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

## FORM 10-K

**(Mark One)**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2014**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission file number 005-87689**

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

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

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

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

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

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| Common Shares, $0.015 par value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files.) Yes ☒ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

| Large accelerated filer ☒ | Accelerated filer o | Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |
|---|---|---|---|

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

As of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of common shares held by non-affiliates of the registrant was approximately $1,221,193,412 (based upon the last reported sales price on The New York Stock Exchange).

The number of the registrant's common shares outstanding as of February 20, 2015 was 92,662,850.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's proxy statement for the 2015 Annual General Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2014.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, or Annual 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 merchandise, 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 Annual Report reflect our views as of the date of this Annual 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 1A "Risk Factors," and in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations." 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;
- decline in new insurance written, or NIW, and franchise value due to 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;
- the definition of "Qualified Mortgage" reducing the size of the mortgage origination market or creating incentives to use government mortgage insurance programs;
- the definition of "Qualified Residential Mortgage" reducing the number of low down payment loans or lenders and investors seeking alternatives to private mortgage insurance;
- the implementation of the Basel III Capital Accord, which may discourage the use of private mortgage insurance;
- management of risk in our investment portfolio;
- fluctuations in interest rates;

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

*Unless the context otherwise indicates or requires, the terms "we," "our," "us," "Essent," and the "Company," as used in this Annual Report, 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. Except as otherwise indicated, "Market Share" as used in this Annual Report means our market share as measured by our share of total new insurance written ("NIW") on a flow basis (in which loans are insured in individual, loan-by-loan transactions) in the private mortgage insurance industry, and excludes NIW under the Home Affordable Refinance Program ("HARP" and such NIW, the "HARP NIW") and bulk insurance that we write (in which each loan in a portfolio of loans is insured in a single transaction).*

## PART I

### ITEM 1. BUSINESS

#### Overview

We are an established and growing private mortgage insurance company. We were formed to serve the U.S. housing finance industry at a time when the demands of the financial crisis and a rapidly changing business environment created the need for a new, privately funded mortgage insurance company. Since writing our first policy in May 2010, we have grown to an estimated 13.7% Market Share for the year ended December 31, 2014, up from 12.1% and 8.6% for the years ended December 31, 2013 and 2012, respectively. We believe that our success has been driven by the unique opportunity we offer lenders to partner with a well-capitalized mortgage insurer, unencumbered by business originated prior to the financial crisis, that provides fair and transparent claims payment practices, and consistency and speed of service.

Private mortgage insurance plays a critical role in the U.S. housing finance system. Essent and other private mortgage insurers provide credit protection to lenders and mortgage investors by covering a portion of the unpaid principal balance of a mortgage and certain related expenses in the event of a default. In doing so, we provide private capital to mitigate mortgage credit risk, allowing lenders to make additional mortgage financing available to prospective homeowners.

Private mortgage insurance helps extend affordable home ownership by facilitating the sale of low down payment loans into the secondary market. Two U.S. Federal government-sponsored enterprises, Fannie Mae and Freddie Mac, which we refer to collectively as the GSEs, purchase residential mortgages from banks and other lenders and guaranty mortgage-backed securities that are offered to investors in the secondary mortgage market. The GSEs are restricted by their charters from purchasing or guaranteeing low down payment loans, defined as loans with less than a 20% down payment, that are not covered by certain credit protections. Private mortgage insurance satisfies the GSEs' credit protection requirements for low down payment loans, supporting a robust secondary mortgage market in the United States.

Our wholly-owned primary U.S. mortgage insurance subsidiary, Essent Guaranty, Inc., received its certificate of authority from the Pennsylvania Insurance Department in July 2009. In December 2009, we acquired our mortgage insurance platform from a former private mortgage insurance industry participant. In 2010, Essent became the first private mortgage insurer to be approved by the GSEs since 1995, and we are licensed to write mortgage guaranty coverage in all 50 states and the District of Columbia.

We had master policy relationships with approximately 1,175 customers as of December 31, 2014. Our top ten customers represented approximately 42.6%, 49.6% and 60.4% of our NIW on a flow basis for the years ended December 31, 2014, 2013 and 2012, respectively. We have a highly experienced, talented team of 332 employees as of December 31, 2014. Our holding company is domiciled in

Bermuda and our U.S. insurance business is headquartered in Radnor, Pennsylvania. We operate additional underwriting and service centers in Winston-Salem, North Carolina and Irvine, California.

For the years ended December 31, 2014, 2013 and 2012, we generated NIW of approximately $24.8 billion (including approximately $1.8 billion in NIW written on a bulk basis), $21.2 billion and $11.2 billion, respectively, and as of December 31, 2014, we had approximately $50.8 billion of insurance in force. The insurer financial strength rating of Essent Guaranty, Inc. is Baa2 with a stable outlook by Moody's Investors Service and BBB+ with a stable outlook by Standard & Poor's Rating Services.

We also offer mortgage-related insurance and reinsurance through our wholly-owned Bermuda-based subsidiary, Essent Reinsurance Ltd. In 2014, Essent Reinsurance Ltd. issued two policies in connection with Freddie Mac's Agency Credit Insurance Structure (ACIS) program covering in the aggregate up to approximately $43.7 million of risk on mortgage loans in reference pools associated with debt notes issued by Freddie Mac. Essent Reinsurance Ltd. also reinsures 25% of Essent Guaranty, Inc.'s GSE-eligible mortgage insurance NIW originated since July 1, 2014 under a quota share reinsurance agreement.

**Our Industry**

***U.S. Mortgage Market***

The U.S. residential mortgage market is one of the largest in the world with over $9.86 trillion of debt outstanding as of September 30, 2014, and includes a range of private and government-sponsored participants. Private industry participants include mortgage banks, mortgage brokers, commercial, regional and investment banks, savings institutions, credit unions, REITs, mortgage insurers and other financial institutions. Public participants include government agencies such as the Federal Housing Administration, or FHA, the Veterans Administration, or VA, the U.S. Department of Agriculture Rural Development program, and the Government National Mortgage Association, or Ginnie Mae, as well as government-sponsored enterprises such as Fannie Mae and Freddie Mac. The overall U.S. residential mortgage market encompasses both primary and secondary markets. The primary market consists of lenders originating home loans to borrowers, and includes loans made to support home purchases, which are referred to as purchase originations, and loans made to refinance existing mortgages, which are referred to as refinancing originations. The secondary market includes institutions buying and selling mortgages in the form of whole loans or securitized assets, such as mortgage-backed securities.

***GSEs***

The GSEs are the largest participants in the secondary mortgage market, buying residential mortgages from banks and other primary lenders as part of their government mandate to provide liquidity and stability in the U.S. housing finance system. According to the Federal Reserve, the GSEs held or guaranteed approximately $4.5 trillion, or 45.3%, of total U.S. residential mortgage debt as of September 30, 2014. Their charters generally prohibit the GSEs from purchasing a low down payment loan unless that loan is insured by a GSE-approved mortgage insurer, the mortgage seller retains at least a 10% participation in the loan or the seller agrees to repurchase or replace the loan in the event of a default. Historically, private mortgage insurance has been the preferred method utilized to meet this GSE charter requirement. As a result, the private mortgage insurance industry in the United States is driven in large part by the business practices and mortgage insurance requirements of the GSEs.

***Mortgage Insurance***

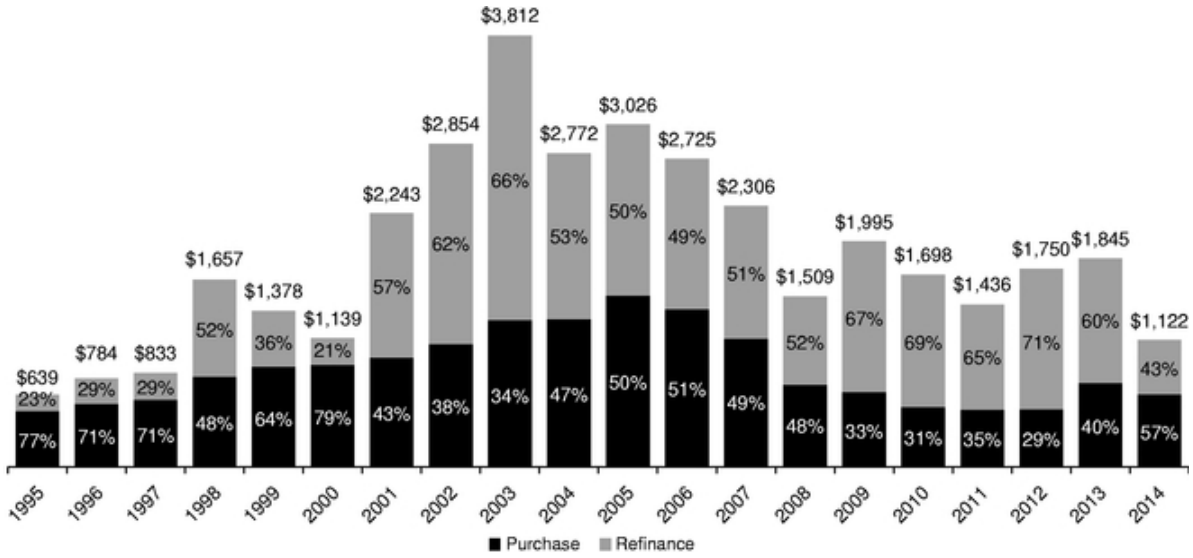
Mortgage insurance plays a critical role in the U.S. residential mortgage market by facilitating secondary market sales and by providing lenders and investors a means to diversify their exposures and

mitigate mortgage credit risk. Mortgage insurance is provided by both private companies, such as Essent, and government agencies, such as the FHA and the VA. From 1995 through 2014, an average of 21.7% of total annual mortgage origination volume utilized mortgage insurance.

