and other risk share risk in force at Essent Re of \$33 thousand, as well as title insurance reserves of \$14.5 million, as of June 30, 2024.

As of June 30, 2023						
(\$ 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	5,581	45 %	\$ 33,864	17 %	\$ 388,012	9%
Four to eleven payments	4,725	38	82,196	41	348,955	24
Twelve or more payments	2,045	16	78,236	39	123,903	63
Pending claims	129	1	5,680	3	6,687	85
Total case reserves (2)	12,480	100 %	199,976	100 %	\$ 867,557	23%
IBNR			14,998			
LAE			1,914			
Total reserves for losses and LAE (2)			\$ 216,888			

(2) The U.S. mortgage insurance portfolio reserves exclude reserves on GSE and other risk share risk in force at Essent Re of \$0.0 million as of June 30, 2023.

During the three months ended June 30, 2024, the provision for losses and LAE was a benefit of \$0.3 million, comprised of \$31.2 million of current year losses offset by \$31.5 million of favorable prior years' loss development. During the three months ended June 30, 2023, the provision for losses and LAE was \$1.3 million, comprised of \$31.4 million of current year losses partially offset by \$30.1 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.

During the six months ended June 30, 2024, the provision for losses and LAE was \$9.6 million, comprised of \$70.6 million of current year losses partially offset by \$61.0 million of favorable prior years' loss development. During the six months ended June 30, 2023, the provision for losses and LAE was \$1.1 million, comprised of \$64.1 million of current year losses partially offset by \$63.0 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 for our U.S. mortgage insurance portfolio for the periods indicated:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Number of claims paid	183	96	306	190
Amount of claims paid	\$ 5,566	\$ 1,890	\$ 9,171	\$ 3,850
Claim severity	60 %	58 %	62 %	58 %

Other Underwriting and Operating Expenses

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

(\$ in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
	\$	%	\$	%	\$	%	\$	%
Compensation and benefits	\$ 33,364	60 %	\$ 24,530	58 %	\$ 68,072	60 %	\$ 51,159	57 %
Premium taxes	4,879	9	4,738	11	9,798	9	9,391	10
Other	17,744	31	12,906	31	35,466	30	29,819	33
Total other underwriting and operating expenses	\$ 55,987	100 %	\$ 42,174	100 %	\$ 113,336	100 %	\$ 90,369	100 %
Number of employees at end of period					528		347	

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

- Compensation and benefits increased in the three and six months ended June 30, 2024 as compared to the three and six months ended June 30, 2023 primarily due to an increase in the number of employees resulting from the acquisition of the title operations, as well as increased stock compensation expense. Compensation and benefits includes salaries, wages and bonus, stock compensation expense, benefits and payroll taxes.
- Premium taxes increased primarily due to an increase in premiums written, including title insurance premiums written net of premiums retained by agents, in the three and six months ended June 30, 2024.
- Other expenses increased primarily as a result of the title and settlement services direct costs incurred in the three months ended June 30, 2024, and increases in software and occupancy related expenses partially offset by a decrease in professional fees and an increase in ceding commission earned under the QSR Agreements. In the three and six months ended June 30, 2023, other expenses included approximately \$0.7 million and \$4.1 million, respectively, of transaction costs associated with the Company's title business acquisition. Other expenses include professional fees, travel, marketing, hardware, software, rent, depreciation and amortization and other facilities expenses.

Interest Expense

For the three and six months ended June 30, 2024, we incurred interest expense of \$7.8 million and \$15.7 million, respectively, as compared to \$7.4 million and \$14.3 million for the three and six months ended June 30, 2023, respectively. The increases were due to an increase in the weighted average interest rate for borrowings outstanding. For each of the three and six month periods ended June 30, 2024 and 2023, the average amount outstanding under the Credit Facility was \$425.0 million. For both the three and six months ended June 30, 2024, the borrowings under the Credit Facility had a weighted average interest rate of 7.14%, as compared to 6.71% and 6.49% for the three and six months ended June 30, 2023, respectively.