Mortgage insurance industry volumes are influenced by total mortgage originations, and the mix between purchase and refinancing originations. Historically, mortgage insurance utilization has been meaningfully higher in purchase originations compared to refinancing originations. In 2014, total U.S. residential mortgage origination volume was estimated at $1.12 trillion, comprised of $638 billion of purchase originations and $484 billion of refinancing originations. In recent years, historically low interest rates and special refinance programs, such as HARP, have caused refinancing volume to significantly outpace purchase originations. Purchase originations are expected to account for an increasing percentage of the overall mortgage market as the economic recovery and favorable housing market fundamentals stimulate growth in home buying activity, and a rising interest rate environment slows refinancing volume.

The following graph provides detail on trends in total residential mortgage originations and the breakdown of the market between purchase and refinancing volume.

**Residential Purchase vs. Refinancing Mortgage Originations ($ in billions)**




Source: Mortgage Bankers Association

***Financial Crisis and Recovery***

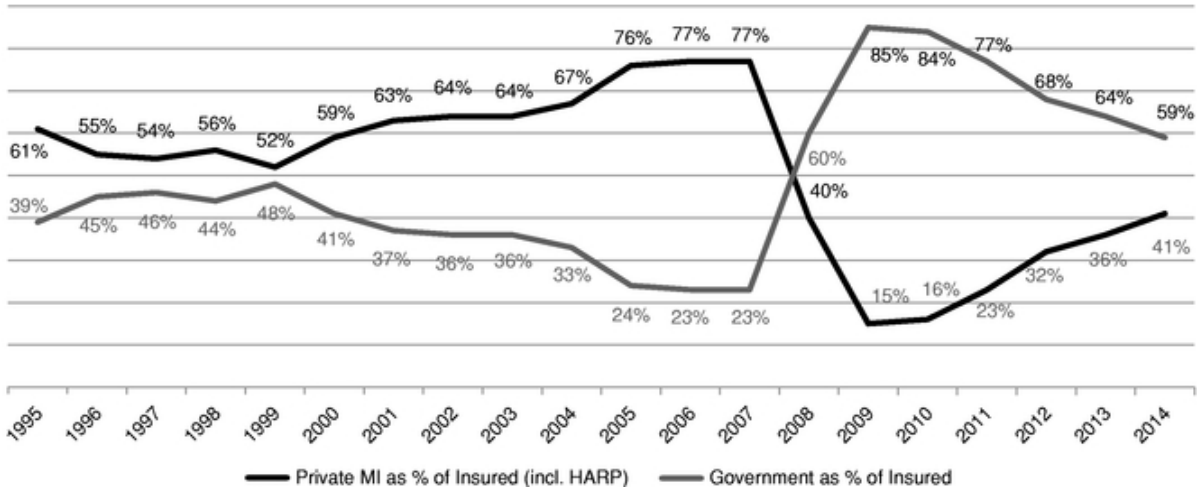
The severe economic and housing market dislocation experienced during the recent financial crisis had a profound impact on our industry. Incumbent insurers experienced record high claims activity and sustained significant financial losses, resulting in depleted capital positions. Three private mortgage insurers who wrote more than $125 billion of NIW, accounting for approximately 36% of total private mortgage insurance market NIW in 2007, have since exited the market, and several other insurers were forced to raise capital to repair their balance sheets and remain in operation. Although certain remaining incumbent insurers continue to deal with legacy challenges, the ongoing improvement of housing market fundamentals and the high credit quality of post-crisis new business are expected to support improved growth and profitability in the private mortgage insurance sector post-crisis.

Prior to the financial crisis, private mortgage insurers accounted for the majority of the insured mortgage origination market. In 2007, private mortgage insurance represented 77.3% of insured mortgages and covered 15.5% of the total residential mortgage origination volume. During the financial crisis, government agencies began to insure an increasing percentage of the market as incumbent private insurers came under significant financial stress. By 2009, private mortgage insurance represented only 15.4% of the insured mortgage market and covered 4.1% of the total residential mortgage origination volume.

The private mortgage insurance industry, however, has continued to recover, capturing an increasing share of the total insured market and thereby leading to higher private mortgage insurance penetration of the total mortgage origination market. In 2014, private mortgage insurance increased to an estimated 41% of the total insured market and covered 16% of the total mortgage origination volume. These gains have been driven in part by the improved financial position of incumbent insurers, the influx of private capital into the sector to support post-crisis entrants such as Essent, and aggregate increase since 2010 in the mortgage insurance premium rates and upfront fees charged for FHA insurance, even after giving effect to the 50 basis point decrease in FHA mortgage insurance rates announced in January 2015.

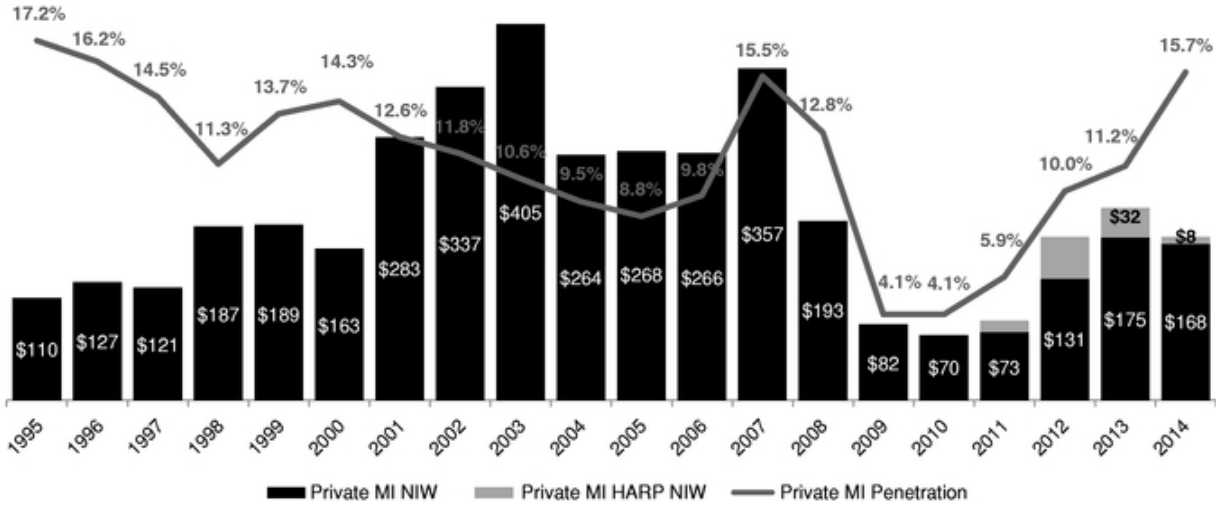
The charts below detail the relative share of the insured mortgage market covered by public and private participants, and historical NIW trends in the mortgage insurance market and private mortgage insurance penetration rates, which represents private mortgage insurance NIW to total U.S. residential mortgage origination volume.

**Relative Share of Private and Public Mortgage Insurance**




Source: Inside Mortgage Finance

**Private mortgage insurance NIW ($ in billions)**




Source: Inside Mortgage Finance, except for total originations for the purpose of calculating private mortgage insurance penetration, which is based on Mortgage Bankers Association. For 2011, 2012, 2013 and 2014, private mortgage insurance penetration includes private mortgage insurance HARP NIW.

We view HARP as a modification of the coverage on existing insurance in force, and therefore when estimating our Market Share based on NIW, we exclude HARP NIW from total industry NIW. However, HARP is included as part of total industry NIW when showing private mortgage insurance penetration for the industry.

***Competition***

The private mortgage insurance industry is highly competitive. Private mortgage insurers generally compete on the basis of underwriting guidelines, pricing, terms and conditions, financial strength, product and service offerings, customer relationships, name recognition, reputation, the strength of management and field organizations, the effective use of technology, and innovation in the delivery and servicing of insurance products. The private mortgage insurance industry currently consists of seven active private mortgage insurers, including Essent and each of CMG Mortgage Insurance Company (which was acquired by Arch Capital Group Ltd. in 2014), Genworth Financial Inc., Mortgage Guaranty Insurance Corporation, National Mortgage Insurance Corporation, Radian Guaranty Inc. and United Guaranty Corporation.

We and other private mortgage insurers compete directly with Federal and state governmental and quasi-governmental agencies that provide mortgage insurance, principally, the FHA and, to a lesser degree, the VA. As discussed above, the FHA's share of the mortgage insurance market increased following the financial crisis and has decreased as the private mortgage insurance industry has recovered and FHA premiums have increased in the aggregate. In addition to competition from the FHA and the VA, we and other private mortgage insurers currently face limited competition from state-sponsored mortgage insurance funds in several states, including California and New York. From time to time, other state legislatures and agencies consider expanding the authority of their state governments to insure residential mortgages.

Our industry also competes with products designed to eliminate the need for private mortgage insurance, such as "piggyback loans", which combine a first lien loan with a second lien in order to meet the 80% loan-to-value threshold required for sale to the GSEs without certain credit protections. In addition, we compete with investors willing to hold credit risk on their own balance sheets without credit enhancement and, in some markets, with alternative forms of credit enhancement such as structured finance products and derivatives.

**Our Products and Services**

***Mortgage Insurance***

In general, there are two principal types of private mortgage insurance, primary and pool.

*Primary Mortgage Insurance*

Primary mortgage insurance provides protection on individual loans at specified coverage percentages. Primary mortgage insurance is typically offered to customers on individual loans at the time of origination on a flow (i.e., loan-by-loan) basis, but can also be written in bulk transactions (in which each loan in a portfolio of loans is insured in a single transaction). A substantial majority of our policies are primary mortgage insurance.

Customers that purchase our primary mortgage insurance select a specific coverage level for each insured loan. To be eligible for purchase by a GSE, a low down payment loan must comply with the coverage percentages established by that GSE. For loans not sold to the GSEs, the customer determines its desired coverage percentage. Generally, our risk across all policies written is approximately 24% of the underlying primary insurance in force, but may vary from policy to policy between 6% and 35% coverage.

We file our premium rates with the insurance departments of the 50 states and the District of Columbia as required. Premium rates cannot be changed after the issuance of coverage and premiums applicable to an individual loan are based on a broad spectrum of risk variables including coverage percentages, loan-to-value, or LTV, loan and property attributes, and borrower risk characteristics. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Net Premiums Written and Earned" and "—Key Performance Indicators—Average Premium Rate."

Premium payments for primary mortgage insurance coverage are typically made by the borrower. Mortgage insurance paid directly by the borrower is referred to as borrower-paid mortgage insurance, or "BPMI". If the borrower is not required to pay the premium, then the premium is paid by the lender, who may recover the premium through an increase in the note rate on the mortgage or higher origination fees. Loans for which premiums are paid by the lender are referred to as lender-paid mortgage insurance. In either case, the payment of premium to us generally is the legal responsibility of the insured.

Premiums are generally calculated as a percentage of the original principal balance and may be paid as follows:

- monthly, where premiums are collected on a monthly basis over the life of the policy;
- single, where the entire premium is paid upfront at the time the mortgage loan is originated;
- annually, where premiums are paid in advance for the subsequent 12 months; or
- on a "split" basis, where an initial premium is paid upfront along with subsequent monthly payments.

As of December 31, 2014, substantially all of our policies are monthly or single premium policies.

In general, we may not terminate mortgage insurance coverage except in the event there is non-payment of premiums or certain material violations of our mortgage insurance policies. The insured may technically cancel mortgage insurance coverage at any time at their option or upon mortgage repayment, which is accelerated in the event of a refinancing. However, in the case of loans sold to the GSEs, lender cancellation of a policy not eligible for cancellation under the GSE rules may be in violation of the GSEs' charters. GSE guidelines generally provide that a borrower meeting certain conditions may require the mortgage servicer to cancel mortgage insurance coverage upon the borrower's request when the principal balance of the loan is 80% or less of the property's current value. The Homeowners Protection Act of 1998, or HOPA, also requires the automatic termination of BPMI on most loans when the LTV ratio, based upon the original property value and amortized loan balance, reaches 78%, and also provides for cancellation of BPMI upon a borrower's request when the LTV ratio, based on the current value of the property, reaches 80%, upon satisfaction of the conditions set forth in HOPA. In addition, some states impose their own mortgage insurance notice and cancellation requirements on mortgage loan servicers.

*Pool Insurance*

Pool insurance is typically used to provide additional credit enhancement for certain secondary market and other mortgage transactions. Pool insurance generally covers the excess of the loss on a defaulted mortgage loan that exceeds the claim payment under the primary coverage, if such loan has primary coverage, as well as the total loss on a defaulted mortgage loan that did not have primary coverage. Pool insurance may have a stated aggregate loss limit for a pool of loans and may also have a deductible under which no losses are paid by the insurer until losses on the pool of loans exceed the deductible. In another variation, generally referred to as modified pool insurance, policies are structured to include an exposure limit for each individual loan as well as an aggregate loss limit or a deductible for the entire pool.

*Master Policy*

We issue a master policy to each customer approved as a counterparty by our risk department before accepting their applications for insurance. The master policy, along with its related endorsements and certificates, sets forth the general terms and conditions of our mortgage insurance coverage, including loan eligibility requirements, coverage terms, policy administration, premium payment obligations, exclusions or reductions in coverage, conditions precedent to payment of a claim, claim payment requirements, subrogation and other matters attendant to our coverage.

Mortgage insurance master policies generally protect mortgage insurers from the risk of material misrepresentations and fraud in the origination of an insured loan by establishing the right to rescind coverage in such event. The relationships between the legacy private mortgage insurers and mortgage lenders had been strained as a result of the financial crisis, in part due to a historically high rate of rescissions, in particular for loans originated from 2006 to 2008. As a result of this heightened rescission activity, lenders found themselves exposed to unanticipated losses. In response, we introduced the Clarity of Coverage® endorsement to our master policy in 2011, which provided for fair and transparent treatment of claim investigations and coverage rescissions for every loan we insure by identifying what misrepresentations or underwriting errors will be deemed material and, consequently, what would be grounds for rescinding a policy.

In 2013, the GSEs, in coordination with the Federal Housing Finance Agency, or FHFA, issued new minimum standards for mortgage insurer master policies, including standards relating to rescission rights, requiring all approved mortgage insurers to implement complying revised master policies for coverage with respect to mortgage insurance applications received on or after October 1, 2014. Under the new minimum standards, master policies must provide rescission relief for loans that remain current up to 36 months after origination and that have not experienced more than two late payments of

30 days or more and have never been 60 days late, and are permitted to provide rescission relief after 12 payments provided the mortgage insurer can independently validate the representations for which it intends to give rescission relief. The standards require that the master policies reserve rescission rights with respect to fraud committed by the insured or those under its control and certain patterns of fraud. We have received all necessary state approvals and have implemented our new master policy forms as required by the GSEs. See "Risk Factors—Risks Relating to Our Business—*Changes in the business practices of the GSEs, including actions or decisions to decrease or discontinue the use of mortgage insurance or changes in the GSEs' eligibility requirements for mortgage insurers, could reduce our revenues or adversely affect our profitability and returns*" elsewhere in this Annual Report and "—Regulation—Direct U.S. Regulation—GSE Qualified Mortgage Insurer Requirements" below.

***Contract Underwriting***

In addition to offering mortgage insurance, we provide contract underwriting services on a limited basis. As a part of these services, we assess whether data provided by the customer relating to a mortgage application complies with the customer's loan underwriting guidelines. These services are provided for loans that require private mortgage insurance, as well as for loans that do not require private mortgage insurance. Under the terms of our contract underwriting agreements with customers and subject to contractual limitations on liability, we agree to indemnify the customer against losses incurred in the event that we make an underwriting error which materially restricts or impairs the saleability of a loan, results in a material reduction in the value of a loan or results in the customer being required to repurchase a loan. The indemnification may be in the form of monetary or other remedies, subject to per loan and annual limitations. See "Risk Factors—Risks Relating to Our Business—*We face risks associated with our contract underwriting business."*

***Triad Services***

In connection with the acquisition in 2009 of our mortgage insurance platform from Triad Guaranty Inc. and its wholly-owned subsidiary, Triad Guaranty Insurance Company, which we refer to collectively as Triad, we agreed to provide certain information systems maintenance and development services to Triad as its legacy insurance portfolio runs off. Triad retains the obligation for all risks insured under its existing insurance contracts and directly manages loss mitigation and claim activity on its insured business.

***Bermuda-Based Insurance and Reinsurance***

We offer mortgage-related insurance and reinsurance through our wholly-owned Bermuda-based subsidiary, Essent Reinsurance Ltd., which we refer to as "Essent Re". Essent Re is a Class 3A insurance company licensed pursuant to Section 4 of the Bermuda Insurance Act 1978. In 2014, Essent Re issued two policies in connection with Freddie Mac's Agency Credit Insurance Structure (ACIS) program covering up to approximately $43.7 million of risk on mortgage loans in reference pools associated with debt notes issued by Freddie Mac. Essent Re also reinsures 25% of Essent Guaranty, Inc.'s GSE-eligible mortgage insurance NIW originated since July 1, 2014 under a quota share reinsurance agreement.

**Our Mortgage Insurance Portfolio**

All of our policies in force were written since May 2010. The following data presents information on our mortgage insurance portfolio for policies written by Essent Guaranty, Inc.

***Insurance in Force by Policy Year***

The following table sets forth our insurance in force, or IIF, as of December 31, 2014, by year of policy origination. IIF refers to the unpaid principal balance of mortgage loans that we insure.

| ($ in thousands) | $ | % |
|---|---|---|
| 2014 | 23,699,572 | 46.7 |
| 2013 | 17,907,693 | 35.3 |
| 2012 | 7,780,072 | 15.3 |
| 2011 | 1,298,063 | 2.6 |
| 2010 | 77,194 | 0.1 |
| | 50,762,594 | 100.0 |

***Portfolio Characteristics***

The following tables reflect our IIF and risk in force, or RIF, amounts by borrower credit scores at origination, LTV at origination, and loan type and amortization as of December 31, 2014 and 2013. RIF refers to the product of the coverage percentage applied to the unpaid principal balance of mortgage loans that we insure.

*Portfolio by Credit Score*

| | As of December 31, | | | |
|---|---|---|---|---|
| Total IIF by FICO score ($ in thousands) | 2014 | | 2013 | |
| ³760 | $ 24,546,571 | 48.4% | $ 17,102,961 | 53.3% |
| 740 - 759 | 8,804,454 | 17.3 | 5,724,933 | 17.9 |
| 720 - 739 | 7,185,175 | 14.2 | 4,380,452 | 13.7 |
| 700 - 719 | 4,849,412 | 9.6 | 2,646,717 | 8.3 |
| 680 - 699 | 3,540,811 | 7.0 | 1,665,196 | 5.2 |
| £679 | 1,836,171 | 3.5 | 507,937 | 1.6 |
| Total | $ 50,762,594 | 100.0% | $ 32,028,196 | 100.0% |

| | As of December 31, | | | |
|---|---|---|---|---|
| Total RIF by FICO score ($ in thousands) | 2014 | | 2013 | |
| ³760 | $ 5,900,373 | 48.3% | $ 4,106,913 | 52.9% |
| 740 - 759 | 2,135,891 | 17.4 | 1,399,308 | 18.0 |
| 720 - 739 | 1,750,232 | 14.3 | 1,081,286 | 13.9 |
| 700 - 719 | 1,145,431 | 9.4 | 637,086 | 8.2 |
| 680 - 699 | 859,436 | 7.0 | 415,414 | 5.3 |
| £679 | 435,907 | 3.6 | 128,598 | 1.7 |
| Total | $ 12,227,270 | 100.0% | $ 7,768,605 | 100.0% |