Income Taxes

Our subsidiaries in the United States file a consolidated U.S. Federal income tax return. Our income tax expense was \$35.6 million and \$37.1 million for the three months ended June 30, 2024 and 2023, respectively, and \$67.6 million and \$67.5 million for the six months ended June 30, 2024 and 2023, respectively. The provision for income taxes for the six months ended June 30, 2024 was calculated using an estimated annual effective tax rate of 15.1% as compared to an estimated annual effective tax rate of 15.2% for the six months ended June 30, 2023. For the six months ended June 30, 2024, income tax expense includes \$0.6 million of discrete tax benefit associated with realized and unrealized losses recognized during the period as well as excess tax benefits associated with the vesting of common shares and common share units. For the six months ended June 30, 2023, income tax expense includes \$1.3 million of discrete tax benefit associated with realized and unrealized losses recognized during the period partially offset by excess tax deficits associated with the vesting of common shares and common share units. For the six months ended June 30, 2023, income tax expense also includes \$5.3 million of net expense associated with prior year tax returns. The tax effects of discrete items are recognized 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;
- the other costs and operating expenses of our business;
- the repurchase of common shares under the share repurchase plan approved by our Board of Directors; and
- the payment of dividends on our common shares.

As of June 30, 2024, we had substantial liquidity with cash of \$197.4 million, short-term investments of \$1.5 billion and fixed maturity investments of \$3.9 billion. We also had \$400 million available capacity under the revolving credit component of our Credit Facility, with \$425 million of borrowings outstanding under our Credit Facility. Borrowings under the Credit Facility contractually mature on December 10, 2026. Holding company net cash and investments available for sale totaled \$808.4 million at June 30, 2024. 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 June 30, 2024.

On July 1, 2024, we completed an underwritten public offering of \$500 million of 6.25% Senior Notes due in 2029. The Company used the net proceeds from the sale of the Senior Notes to repay all of the borrowings outstanding under the term loan portion of the Credit Facility and intends to use the remaining net proceeds for general corporate purposes. On July 1, 2024, concurrently with the closing of the offering of the Senior Notes and the repayment of all of the borrowings outstanding under the term loan portion of the Credit Facility, the Fourth Amended and Restated Credit Agreement (the “Revolving Credit Agreement”) became effective and amends and restates the Credit Facility. The Revolving Credit Agreement provides for an effective increase in the Company’s revolving credit facility borrowing capacity from \$400 million to \$500 million.

Management believes that the Company has sufficient liquidity available both at its holding companies 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, to respond to changes in the business or economic environment, to provide additional capital related to the growth of our risk in force in our mortgage insurance portfolio, or to fund new business initiatives. We regularly review potential investments and acquisitions, some of which may be material, that, if consummated, would expand our existing business or result in new lines of business, and at any given time we may be in discussions concerning possible transactions. 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. mortgage 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 June 30, 2024, Essent Guaranty had unassigned surplus of approximately \$352.4 million and Essent PA had unassigned surplus of approximately \$19.4 million. As of June 30, 2024, Essent Guaranty and Essent PA could pay additional ordinary dividends in 2024 of \$323.8 million and \$5.4 million, respectively.

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 June 30, 2024, Essent Re had total equity of \$1.8 billion. 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 June 30, 2024, 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:

(In thousands)	Six Months Ended June 30,	
	2024	2023
Net cash provided by operating activities	\$ 405,626	\$ 352,500
Net cash used in investing activities	(255,272)	(261,507)
Net cash used in financing activities	(94,739)	(104,132)
Net increase (decrease) in cash	\$ 55,615	\$ (13,139)

Operating Activities

Cash flow provided by operating activities totaled \$405.6 million for the six months ended June 30, 2024, as compared to \$352.5 million for the six months ended June 30, 2023. The increase in cash flow provided by operating activities was primarily due to increases in net premiums written and investment income partially offset by an increase in operating expenses paid in the six months ended June 30, 2024.

Investing Activities

Cash flow used in investing activities totaled \$255.3 million for six months ended June 30, 2024 compared to \$261.5 million used in investing activities for the six months ended June 30, 2023. In both periods, cash flow used in investing activities relates primarily to investing cash flows from operations.

Financing Activities

Cash flow used in financing activities totaled \$94.7 million and \$104.1 million for the six months ended June 30, 2024 and 2023, respectively, primarily related to the quarterly cash dividends paid, repurchases of common stock under our share repurchase plans and treasury stock acquired from employees to satisfy tax withholding obligations.