*Portfolio by LTV*

| Total IIF by LTV ($ in thousands) | As of December 31, 2014 | | 2013 | |
|---|---|---|---|---|
| 85.00% and below | $ 6,100,274 | 12.0% | $ 4,322,612 | 13.5% |
| 85.01% to 90.00% | 17,719,816 | 34.9 | 12,171,460 | 38.0 |
| 90.01% to 95.00% | 25,832,106 | 50.9 | 15,121,279 | 47.2 |
| 95.01% and above | 1,110,398 | 2.2 | 412,845 | 1.3 |
| Total | $ 50,762,594 | 100.0% | $ 32,028,196 | 100.0% |

| Total RIF by LTV ($ in thousands) | As of December 31, 2014 | | 2013 | |
|---|---|---|---|---|
| 85.00% and below | $ 681,908 | 5.6% | $ 474,763 | 6.1% |
| 85.01% to 90.00% | 4,174,743 | 34.1 | 2,858,683 | 36.8 |
| 90.01% to 95.00% | 7,203,270 | 58.9 | 4,296,135 | 55.3 |
| 95.01% and above | 167,349 | 1.4 | 139,024 | 1.8 |
| Total | $ 12,227,270 | 100.0% | $ 7,768,605 | 100.0% |

*Portfolio by Loan Amortization Period*

| Total IIF by Loan Amortization Period ($ in thousands) | As of December 31, 2014 | | 2013 | |
|---|---|---|---|---|
| FRM 30 years and higher | $ 44,503,607 | 87.7% | $ 27,364,633 | 85.4% |
| FRM 20 - 25 years | 1,273,086 | 2.5 | 1,086,120 | 3.4 |
| FRM 15 years | 2,637,970 | 5.2 | 2,354,656 | 7.4 |
| ARM 5 years and higher | 2,347,931 | 4.6 | 1,222,787 | 3.8 |
| Total | $ 50,762,594 | 100.0% | $ 32,028,196 | 100.0% |

***Portfolio by Geography***

Our in force portfolio is geographically diverse. As of December 31, 2014, only three states accounted for greater than 5% of our portfolio and no single metropolitan statistical area accounted for greater than 4% of our portfolio, as measured by either IIF or RIF. The following tables provide detail of the IIF and RIF in our top ten most concentrated states and our top ten most concentrated U.S. metropolitan statistical areas as of December 31, 2014 and 2013.

*Top Ten States*

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| **IIF by State** | | |
| CA | 10.2% | 11.1% |
| TX | 8.3 | 8.2 |
| FL | 5.3 | 4.6 |
| WA | 4.3 | 3.6 |
| NC | 4.0 | 4.3 |
| IL | 3.9 | 4.0 |
| MA | 3.9 | 2.8 |
| PA | 3.4 | 3.6 |
| NJ | 3.4 | 3.8 |
| GA | 3.3 | 3.5 |
| All Others | 50.0 | 50.5 |
| Total | 100.0% | 100.0% |

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| **RIF by State** | | |
| CA | 9.8% | 10.5% |
| TX | 8.5 | 8.0 |
| FL | 5.6 | 4.8 |
| WA | 4.4 | 3.6 |
| NC | 4.2 | 4.4 |
| IL | 4.0 | 4.0 |
| GA | 3.5 | 3.6 |
| NJ | 3.4 | 3.7 |
| PA | 3.2 | 3.6 |
| AZ | 3.2 | 3.3 |
| All Others | 50.2 | 50.5 |
| Total | 100.0% | 100.0% |

*Top Ten Metropolitan Statistical Areas*

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| **IIF by Metropolitan Statistical Area** | | |
| Chicago-Joliet-Naperville, IL | 3.1% | 3.1% |
| Houston-Sugar Land-Baytown, TX | 2.8 | 2.8 |
| Phoenix-Mesa-Glendale, AZ | 2.6 | 2.7 |
| Atlanta-Sandy Springs-Marietta, GA | 2.5 | 2.6 |
| Minneapolis-St. Paul-Bloomington, MN-WI | 2.4 | 2.2 |
| Seattle-Bellevue-Everett, WA | 2.3 | 2.0 |
| Los Angeles-Long Beach-Glendale, CA | 2.3 | 2.5 |
| Denver-Aurora, CO | 2.1 | 2.2 |
| Washington-Arlington-Alexandria, DC-VA-MD-WV | 2.0 | 2.4 |
| Dallas-Plano-Irving, TX | 2.0 | 2.0 |
| All Others | 75.9 | 75.5 |
| Total | 100.0% | 100.0% |

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| **RIF by Metropolitan Statistical Area** | | |
| Chicago-Joliet-Naperville, IL | 3.1% | 3.2% |
| Houston-Sugar Land-Baytown, TX | 2.9 | 2.7 |
| Phoenix-Mesa-Glendale, AZ | 2.5 | 2.5 |
| Atlanta-Sandy Springs-Marietta, GA | 2.6 | 2.7 |
| Minneapolis-St. Paul-Bloomington, MN-WI | 2.5 | 2.3 |
| Seattle-Bellevue-Everett, WA | 2.4 | 2.0 |
| Los Angeles-Long Beach-Glendale, CA | 2.2 | 2.4 |
| Denver-Aurora, CO | 2.0 | 2.1 |
| Washington-Arlington-Alexandria, DC-VA-MD-WV | 2.0 | 2.3 |
| Dallas-Plano-Irving, TX | 2.0 | 1.9 |
| All Others | 75.8 | 75.9 |
| Total | 100.0% | 100.0% |

**Customers**

Our customers consist of originators of residential mortgage loans, such as regulated depository institutions, mortgage banks, credit unions and other lenders. We classify our customers into two broad categories and target our marketing efforts based on the customer's operating model and whether decisions to select a mortgage insurance provider are made centrally, or at the field or customer branch level:

- *Centralized*—Centralized customers make decisions regarding the placement and allocation of mortgage insurance among their approved private mortgage insurers at the corporate level. Generally, these customers consist of the larger, national mortgage originators which originate loans across multiple states, but there are several regional and mid-size lenders which use this method as well.

- *Decentralized*—Decentralized customers make mortgage insurance purchasing decisions at the field or branch level. These customers generally are more prevalent with regional and mid-size lenders which originate mortgages in a smaller geographic footprint, but are also seen, on a limited basis, among some national lenders.

We seek to maintain strong institutional relationships with all our customers. We provide them with ongoing risk, sales, training, service and product development support. We maintain regular and ongoing dialogue with our customers to develop an in-depth understanding of their strategies and needs, to share market perspectives and industry best practices, and to offer tailored solutions and training where necessary on a local level.

The following table provides detail on the percentage of our total NIW generated by centralized and decentralized customers, respectively, during the years ended December 31, 2014, 2013 and 2012.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Centralized | 48.2% | 56.0% | 67.9% |
| Decentralized | 51.8 | 44.0 | 32.1 |
| Total | 100.0% | 100.0% | 100.0% |

We had master policy relationships with approximately 1,175 customers as of December 31, 2014.

As we have grown, we have successfully diversified our customer base. Our top ten customers generated 42.6% of our NIW on a flow basis during the year ended December 31, 2014, compared to 49.6% and 60.4% for the years ended December 31, 2013 and 2012, respectively. For the year ended December 31, 2014, one customer, Wells Fargo, exceeded 10% of our consolidated revenue. The loss of any of our larger customers could have a material adverse impact on us and our business. See "Risk Factors—Risks Relating to Our Business—*Our revenues, profitability and returns would decline if we lose a significant customer*."

**Sales and Marketing**

Our sales and marketing efforts are designed to help us establish and maintain in-depth, quality customer relationships. We organize our sales and marketing efforts based on our centralized and decentralized customer segmentation, giving additional consideration to a customer's geographic location and whether its lending footprint is national or regional in nature.

We emphasize a collaborative approach with our customers that included a number of educational offerings and joint product development and marketing initiatives:

- *Regular Portfolio and Risk Management Reviews.* We conduct periodic insured mortgage portfolio reviews with customers, including detailed loan performance metrics.

- *Joint Product Development and Marketing Initiatives.* We emphasize the development of specialized products and programs that provide increased opportunities for customers and address targeted segments of the market. We recognize the value in developing new products collaboratively with our customers. We also work closely with customers to understand their strategic priorities and business objectives while identifying opportunities that will enhance and complement the customers' marketing activities.

- *Customer Service, Support and Trainings.* We have an experienced and knowledgeable customer services team that strives to provide premier service to our customers. We dedicate service representatives to our customers so they can establish relationships with their customer peers and become thoroughly familiar with unique customer systems, processes and service needs. We

have developed mortgage industry training courses that are offered to our customers as a value added service. We have an experienced team that maintains the course materials so that they are relevant and current and who facilitate training sessions for our customers.

We have an experienced team of national and regional account managers strategically deployed nationwide that markets our mortgage insurance products and support services.

We assign national account managers to each of the national lenders, providing a point of communication between us and the customer's senior management team. These professionals are responsible for the development and execution of sales and marketing strategies aimed at growing customer volumes and ensuring each customer's needs are understood and helping them to pursue their strategies. The national account managers also coordinate the direct communication of customers with our underwriting and risk management groups to provide a continual flow of information between the organizations.

We also have regional account managers and dedicated support staff operating in eight defined geographic regions. Our regional account managers play a similar role to our national account managers with respect to customer relationship management, education and customer training, serving as our primary point of contact for small and mid-sized regional lenders operating in a given territory. Regional account managers also support our national account team by assisting with our efforts to directly market and service the branch locations of certain national lenders.

We support our national and regional sales force, and improve their effectiveness in acquiring new customers, by raising our brand awareness through advertising and marketing campaigns, website enhancements, electronic communication strategies and sponsorship of industry and educational events.

We continue to build our sales force by hiring qualified mortgage professionals who generally have well-established relationships with industry leading lenders and significant experience in both mortgage insurance and mortgage lending. Our approach is reflected in and supported by our compensation structure, pursuant to which we have successfully implemented a non-commission-based structure that includes an equity ownership program, which we believe aligns their efforts with our long-term corporate objectives, including providing better customer service and better risk selection.

**Information Technology**

We have a highly automated business that relies on information technology. We accept insurance applications through electronic submission and issue electronic insurance approvals. In order to facilitate this process, we establish direct connections to the origination and servicing systems of our customers and servicers, which may require a significant upfront investment. We also provide our customers secure access to our web-based mortgage insurance ordering and servicing systems to facilitate transactions.

Since we acquired our mortgage insurance platform, we have continued to upgrade and enhance systems and technology, including:

- investing in new customer-facing technology that enables our customers to transact business faster and easier, whether over an internet browser or through direct system-to-system interfacing with our customers' loan origination and servicing systems;

- integrating our platform with third-party technology providers used by our customers in their loan origination process and for ordering mortgage insurance;

- developing and implementing a business rules engine that automatically enforces our eligibility guidelines and pricing rules at the time the mortgage insurance application is submitted; and

- implementing advanced business process management software that focuses on improving our underwriting productivity and that may also be used to improve our quality assurance and loss management functions.

We believe that our technology, together with our information technology team, has greatly enhanced our operating efficiency and created competitive advantages. This team is experienced in large-scale project delivery, including mortgage insurance administration systems and the development of web-enabled servicing capabilities. Technology costs are managed by standardizing our technology infrastructure, consolidating application systems, managing project execution risks and using contract employees as needed.

**Underwriting**

We have established underwriting guidelines that we believe protect our balance sheet and result in the insurance of high quality business. Most applications for mortgage insurance are submitted to us electronically and we rely upon the lender's representations and warranties that the data submitted is true and correct when making our insurance decision. Our underwriting guidelines incorporate credit eligibility requirements that, among other things, restrict our coverage to mortgages that meet our requirements with respect to borrower FICO scores, maximum debt-to-income levels, maximum LTV ratios and documentation requirements. Our underwriting guidelines also limit the coverage we provide for mortgages made with certain high risk features, including those for cash-out refinance, second homes or investment properties.

We regularly seek to enhance our underwriting guidelines through extensive data gathering, detailed loan level risk analysis, and assessments of trends in key macroeconomic factors such as housing prices, interest rates and employment. We utilize proprietary models that enable us to assess individual loan risks with a high degree of granularity and set pricing for our policies within a risk-adjusted return framework. See "—Risk Management" below. We have adopted a balanced underwriting approach, which considers our risk analysis, return objectives and market factors.

At present, our underwriting guidelines are broadly consistent with those of the GSEs. Many of our customers use the GSEs' automated loan underwriting systems, Desktop Underwriter® and Loan Prospector®, for making credit determinations. We accept the underwriting decisions made by GSEs' underwriting systems, subject to certain additional limitations and requirements. We monitor the GSEs for updates to these systems, and may engage in a deeper review for the more substantive releases. Our reviews could result in the maintenance or implementation of additional eligibility requirements. In addition, the performance results of loans scored via automated underwriting systems are monitored within our portfolio management protocols.

Our primary mortgage insurance policies are issued through one of two programs:

- *Delegated Underwriting.* We delegate to eligible customers the ability to underwrite the loans based on agreed-upon underwriting guidelines. To perform delegated underwriting, customers must be approved by our risk management group. See "—Risk Management—Loan Life Cycle Risk Management" below. Some customers prefer to assume underwriting responsibilities because it is more efficient within their loan origination process. Because this delegated underwriting is performed by third parties, we regularly perform quality assurance reviews on a sample of delegated loans to assess compliance with our guidelines. As of December 31, 2014, approximately 65% of our insurance in force had been originated on a delegated basis, compared to 69% as of December 31, 2013. See "Risk Factors—Risks Relating to Our Business—*Our delegated underwriting program may subject our mortgage insurance business to unanticipated claims*."

- *Non-Delegated Underwriting.* Customers who choose not to participate in, or do not qualify for, our delegated underwriting program submit loan files to us so that we may reach a decision as to whether we will insure the loan. In addition, customers participating in our delegated underwriting program may choose not to use their delegated authority, and instead may submit loans for our independent underwriting. Some customers prefer our non-delegated program because we assume underwriting responsibility and will not rescind coverage if we make an underwriting error, subject to the terms of our Clarity of Coverage commitment. We seek to ensure that our employees properly underwrite our loans through quality assurance sampling, loan performance monitoring and training. As of December 31, 2014, approximately 35% of our insurance in force had been originated on a non-delegated basis, compared to 31% as of December 31, 2013.

We maintain primary underwriting centers in Radnor, Pennsylvania, Winston-Salem, North Carolina and Irvine, California. We believe that the geographical distribution of our underwriting staff allows us to make underwriting determinations across different time zones and to best serve customers across the United States. Although our employees conduct the substantial majority of our non-delegated underwriting, we engage underwriters on an outsourced basis from time to time in order to provide temporary underwriting capacity.

**Risk Management**

We have established risk management controls throughout our organization and have a risk management framework that we believe reduces the volatility of our financial results and capital position. The risk committee of our board of directors has formal oversight responsibility for the risks associated with our business and is supported by a management risk committee, chaired by our Chief Risk Officer, comprised of all senior members of our executive management team.

We believe that our risk management framework encompasses all of the major risks we face, including our mortgage insurance portfolio, investment risk, liquidity risk and regulatory compliance risk, among others. The majority of our risk analysis is directed toward the risks embedded in our mortgage insurance portfolio. As such, we have established a risk management approach that analyzes the risk across the full life cycle of a mortgage, into what we term the "loan life cycle."

***Loan Life Cycle Risk Management***

We generally break down the loan life cycle risk management process into three components:

- *Customer qualification*—customer review and approval process;
- *Policy acquisition*—loan underwriting, valuation and risk approval; and
- *Portfolio management*—loan performance and lender monitoring with continuous oversight through the settlement of a claim.

Customer qualification involves a process in which we diligence a potential customer's financial resources, operational practices, management experience and track record of originating quality mortgages prior to formalizing a customer relationship. We leverage the experience of our management team to pre-screen lenders prior to formally engaging and performing a lender qualification review. Once engaged, our counterparty risk management team conducts a lender qualification review with oversight from the management risk committee. Approved lenders are subject to clear parameters regarding underwriting delegation status, credit guideline requirements and variances and collateral thresholds and volume mix expectations for loan diversification.

The policy acquisition process involves the establishment of underwriting guidelines, pricing schedules and aggregate risk limits. See "—Underwriting" above. These guidelines and schedules are coded in our credit risk rule engine which is utilized to screen each loan underwritten, and are constructed to ensure prudent risk acquisition with adequate return on capital. These guidelines and schedules are maintained and periodically reviewed by our risk management team and adjusted to reflect the most current risk assessment based on ongoing experience in the insurance portfolio as well as industry loan quality trends.

The portfolio management process involves two main functions, quality assurance, or QA, reviews, and a comprehensive surveillance protocol, in order to provide customers timely feedback that fosters high quality loan production. Through our QA process, we review a statistically significant sample of individual mortgages from our customers to ensure that the loans accepted through our underwriting process meet our pre-determined eligibility and underwriting criteria. The QA process allows us to identify trends in lender underwriting and origination practices, as well as to back-test underlying reasons for delinquencies, defaults and claims within our portfolio. The information gathered from the QA process is incorporated into our policy acquisition function and is intended to prevent continued aggregation of underperforming risks. Our surveillance protocol maintains oversight over customer and vendor activities, industry dynamics, production trends and portfolio performance. The portfolio management process also involves loss mitigation aimed to reduce both frequency and severity of non-performing risk. See "—Defaults and Claims" below.

***Modeling and Analytics***

Our risk management professionals are supported by substantial data analysis and sophisticated risk models. We have a dedicated modeling and analytics team which is responsible for delivering actionable models, tools, analysis and reporting to inform our credit underwriting and pricing decisions. The team analyzes mortgage, financial, economic and housing data to develop proprietary behavioral models that help us assess credit, prepayment and loss severity trends and collateral valuation models to help inform business decisions. Performance and profitability are evaluated across customers and products to identify the emergence of potential weaknesses and adverse risks. Geographic housing market analysis also is utilized in establishing market restrictions for certain products and segments. We utilize an economic capital framework to evaluate risk-adjusted returns. We also perform stress tests on our portfolio to analyze how our book of business may perform under adverse scenarios. We believe that our economic capital framework and stress testing analysis helps to inform our optimal capitalization targets, allowing us to prudently manage and protect our balance sheet.

**Defaults and Claims**

***Defaults***

The default and claim cycle for a mortgage insurance policy begins with receipt of a default notice from the servicer. We consider a loan to be in default when we are notified by the servicer that the borrower has missed at least two consecutive monthly payments. Defaults may occur for a variety of reasons including death or illness, divorce or other family problems, unemployment, changes in economic conditions, declines in property values that cause the outstanding mortgage amount to exceed the value of a home or other events.

We expect servicers to make timely collection efforts on borrowers who have defaulted, and to attempt to restore the defaulted mortgage, and our mortgage insurance coverage, to current status. If the servicer cannot restore a borrower to current status, the servicer may be able to offer the borrower a forbearance or loan modification alternatives. Where these alternatives cannot cure the default, the servicer is responsible for pursuing remedies for the default, including foreclosure or acceptable foreclosure alternatives, certain of which, such as short sales and deeds in lieu of foreclosure, require

our prior approval under the terms of our master policy. We have delegated limited authority to the GSEs' and their servicers to exercise some of these alternatives. Among other requirements, servicers operate under protocols established by the GSEs. See "Risk Factors—Risks Relating to Our Business—*If servicers fail to adhere to appropriate servicing standards or experience disruptions to their businesses, our losses could unexpectedly increase*."