Insurance Company Capital

We compute a risk-to-capital ratio for our U.S. mortgage insurance companies on a separate company statutory basis, as well as for our combined mortgage 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 six months ended June 30, 2024 and 2023, no capital contributions were made to our U.S. mortgage insurance subsidiaries and Essent Guaranty paid dividends to Essent US Holdings, Inc. of \$107.5 million and \$180 million, respectively. During the six months ended June 30, 2024, no capital contributions were made to our title insurance subsidiary.

Essent Guaranty has entered into reinsurance agreements that provide excess of loss reinsurance coverage for new defaults on portfolios of mortgage insurance policies issued from January 1, 2018 through August 31, 2019 and August 1, 2020 through December 31, 2024. The aggregate excess of loss reinsurance coverages decrease over a ten-year period as the underlying covered mortgages amortize.

Essent Guaranty has entered into a quota share reinsurance agreement with a panel of third-party reinsurers ("QSR" agreement). Each of the third-party reinsurers has an insurer minimum financial strength rating of A- or better by S&P Global Ratings, A.M. Best or both. Under each QSR agreement, Essent Guaranty will cede premiums on a percentage of risk on all eligible policies written during a specified period, in exchange for reimbursement of ceded claims and claims expenses on covered policies, a specific ceding commission, as well as a profit commission that varies directly and inversely with ceded claims. These reinsurance coverages also reduces net risk in force and PMIERS Minimum Required Assets. See Note 4 to our condensed consolidated financial statements.

The following tables summarizes Essent Guaranty's QSR agreements as of June 30, 2024:

QSR Agreement	Eligible Policy Period	Ceding Percentage	Ceding Commission	Profit Commission
QSR-2019	September 1, 2019 - December 31, 2020	(1)	20%	63% (2)
QSR-2022	January 1, 2022 - December 31, 2022	20%	20%	62%
QSR-2023	January 1, 2023 - December 31, 2023	17.5%	20%	58%
QSR-2024	January 1, 2024 - December 31, 2024	15.0%	20%	57%

(1) Under QSR-2019, Essent Guaranty cedes 40% of premiums on singles policies and 20% on all other policies.

(2) The initial profit commission on QSR-2019 was up to 60%. Since Essent Guaranty did not exercise its option to terminate this QSR agreement on December 31, 2021, the maximum profit commission that Essent Guaranty could earn increased to 63% in 2022 and thereafter.

Our combined risk-to-capital calculation for our U.S. mortgage insurance subsidiaries as of June 30, 2024 was as follows:

**Combined statutory capital:
(\$ in thousands)**

Policyholders' surplus	\$	1,116,106
Contingency reserves		2,414,356
Combined statutory capital	\$	3,530,462
Combined net risk in force	\$	34,812,227
Combined risk-to-capital ratio		9.9:1

For additional information regarding regulatory capital, see Note 14 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. Under a quota share reinsurance agreement, Essent Re reinsures 25% of Essent Guaranty's NIW through December 31, 2020 and 35% of Essent Guaranty's NIW after December 31, 2020. During the six months ended June 30, 2024 Essent Re paid \$125 million in dividends to Essent Group and no dividends during three and six months ended June 30, 2023. Essent Group made no capital contributions to Essent Re during the six months ended June 30, 2024 and 2023. As of June 30, 2024, Essent Re had total stockholders' equity of \$1.8 billion and net risk in force of \$22.8 billion.

Financial Strength Ratings

The insurer financial strength rating of Essent Guaranty, our principal mortgage insurance subsidiary, is rated A3 with a positive outlook by Moody's Investors Service ("Moody's"), A- 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 A- with a stable outlook by S&P and A (Excellent) with stable outlook by A.M. Best.

Private Mortgage Insurer Eligibility Requirements

Fannie Mae and Freddie Mac, maintain 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. As of June 30, 2024, Essent Guaranty, our GSE-approved mortgage insurance company, was in compliance with the PMIERS. As of June 30, 2024, Essent Guaranty's Available Assets were \$3.5 billion or 171% of its Minimum Required Assets of \$2.1 billion based on our interpretation of the PMIERS.

Under PMIERS guidance issued by the GSEs effective June 30, 2020, Essent will apply a 0.30 multiplier to the risk-based required asset amount factor for each insured loan in default backed by a property located in a Federal Emergency Management Agency ("FEMA") Declared Major Disaster Area eligible for Individual Assistance and that either 1) is subject to a forbearance plan granted in response to a FEMA Declared Major Disaster, the terms of which are materially consistent with terms of forbearance plans, repayment plans or loan modification trial period offered by Fannie Mae or Freddie Mac, or 2) has an initial missed payment occurring up to either (i) 30 days prior to the first day of the incident period specified in the FEMA Major Disaster Declaration or (ii) 90 days following the last day of the incident period specified in the FEMA Major Disaster Declaration, not to exceed 180 days from the first day of the incident period specified in the FEMA Major Disaster Declaration. In the case of the foregoing, the 0.30 multiplier shall be applied to the risk-based required asset amount factor for a non-performing primary mortgage guaranty insurance loan for no longer than three calendar months beginning with the month the loan becomes a non-performing primary mortgage guaranty insurance loan by reaching two missed monthly payments absent a forbearance plan described in 1) above. Further, under temporary provisions provided by the PMIERS guidance, Essent will apply a 0.30 multiplier to the risk-based required asset amount factor for each insured loan in default backed by a property that has an initial missed payment occurring on or after March 1, 2020 and prior to April 1, 2021 (COVID-19 Crisis Period). The 0.30 multiplier will be applicable for insured loans in default 1) subject to a forbearance plan granted in response to a financial hardship related to COVID-19 (which shall be assumed to be the case for any loan that has an initial missed payment occurring during the COVID-19 Crisis Period and is subject to a forbearance plan, repayment plan or loan modification trial period), the terms of which are materially consistent with terms offered by Fannie Mae or Freddie Mac or 2) for no longer than three calendar months beginning with the month the loan becomes a non-performing primary mortgage guaranty insurance loan by reaching two missed monthly payments.

FHFA and the GSEs announced that effective November 1, 2023, defaulted loans will be no longer eligible for COVID forbearance plans and will follow the GSEs standard forbearance plans going forward.

Financial Condition

Stockholders' Equity

As of June 30, 2024, stockholders' equity was \$5.4 billion, compared to \$5.1 billion as of December 31, 2023. Stockholders' equity increased primarily due to net income generated in 2024, partially offset by dividends paid and the repurchase of common shares under our share repurchase plan and an increase in accumulated other comprehensive loss related to an increase in our net unrealized investment losses.

Investments

As of June 30, 2024, investments totaled \$5.7 billion compared to \$5.5 billion as of December 31, 2023. In addition, our total cash was \$197.4 million as of June 30, 2024, compared to \$141.8 million as of December 31, 2023. The increase in investments was primarily due to investing net cash flows from operations during the six months ended June 30, 2024 and partially offset by an increase in our net unrealized investment losses.

Investments Available for Sale by Asset Class

Asset Class (\$ in thousands)	June 30, 2024		December 31, 2023	
	Fair Value	Percent	Fair Value	Percent
U.S. Treasury securities	\$ 999,176	18.3 %	\$ 996,382	18.9 %
U.S. agency securities	—	—	7,195	0.1
U.S. agency mortgage-backed securities	757,590	13.9	821,346	15.6
Municipal debt securities(1)	524,396	9.7	547,258	10.5
Non-U.S. government securities	66,031	1.2	67,447	1.3
Corporate debt securities(2)	1,151,976	21.1	1,297,055	24.7
Residential and commercial mortgage securities	498,987	9.1	517,940	9.8
Asset-backed securities	455,453	8.3	564,995	10.7
Money market funds	1,001,374	18.4	444,121	8.4
Total Investments Available for Sale	\$ 5,454,983	100.0 %	\$ 5,263,739	100.0 %

(1) The following table summarizes municipal debt securities as of :

	June 30, 2024	December 31, 2023
Special revenue bonds	83.0 %	81.4 %
General obligation bonds	17.0	18.6
Total	100.0 %	100.0 %

(2) The following table summarizes corporate debt securities as of :

	June 30, 2024	December 31, 2023
Financial	40.7 %	42.0 %
Consumer, non-cyclical	16.5	15.9
Industrial	7.7	8.1
Consumer, cyclical	7.5	7.1
Communications	7.3	7.2
Utilities	6.2	6.3
Technology	6.5	6.2
Energy	5.0	4.7
Basic Materials	2.6	2.5
Total	100.0 %	100.0 %