The following table shows the number of primary insured loans and the percentage of loans insured by us that are in default as of December 31, 2014 and 2013:

*Number of Loans in Default and Default Rate*

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Number of policies in force | 229,721 | 141,417 |
| Loans in default | 457 | 159 |
| Percentage of loans in default | 0.20% | 0.11% |

*Loan Defaults by Originating Year*

| | December 31, 2014 | | | December 31, 2013 | | |
|---|---|---|---|---|---|---|
| Originating Year | Loans in Default | Percentage of policies written in period | Defaulted RIF (in thousands) | Loans in Default | Percentage of policies written in period | Defaulted RIF (in thousands) |
| 2010 | 1 | 0.1% | $ 16 | 1 | 0.1% | $ 9 |
| 2011 | 55 | 0.4 | 2,155 | 52 | 0.4 | 2,314 |
| 2012 | 119 | 0.2 | 5,672 | 79 | 0.2 | 3,649 |
| 2013 | 206 | 0.2 | 10,879 | 27 | 0.0 | 1,285 |
| 2014 | 76 | 0.1 | 4,398 | N/A | N/A | N/A |
| Total | 457 | | $ 23,120 | 159 | | $ 7,257 |

We have experienced a low level of defaults to date. This is due, in part, to the weighted average life of our mortgage insurance portfolio being 13.7 months as of December 31, 2014, whereas the peak default period for insured mortgage loans has historically been three to six years after loan origination. As a result, we do expect default levels to increase as our portfolio seasons. We believe that in recent years the underwriting practices in the industry have improved substantially and that the quality of mortgage loans originated has been high. Consequently, we expect that the default rate and losses on the business we have underwritten to date will be favorable in comparison to the default rate and losses experienced by the mortgage insurers that wrote business in 2009 and prior years.

***Claims***

Defaulted mortgages that are not cured turn into claims. The insured customer must acquire title to the property before submitting a claim. The time in which a customer may acquire title to a property through foreclosure varies, depending on the state in which the property is located. Historically, on average, mortgage insurers do not receive a request for claim payment until approximately 18 months following a default on a first-lien mortgage. This time lag has increased in recent years as the industry has experienced a slowdown in foreclosures (and, consequently, a slowdown in claims submitted to mortgage insurers) largely due to foreclosure moratoriums imposed by various government entities and lenders and increased scrutiny within the mortgage servicing industry on the foreclosure process.

Upon review and determination that a claim is valid, we generally have the following three settlement options:

- Percentage option—determined by multiplying the claim amount by the applicable coverage percentage, with the customer retaining title to the property. The claim amount is defined in the master policy as consisting of the unpaid loan principal, plus past due interest, subject to a defined maximum, and certain expenses associated with the default;

- Third-party sale option—pay the amount of the claim required to make the customer whole, commonly referred to as the "actual loss amount" (not to exceed our maximum liability as outlined under the percentage option), following an approved sale; or

- Acquisition option—pay the full claim amount and acquire title to the property.

We believe there are opportunities to mitigate losses between the time a loan defaults and the ultimate loss we may experience. Because of the small number of defaults and filed claims in our insurance portfolio to date, our opportunities to pursue these activities have been limited. However, we expect both defaulted loan counts and claim filings to increase as our portfolio grows and matures, expanding the potential benefit from these loss mitigation activities. Our loss mitigation and claims area is led by seasoned personnel supported by default tracking and claims processing capabilities within our integrated platform. Our loss mitigation staff is also actively engaged with our servicers and the GSEs with regard to appropriate servicing and loss mitigation practices.

**Investment Portfolio**

Our investment portfolio, including cash, comprises the largest single component of our balance sheet, representing 91.6% of our total assets at December 31, 2014. Our primary objectives with respect to our investment portfolio are to preserve capital, generate investment income and maintain sufficient liquidity to cover operating expenses and pay future insurance claims. As of December 31, 2014, all of our investment securities were rated investment-grade.

We have adopted and our board of directors has approved an investment policy that defines specific limits for asset sectors, single issuer, credit rating, asset duration, industry and geographic concentration and eligible and ineligible investments. Our senior management is responsible for the execution of our investment strategy and compliance with the adopted investment policy, and review investment performance and strategy with the investment committee of the board of directors on a quarterly basis.

Our current strategy for the investment portfolio is focused primarily on the following: selecting investment-grade, fixed income securities; maintaining sufficient liquidity to meet expected and unexpected financial obligations; mitigating interest rate risk through management of asset durations; continuously monitoring investment quality; and restricting investments to assets that are highly correlated to the residential mortgage market.

We engage external asset managers to assist with the trading, investment research, investment due diligence and portfolio allocation within the guidelines that we have set. Approximately 79.1% of our investment assets, excluding cash, were managed by external managers as of December 31, 2014. Assets not managed by external managers include securities on deposit with state regulatory agencies in connection with the insurance licenses and bonds issued by the U.S. Treasury and U.S. government agencies. To date, we have not used any derivatives to hedge any investment or business risks that we are currently assuming and we have not recorded impairments or realized material losses on any investment assets. We measure investment performance against market benchmarks on both total return and return volatility dimensions.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Investments" for information regarding the performance of our investment portfolio.

**Regulation**

***Direct U.S. Regulation***

We are subject to comprehensive, detailed regulation by Federal regulators and state insurance departments. State regulations are principally designed for the protection of the public and our insured policyholders, rather than for the benefit of investors. Although their scope varies, state insurance laws generally grant broad supervisory powers to agencies or to officials to examine insurance companies and to enforce rules or to exercise discretion affecting almost every significant aspect of the insurance business.

*GSE Qualified Mortgage Insurer Requirements*

Our primary insurance subsidiary, Essent Guaranty, Inc., is currently approved by both Fannie Mae and Freddie Mac as a mortgage insurer. Pursuant to their charters, Fannie Mae and Freddie Mac purchase or guaranty low down payment loans insured by entities that they determine to be qualified mortgage insurance companies. Both Fannie Mae and Freddie Mac have published comprehensive requirements to become and remain a qualified mortgage insurer. The FHFA, as the conservator of the GSEs, has the authority to establish the priorities of the GSEs and to control and direct their operations. The FHFA has established a strategic plan for the GSEs, including the development by the GSEs of aligned counterparty risk management standards for mortgage insurers that include uniform master policy and eligibility requirements.

In 2014, the GSEs adopted minimum standards for mortgage insurer master policies, including standards relating to limitations of a mortgage insurer's rescission rights. We have received all necessary state approvals and have implemented our new master policy forms as required by the GSEs. See "—Our Products and Services—Mortgage Insurance—Master Policy" above.

On July 10, 2014, the FHFA released for public input draft Private Mortgage Insurer Eligibility Requirements (PMIERs). If implemented, the PMIERs would represent revised standards by which private mortgage insurers would be eligible to provide mortgage insurance on loans owned or guaranteed by Fannie Mae and Freddie Mac. The PMIERs would replace the current eligibility requirements separately established by each of Fannie Mae and Freddie Mac prior to the financial crisis. As proposed, the PMIERs include new financial strength requirements incorporating a risk-based framework that would require approved insurers to have a sufficient level of liquid assets from which to pay claims. These new requirements would impact the amount of capital a mortgage insurer must hold. The draft requirements also include enhanced operational performance expectations and define remedial actions that would apply should an approved insurer fail to comply with the new requirements. The public input period with respect to the PMIERs closed on September 8, 2014. The FHFA has advised us that it does not expect to release the final PMIERs until at least late in the first quarter of 2015.

*State Insurance Regulation*

Our U.S. insurance subsidiaries are required by the insurance regulatory authority of its state of domicile, and the insurance regulatory authority of each other jurisdiction in which they are licensed to transact business, to make various filings with those insurance regulatory authorities and with the National Association of Insurance Commissioners, or NAIC, including quarterly and annual financial statements prepared in accordance with statutory accounting principles. We are licensed to write mortgage insurance in all fifty states and the District of Columbia. Most states also regulate

transactions between insurance companies and their affiliates and have restrictions on transactions that have the effect of inducing lenders to place business with the insurer. For a description of limits on dividends payable to Essent Group Ltd. from our insurance subsidiaries, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and Note 11 to our consolidated financial statements entitled "Dividends Restrictions" included elsewhere in this Annual Report.

In general, state regulation of our insurance business relates to:

- licenses to transact business;
- producer licensing;
- approval of policy forms;
- approval of premium rates;
- limits on insurable loans;
- quarterly, annual and other reports on our financial condition;
- the basis upon which assets and liabilities must be stated;
- requirements regarding contingency reserves;
- minimum capital levels and adequacy ratios;
- limitations on the types of investment instruments which may be held in our investment portfolio;
- special deposits of securities;
- limits on dividends payable;
- advertising compliance;
- establishment of reserves;
- claims handling;
- hazardous financial condition; and
- enterprise risk management.

Mortgage insurance premium rates are regulated to protect policyholders against the adverse effects of excessive, inadequate or unfairly discriminatory rates and to encourage competition in the insurance marketplace. Any increase in premium rates must be actuarially justified, generally on the basis of the insurer's loss experience, expenses and future trend analysis. The general mortgage default experience may also be considered. Premium rates are subject to review and approval protocols maintained, and may be the subject of examination, by state regulators. See "Management's Discussion and Analysis—Liquidity and Capital Resources" for information about regulations governing our capital adequacy, information about our current capital and our expectations regarding our future capital position.

The insurance holding company laws and regulations of Pennsylvania, the state in which our U.S. insurance subsidiaries are domiciled, regulate, among other things, certain transactions between Essent Group Ltd., our insurance subsidiaries and other parties affiliated with us and certain transactions involving our common shares, including transactions that constitute a change of control of Essent Group Ltd. and, consequently, a change of control of our insurance subsidiaries. Specifically, these laws and regulations require that, before a person can acquire direct or indirect control of an insurer domiciled in the state, prior written approval must be obtained from the Pennsylvania Insurance

Department. The Pennsylvania Insurance Department is required to consider various factors, including the financial strength of the acquirer, the integrity and management experience of the acquirer's board of directors and executive officers, and the acquirer's plans for the future operations of the reinsurer or insurer. Pursuant to applicable laws and regulations, "control" over an insurer is generally presumed to exist if any person, directly or indirectly, owns, controls, holds the power to vote or holds proxies representing, 10% or more of the voting securities of that reinsurer or insurer. Indirect ownership includes ownership of our common shares.

State insurance law, and not Federal bankruptcy law, would apply to any insolvency or financially hazardous condition of our insurance subsidiaries.

During 2012, the NAIC established a Mortgage Guaranty Insurance Working Group, which we refer to as the "MGIWG", to determine and make recommendations to the NAIC's Financial Condition Committee regarding what, if any, changes are deemed necessary to the solvency regulation of mortgage guaranty insurers. The MGIWG has advanced a draft revised Model Act and has engaged with certain industry members developing a risk-sensitive analytical model to assess and establish capital adequacy levels. The MGIWG has advised us that they would like to conclude their work in 2015.

*Statutory Accounting*

The preparation of financial statements in conformity with state-regulated statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

We are required to establish statutory accounting contingency loss reserves in an amount equal to 50% of our net earned premiums. These amounts generally cannot be withdrawn for a period of 10 years, except as permitted by applicable insurance law and regulations. With regulatory approval, a mortgage guaranty insurance company may make early withdrawals from the contingency reserve when incurred losses exceed 35% of net premiums earned in a calendar year. For further information, see Note 17 to our consolidated financial statements entitled "Statutory Accounting" included elsewhere in this Annual Report.

***Federal Laws and Regulation***

Certain Federal laws directly or indirectly affect private mortgage insurers. Private mortgage insurers are impacted indirectly by Federal law and regulation affecting mortgage originators and lenders, purchasers of mortgage loans, such as the GSEs, and governmental insurers such as the FHA and the VA. For example, changes in Federal housing laws and regulation or other laws and regulations that affect the demand for private mortgage insurance may have a material adverse effect on us. In addition, mortgage origination and servicing transactions are subject to compliance with various Federal and state laws, including the Real Estate Settlement Procedures Act, or RESPA, the Equal Credit Opportunity Act, the Fair Housing Act, the Truth In Lending Act, or TILA, the Homeowners Protection Act of 1998, or HOPA, the Fair Credit Reporting Act of 1970, the Fair Debt Collection Practices Act, and others. Among other things, these laws and their implementing regulations prohibit payments for referrals of settlement service business, require fairness and non-discrimination in granting or facilitating the granting of credit, govern the circumstances under which companies may obtain and use consumer credit information, define the manner in which companies may pursue collection activities, and provide for other consumer protections.

*Dodd-Frank Act*

The Dodd-Frank Act Wall Street Reform and Consumer Protection Act of 2010, which we refer to as the Dodd-Frank Act, amended certain provisions of TILA and RESPA that may have a significant impact on our business prospects. The Consumer Financial Protection Bureau, or CFPB, a Federal agency created by the Dodd-Frank Act, is charged with implementation and enforcement of these provisions. On January 10, 2014, the CFPB implemented a final rule regarding ability-to-repay, or ATR, and Qualified Mortgage, or QM, standards. On December 24, 2014, the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Commission, the Federal Housing Finance Agency, the Securities and Exchange Commission and the Department of Housing and Urban Development adopted a joint final rule to implement the Qualified Residential Mortgage, or QRM, regulations as required by the Dodd-Frank Act. This rule will take effect on December 24, 2015. Both QM and QRM are discussed below. The CFPB has also published final residential mortgage servicing rules providing for amendments to Regulation Z (promulgated pursuant to TILA) and RESPA.

Qualified Mortgage Regulations—ATR Requirements

The Dodd-Frank Act established the CFPB to regulate the offering and provision of consumer financial products and services under Federal law, including residential mortgages. Under the Dodd-Frank Act, the CFPB is authorized to issue regulations governing a loan originator's determination that, at the time a loan is originated, the consumer has a reasonable ability to repay the loan. The Dodd-Frank Act provides for a statutory presumption that a borrower will have the ability to repay a loan if the loan has characteristics satisfying the QM definition. Creditors who violate the ATR standard can be liable for all interest and fees paid by the borrower as well as actual and statutory damages. Furthermore, the borrower may assert this as a defense by recoupment or set off without regard to any statute of limitation in any foreclosure action initiated by or on behalf of the creditor, assignee or any holder of the mortgage.

Pursuant to the CFPB's final rule regarding QMs, which we refer to as the QM Rule, a loan is deemed to be a QM if it meets certain specified requirements, including if:

- the term of the mortgage is less than or equal to 30 years;
- there is no negative amortization, interest only or balloon features;
- the lender properly documents the loan in accordance with the requirements;
- the total "points and fees" do not exceed certain thresholds, generally 3%; and
- the total debt-to-income ratio does not exceed 43%.

The QM Rule provides a "safe harbor" for QM loans with annual percentage rates, or APRs, below the threshold of 150 basis points over the Average Prime Offer Rate, or APOR, and a "rebuttable presumption" for QM loans with an APR above that threshold.

The Dodd-Frank Act separately granted statutory authority to HUD (for FHA-insured loans), the VA (for VA-guaranteed loans) and certain other government agency insurance programs to develop their own definitions of a qualified mortgage in consultation with CFPB. In 2013, HUD adopted a separate definition of a qualified mortgage for loans insured by the FHA. The VA developed its QM definition in 2014. Under both the FHA's and the VA's QM standards, certain loans which would not qualify as QM loans in the conventional market would still be deemed to be QM loans if insured or guaranteed by FHA or VA. As a result, lenders may favor the use of FHA or VA insurance to achieve the legal protections of a making a QM loan through these agencies, even if the same loan could be made at the same or lower cost to the borrower using private mortgage insurance, which could adversely impact our business. To the extent that the other government agencies adopt their own

definitions of a QM which are more favorable to lenders and mortgage holders than those applicable to the market in which we operate, our business may be adversely affected.

The QM Rule also provides for a second, temporary category that allows for more flexible underwriting requirements. To qualify under the temporary QM definition, a mortgage must meet the general product feature requirements and be eligible to be purchased or guaranteed by either of the GSEs (while they remain under FHFA conservatorship), the FHA, the VA, and the U.S. Department of Agriculture Rural Development program. This temporary QM category expires on January 10, 2021, or earlier if the Federal agencies issue their own qualified mortgage rules or, with respect to GSEs, if the FHFA's conservatorship ends. Effective January 10, 2014, the GSEs limited their purchases to loans that meet certain QM criteria, namely loans that are fully amortizing, have terms of 30 years or less, and have points and fees representing 3% or less of the total loan amount.

Under the QM Rule, mortgage insurance premiums that are payable by the consumer at or prior to consummation of the loan are includible in the calculation of points and fees unless, and to the extent that the up-front premiums, or UFPs, are (i) less than or equal to the UFPs charged by the FHA, and (ii) are automatically refundable on a pro rata basis upon satisfaction of the loan. Our borrower-paid single premium products, both refundable and non-refundable, may be includible within the points and fees calculation under the QM Rule. As noted above, the QM Rule includes a limitation on points and fees in excess of 3% of the total loan amount. Because inclusion of mortgage insurance premiums in the calculation of points and fees will reduce the capacity for other points and fees in order for lenders to comply with the cap, mortgage originators may be less likely to utilize borrower-paid single premium mortgage insurance products. Even where the mortgage insurance premium is not directly included in the calculation of points and fees, it may limit the ability of the lender to charge other points and fees. The treatment of mortgage insurance premiums as a component of the points and fees calculation, or the potential indirect impact of mortgage insurance premiums on the total points and fees, may be a key determinant of whether a loan is in the safe harbor, receives a rebuttable presumption of ability to repay, or receives no presumption. As a result, the QM Rule may decrease demand for certain of our single premium products and may increase demand for monthly, annual and "split" premium mortgage insurance products that do not impact or have a smaller impact on the points and fees. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Results of Operations—Persistency and Business Mix."

Although some large lenders have announced plans to originate loans that do not qualify as QMs, we expect that most lenders will continue to be reluctant to make non-QM loans because they will not be entitled to the presumption against civil liability under the Dodd-Frank Act, and mortgage investors may be reluctant to purchase mortgages or mortgage-backed securities that are not QMs due to potential assignee liability for such loans. As a result, we believe that the QM regulations will have a direct impact on establishing a subset of borrowers who can meet the regulatory standards and will directly affect the willingness of lenders and mortgage investors to extend mortgage credit and therefore the size of the residential mortgage market. Our business prospects and operating results could be adversely impacted if, and to the extent that, the QM regulations reduce the size of the origination market, reduce the willingness of lenders to extend low down payment credit, favor alternatives to private mortgage insurance such as government mortgage insurance programs, or change the mix of our business in ways that may be unfavorable to us. See "Risk Factors—Risks Relating to Our Business—*Our business prospects and operating results could be adversely impacted if, and to the extent that, the Consumer Financial Protection Bureau's ("CFPB") final rule defining a qualified mortgage ("QM") reduces the size of the origination market or creates incentives to use government mortgage insurance programs."*

Qualified Residential Mortgage Regulations—Risk Retention Requirements

The Dodd-Frank Act generally requires an issuer of an asset-backed security or a person who organizes and initiates an asset-backed transaction (a "securitizer") to retain at least 5% of the risk associated with securitized mortgage loans, although in some cases the retained risk may be allocated between the securitizer and the mortgage originator. This risk retention requirement does not apply to a mortgage loan that is a "qualified residential mortgage," or a "QRM", or that is insured or guaranteed by the FHA or other specified Federal agencies.

On December 24, 2014, the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Commission, the Federal Housing Finance Agency, the Securities and Exchange Commission and the Department of Housing and Urban Development adopted a joint final rule to implement the Qualified Residential Mortgage, or QRM, regulations as required by Dodd-Frank. The final rule aligns the definition of a QRM loan with that of a QM loan and will take effect on December 24, 2015. Given the alignment of the QRM definition to QM, unless the QRM or QM definitions are revised we expect little or no adverse impact to our current business from the final QRM standards. If, however, the QRM definition is changed (or the QM definition is amended) in a manner that is unfavorable to us, such as to give no consideration to mortgage insurance in computing LTV or to require a large down payment for a loan to qualify as a QRM, the attractiveness of originating and securitizing loans with lower down payments may be reduced, which may adversely affect the future demand for mortgage insurance. See "Risk Factors—Risks Relating to Our Business—*The amount of insurance we write could be adversely affected by the implementation of the Dodd-Frank Act's risk retention requirements and the definition of Qualified Residential Mortgage ("QRM").*"

*Mortgage Servicing Rules*

The Dodd-Frank Act amended and expanded upon mortgage servicing requirements under TILA and RESPA. The CFPB was required to amend Regulation Z (promulgated pursuant to TILA) and Regulation X (promulgated pursuant to RESPA) to conform these regulations to the statutory requirements. Final rules implementing these detailed new mortgage servicing requirements became effective on January 10, 2014. Included within these rules are new or enhanced requirements for handling escrow accounts, responding to borrower assertions of error and inquiries from borrower, special handling of loans that are in default, and loss mitigation in the event of borrower default. A provision of the required loss mitigation procedures prohibits the loan holder or servicer from commencing foreclosure until 120 days after the borrower's delinquency. Complying with the new rules could cause the servicing of mortgage loans to become more burdensome and costly than it had been prior to the implementation of these rules. As to servicing of mortgage loans covered by our insurance policies, these rules could contribute to delays in realization upon collateral and have an adverse impact on resolution of claims.