Investments Available for Sale by Rating

Rating (1) (\$ in thousands)	June 30, 2024		December 31, 2023	
	Fair Value	Percent	Fair Value	Percent
Aaa	\$ 2,409,458	54.1 %	\$ 2,561,363	53.2 %
Aa1	95,534	2.1	104,474	2.2
Aa2	265,098	6.0	291,501	6.0
Aa3	187,946	4.1	208,882	4.3
A1	352,488	7.9	377,188	7.8
A2	253,728	5.7	329,423	6.8
A3	252,599	5.7	253,081	5.3
Baa1	207,665	4.7	220,901	4.6
Baa2	199,072	4.5	226,449	4.7
Baa3	158,219	3.6	166,121	3.4
Below Baa3	71,802	1.6	80,235	1.7
Total (2)	\$ 4,453,609	100.0 %	\$ 4,819,618	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.

(2) Excludes \$1,001,374 and \$444,121 of money market funds at June 30, 2024 and December 31, 2023, respectively.

Investments Available for Sale by Effective Duration

Effective Duration (\$ in thousands)	June 30, 2024		December 31, 2023	
	Fair Value	Percent	Fair Value	Percent
< 1 Year	\$ 2,334,120	42.8 %	\$ 1,892,074	35.9 %
1 to < 2 Years	310,087	5.7	371,583	7.1
2 to < 3 Years	447,721	8.1	538,775	10.2
3 to < 4 Years	404,998	7.4	402,668	7.6
4 to < 5 Years	384,051	7.0	376,722	7.2
5 or more Years	1,574,006	29.0	1,681,917	32.0
Total Investments Available for Sale	\$ 5,454,983	100.0 %	\$ 5,263,739	100.0 %

Top Ten Investments Available for Sale Holdings

Rank (\$ in thousands)	June 30, 2024				
	Security	Fair Value	Amortized Cost	Unrealized Gain (Loss)(1)	Credit Rating(2)
1	US Treasury Bill 04/17/2025	\$ 94,503	\$ 94,469	\$ 34	Aaa
2	US Treasury Bill 07/11/2024	76,074	76,078	(4)	Aaa
3	US Treasury Bill 09/05/2024	60,279	60,287	(8)	Aaa
4	US Treasury Bill 08/08/2024	47,849	47,860	(11)	Aaa
5	US Treasury Bill 09/10/2024	44,831	44,832	(1)	Aaa
6	US Treasury 2.875% 06/15/2025	40,398	41,131	(733)	Aaa
7	US Treasury 4.000% 01/31/2029	40,299	40,673	(374)	Aaa
8	US Treasury Bill 10/15/2024	36,175	36,175	—	Aaa
9	US Treasury Bill 07/16/2024	36,120	36,120	—	Aaa
10	US Treasury 1.500% 08/15/2026	31,817	34,243	(2,427)	Aaa
Total		<u>\$ 508,345</u>	<u>\$ 511,868</u>	<u>\$ (3,524)</u>	
Percent of Investments Available for Sale		<u>9.3 %</u>			

(1) As of June 30, 2024, for securities in an unrealized loss position, management believes the declines in fair value are principally associated with the changes in the interest rate environment subsequent to its 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, 2023	
	Security	Fair Value
1	US Treasury 0.000% 04/18/2024	\$ 66,405
2	US Treasury 0.000% 07/11/2024	55,360
3	US Treasury 2.875% 06/15/2025	40,340
4	US Treasury 0.000% 08/08/2024	34,100
5	US Treasury 1.500% 08/15/2026	31,822
6	US Treasury 0.000% 06/23/2024	29,381
7	GNMA 30 Year Platinum 6.000% 11/20/2053	29,116
8	US Treasury 0.000% 09/05/2024	28,716
9	FHLMC 30 Year UMBS 5.500% 11/01/2052	27,827
10	US Treasury 0.250% 05/31/2025	24,117
Total		<u>\$ 367,184</u>
Percent of Investments Available for Sale		<u>7.0 %</u>

The following tables include municipal debt securities for states that represent more than 10% of the total municipal bond position as of June 30, 2024:

(\$ in thousands)	Fair Value	Amortized Cost	Credit Rating (1), (2)
New York			
New York City Transitional Finance Authority Future Tax Secured Revenue	\$ 12,028	\$ 12,434	Aa1
City of New York NY	7,101	7,051	Aa2
Metropolitan Transportation Authority Payroll Mobility Tax Revenue	6,395	7,166	Aa1
Port Authority of New York & New Jersey	5,234	5,937	Aa3
State of New York Sales Tax Revenue	4,768	5,041	Aa1
State University of New York Dormitory Facilities Revenue	3,884	4,058	Aa3
University of Rochester	3,409	3,241	Aa3
State of New York Personal Income Tax Revenue	3,309	3,394	Aa1
Metropolitan Transportation Authority	3,129	3,290	A3
New York City Water & Sewer System	3,026	2,919	Aa1
Triborough Bridge & Tunnel Authority	2,667	2,623	Aa3
Rochester Institute of Technology	2,224	2,271	A1
City of Yonkers NY	2,171	2,281	A2
Research Foundation of State University of New York/The	2,090	2,180	A1
Long Island Power Authority	1,620	1,627	A2
Trustees of Columbia University in the City of New York/The	1,305	1,304	Aaa
New York City Transitional Finance Authority Building Aid Revenue	1,301	1,330	Aa2
New York State Thruway Authority	1,276	1,292	A1
Yankee Stadium LLC	686	789	A1
New York University	286	289	Aa2
County of Nassau NY	266	267	Aa2
New York State Urban Development Corp	206	208	Aa1
	<u>\$ 68,381</u>	<u>\$ 70,992</u>	

(\$ in thousands)	Fair Value	Amortized Cost	Credit Rating (1), (2)
California			
Bay Area Toll Authority	\$ 9,046	\$ 10,824	A1
State of California	8,740	8,996	Aa2
San Joaquin Hills Transportation Corridor Agency	6,704	7,725	A1
City of Anaheim CA	5,696	7,725	A1
Community Hospitals of Central California Obligated Group	5,523	7,725	A1
Golden State Tobacco Securitization Corp	4,051	5,035	A3
San Francisco City & County Airport Comm-San Francisco International Airport	3,719	3,612	A1
City of Carson CA	3,452	4,382	Aa3
San Jose Unified School District	3,240	4,090	Aaa
Redwoods/The a Community of Seniors	3,074	3,740	Aa3
Tuolumne Wind Project Authority	2,931	3,024	A2
County of Kern CA	2,723	2,744	Baa2
Chabot-Las Positas Community College District	2,647	2,738	Aa2
City of Inglewood CA	2,423	3,105	Aa2
Port of Oakland	2,371	2,411	A1
City of Monterey Park CA	2,165	2,969	Aa2
County of Riverside CA	2,111	2,250	Aa2
State of California Personal Income Tax Revenue	2,051	2,115	Aa3
City of San Francisco CA Public Utilities Commission Water Revenue	2,044	2,332	Aa2
Foothill-Eastern Transportation Corridor Agency	1,781	2,350	A1
Bay Area Water Supply & Conservation Agency	1,624	1,688	Aa3
Riverside County Transportation Commission	1,364	1,665	A2
Regents of the University of California Medical Center Pooled Revenue	1,303	1,360	Aa3
University of California	1,269	1,300	Aa2
Los Angeles Unified School District/CA	1,220	1,307	Aa2
City of Torrance CA	1,146	1,236	Aa2
City of El Cajon CA	962	1,282	Aa2
City of El Monte CA	852	1,000	Aa2
Alameda Corridor Transportation Authority	806	849	A3
Cathedral City Redevelopment Agency Successor Agency	701	701	Aa2
Pomona Redevelopment Agency Successor Agency	678	700	Aa2
California Independent System Operator Corp	541	725	A1
County of Sacramento CA	480	482	A1
Los Angeles County Securitization Corp	431	467	A3
California State University	234	250	Aa2
Oxnard Union High School District	217	250	Aa2
City of Los Angeles Department of Airports	204	207	Aa3
City of San Jose CA	177	205	Aa2
Compton Community College District	114	113	Aa3
City of Los Angeles CA	96	110	Aa3
	<u>\$ 90,911</u>	<u>\$ 105,789</u>	

(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

Essent Guaranty has entered into fully collateralized reinsurance agreements ("Radnor Re Transactions") with unaffiliated special purpose insurers domiciled in Bermuda. The Radnor Re special purpose insurers 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 June 30, 2024, our estimated off-balance sheet maximum exposure to loss from the Radnor Re entities was \$0.2 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 2023 Form 10-K. See Note 2 to our condensed consolidated financial statements for recently issued accounting standards adopted or 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 June 30, 2024, the effective duration of our investments available for sale was 3.1 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 3.1% in fair value of our investments available for sale. Excluding short-term investments, our investments available for sale effective duration was 4.2 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 4.2% 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 June 30, 2024, the end of the period covered by this Quarterly Report.

In conducting our evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2024, we have excluded the acquisition of our title insurance operations (Title) as permitted by the guidance issued by the Office of the Chief Accountant of the Securities and Exchange Commission (not to extend one year beyond the date of acquisition or one annual reporting period). The acquisition was completed effective July 1, 2023. As of and for the six months ended June 30, 2024, Title's assets represented less than 3% of consolidated assets and revenues represented approximately 6% of consolidated revenues. For additional information regarding this acquisition and its impact on the Company's consolidated financial statements, see Note 15 to our condensed consolidated financial statements.

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, 2023. Except as discussed below, 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, along with the disclosure below 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 June 30, 2024.

Period (\$ in thousands, except per share amounts)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
April 1 - April 30, 2024	59,689	\$ 53.47	59,130	
May 1 - May 31, 2024	128,980	\$ 55.57	128,980	
June 1 - June 30, 2024	207,569	\$ 56.07	207,569	
Total	396,238		395,679	\$ 222,902

- (1) As of June 30, 2024, the Company was authorized to purchase up to \$250 million of its common shares, announced in October 2023, of which \$27.1 million had been utilized. The remaining \$222.9 million in the table represents the amount available to repurchase shares under the share repurchase plan as of June 30, 2024. In July 2024, the Company repurchased an additional 125 thousand shares at a total cost of \$7.0 million. After the July repurchases, the amount remaining under the share repurchase plan was \$215.9 million.

Item 6. Exhibits

(a) Exhibits:

Exhibit No.	Description
4.1	Senior Indenture dated as of July 1, 2024 between Essent Group Ltd. and U.S. Bank Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K (File No. 001-36157) filed on July 1, 2024)
4.2	First Supplemental Indenture dated as of July 1, 2024 between Essent Group Ltd. and U.S. Bank Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K (File No. 001-36157) filed on July 1, 2024)
4.3	Form of 6.250% Senior Notes due 2029 (included as Exhibit A to the First Supplemental Indenture in Exhibit 4.2)
10.1	Revolving Facility Refinancing Agreement, dated as of June 26, 2024, by and among Essent Group Ltd., Essent Irish Intermediate Holdings Limited, and Essent US Holdings, Inc., as borrowers, Bank of America, N.A., as administrative agent under the Fourth Amended and Restated Credit Agreement, JPMorgan Chase Bank, N.A., as administrative agent under the existing credit agreement, and the several banks and other financial institutions or entities from time to time parties to the Revolving Facility Refinancing Agreement, as lenders, including the Revolving Credit Agreement which is attached as Annex II thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K (File No. 001-36157) filed on June 26, 2024)
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 June 30, 2024, formatted in Inline XBRL: (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).
*	Management contract or compensatory plan or arrangement.

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: August 5, 2024

/s/ MARK A. CASALE

Mark A. Casale

President, Chief Executive Officer and Chairman
(Principal Executive Officer)

Date: August 5, 2024

/s/ DAVID B. WEINSTOCK

David B. Weinstock

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

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 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer 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 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: August 5, 2024

/s/ MARK A. CASALE

Mark A. Casale

President, Chief Executive Officer and Chairman
(Principal Executive Officer)

CERTIFICATION

I, David B. Weinstock, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Essent Group Ltd.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer 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 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: August 5, 2024

/s/ DAVID B. WEINSTOCK

David B. Weinstock

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

**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 David B. Weinstock, 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 June 30, 2024 (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: August 5, 2024

/s/ MARK A. CASALE

Mark A. Casale

President, Chief Executive Officer and Chairman

/s/ DAVID B. WEINSTOCK

David B. Weinstock

Senior Vice President and Chief Financial Officer