*Homeowners Protection Act of 1998*

The Homeowners Protection Act of 1998, or HOPA, provides for the automatic termination, or cancellation upon a borrower's request, of private mortgage insurance upon satisfaction of certain conditions. HOPA requires that lenders give borrowers certain notices with regard to the automatic termination or cancellation of mortgage insurance. These provisions apply to borrower-paid mortgage insurance for purchase money, refinance and construction loans secured by the borrower's principal dwelling. FHA and VA loans are not covered by HOPA. Under HOPA, automatic termination of mortgage insurance would generally occur when the mortgage is first scheduled to reach an LTV of 78% of the home's original value, assuming that the borrower is current on the required mortgage payments. A borrower who has a "good payment history," as defined by HOPA, may generally request cancellation of mortgage insurance when the LTV is first scheduled to reach 80% of the home's original value or when actual payments reduce the loan balance to 80% of the home's original value,

whichever occurs earlier. If mortgage insurance coverage is not cancelled at the borrower's request or by the automatic termination provision, the mortgage servicer must terminate mortgage insurance coverage by the first day of the month following the date that is the midpoint of the loan's amortization, assuming the borrower is current on the required mortgage payments.

*Real Estate Settlement Procedures Act of 1974*

Mortgage insurance generally may be considered to be a "settlement service" for purposes of RESPA under applicable regulations. Subject to limited exceptions, RESPA prohibits persons from giving or accepting anything of value in connection with the referral of a settlement service. RESPA authorizes the CFPB, Department of Justice, state attorneys general and state insurance commissioners to bring civil enforcement actions, and also provides for criminal penalties and private rights of action. In the past, a number of lawsuits have challenged the actions of private mortgage insurers under RESPA, alleging that the insurers have violated the referral fee prohibition by entering into captive reinsurance arrangements or providing products or services to mortgage lenders at improperly reduced prices in return for the referral of mortgage insurance, including the provision of contract underwriting services. In addition to these private lawsuits, other private mortgage insurance companies have received "Civil Investigative Demands" from the CFPB as part of its investigation to determine whether mortgage lenders and mortgage insurance providers engaged in acts or practices in connection with their captive mortgage insurance arrangements in violation of the RESPA, the Consumer Financial Protection Act and the Dodd-Frank Act. Our primary insurance subsidiary received such an inquiry from the CFPB in January 2012; however, we do not currently have nor have we ever had any such captive reinsurance arrangements. In April 2013, the United States District Court for the Southern District of Florida approved consent orders issued by the CFPB against four other private mortgage insurers relating to captive reinsurance, and a settlement with a fifth private mortgage insurer was announced in November 2013. Under the settlements as approved, the mortgage insurers agreed to end the challenged practices, pay monetary penalties, and be subject to monitoring by the CFPB and are required to make reports to the CFPB in order to ensure their compliance with the provisions of the orders. Although we did not participate in the practices that were the subject of the CFPB investigation, the private mortgage industry and our insurance subsidiaries are, and likely will continue to be, subject to substantial Federal and state regulation, which has increased in recent years as a result of the deterioration of the housing and mortgage markets in the U.S. Increased Federal or state regulatory scrutiny could lead to new legal precedents, new regulations or new practices, or regulatory actions or investigations, which could adversely affect our financial condition and operating results.

*SAFE Act (Mortgage Loan Originator Licensing)*

The SAFE Act requires mortgage loan originators to be licensed and/or registered with the Nationwide Mortgage Licensing System and Registry, or the Registry. The Registry is a database established by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators. Among other things, the database was established to support the licensing of mortgage loan originators by each state. As part of this licensing and registration process, loan originators who are employees of institutions other than depository institutions or certain of their subsidiaries that are regulated by a Federal banking agency, must generally be licensed under the SAFE Act guidelines enacted by each state in which they engage in loan originator activities and registered with the Registry. The SAFE Act generally prohibits employees of a depository institution (including certain of their subsidiaries that are regulated by a Federal banking agency) from originating residential mortgage loans without first registering with the Registry and maintaining that registration. Certain of our underwriters are licensed pursuant to the SAFE Act.

*Privacy and Information Security*

The Gramm-Leach-Bliley Act of 1999, or GLB, imposes privacy requirements on financial institutions, including obligations to protect and safeguard consumers' nonpublic personal information and records, and limitations on the re-use of such information. Federal regulatory agencies have issued the Interagency Guidelines Establishing Information Security Standards, or "Security Guidelines," and interagency regulations regarding financial privacy, or "Privacy Rule," implementing sections of GLB. The Security Guidelines establish standards relating to administrative, technical, and physical safeguards to ensure the security, confidentiality, integrity, and the proper disposal of consumer information. The Privacy Rule limits a financial institution's disclosure of nonpublic personal information to unaffiliated third parties unless certain notice requirements are met and the consumer does not elect to prevent or "opt out" of the disclosure. The Privacy Rule also requires that privacy notices provided to customers and consumers describe the financial institutions' policies and practices to protect the confidentiality and security of the information. With respect to our business, GLB is enforced by the U.S. Federal Trade Commission, or FTC, and state insurance regulators. Many states have enacted legislation implementing GLB and establishing information security regulation. Many states have enacted privacy and data security laws which impose compliance obligations beyond GLB, including obligations to protect social security numbers and provide notification in the event that a security breach results in a reasonable belief that unauthorized persons may have obtained access to consumer nonpublic information.

*Fair Credit Reporting Act*

The Fair Credit Reporting Act of 1970, as amended, or FCRA, imposes restrictions on the permissible use of credit report information. FCRA has been interpreted by some FTC staff and Federal courts to require mortgage insurance companies to provide "adverse action" notices to consumers in the event an application for mortgage insurance is declined or offered at less than the best available rate for the loan program applied for on the basis of a review of the consumer's credit. We provide such notices as required. Although we have not been involved, there has been class action litigation over these FCRA adverse action notices involving the mortgage insurance industry, including court-approved settlements.

*Housing Finance Reform*

Presently, the Federal government plays a dominant role in the U.S. housing finance system through the involvement of the GSEs and the FHA, VA and Ginnie Mae. There is broad policy consensus toward the need for private capital to play a larger role and government credit risk to be reduced. However, to date there has been a lack of consensus with regard to the specific changes necessary to return a larger role for private capital and how small the eventual role of government should become. Since the GSEs were placed into conservatorship in September 2008, there have been a wide ranging set of GSE and secondary market reform advocacy proposals put forward, including nearly complete privatization and elimination of the role of the GSEs, recapitalization of the GSEs and a number of alternatives that combine a Federal role with private capital, some of which eliminate the GSEs and others of which envision an on-going role for the GSEs. Since 2011, a number of comprehensive GSE/secondary market legislative reform bills have also been introduced or discussed in the U.S. Congress, differing with regard to the future role of the GSEs, the overall structure of the secondary market and the role of the Federal government within the mortgage market. In addition, the size, complexity and centrality of the GSEs to the current housing finance system and the importance of housing to the economy make the transition to any new housing finance system difficult.

The placement of the GSEs into the conservatorship of the FHFA increases the likelihood that the U.S. Congress will address the role and purpose of the GSEs in the U.S. housing market and potentially legislate structural and other changes to the GSEs and the functioning of the secondary

mortgage market. New Federal legislation could reduce the level of private mortgage insurance coverage used by the GSEs as credit enhancement, eliminate the requirement altogether or otherwise alter or eliminate the role of the GSEs, and thereby materially affect our ability to compete, demand for our products and the profitability of our business.

Several proposals have been and are currently being considered by Congress. On July 24, 2013, the House Financial Services Committee passed H.R. 2767, "The Protecting American Taxpayers and Homeowners Act of 2013", or the "PATH Act", a comprehensive secondary market reform plan which would include a very limited risk-bearing role for government and winding down of the GSEs, as well as extensive reforms to the FHA. The Senate Banking Committee held extensive hearings in late 2013 and 2014 to consider legislation to address secondary market and GSE reform. Legislative movement in the Senate was influenced by, among other things, proposed bipartisan legislation co-authored by Senators Bob Corker (R-TN) and Mark Warner (D-VA) titled S. 1217, "The Housing Finance Reform and Taxpayer Protection Act", or the "Corker-Warner Bill". The Corker-Warner Bill would set a framework for GSE and secondary market reform that includes winding down the GSEs over a five year period and the creation of a new entity, the Federal Mortgage Insurance Corporation, or FMIC, as a successor to FHFA with responsibility for running a catastrophic government insurance fund for certain mortgage-backed securities and regulating the operation of the secondary market. Among its provisions, properly underwritten mortgages meeting certain conditions, including private mortgage insurance on loans with LTVs in excess of 80%, would be eligible under the Corker-Warner Bill to be securitized with the catastrophic government guarantee provided by FMIC. In March 2014, the Chairman and Ranking Member of the Senate Banking Committee, Tim Johnson (D-SD) and Mike Crapo (R-ID), respectively, announced an agreement in principle on housing finance reform legislation. This legislative agreement, commonly known as the "Johnson-Crapo Bill", was introduced on March 28, 2014 as an amendment to the Corker-Warner Bill. The Johnson-Crapo bill proposed to use mortgage insurance as a credit enhancement on mortgages with loan-to-value ratios above 80% and also would provide the option for mortgage insurance companies to own bond guarantors, which would be required to hold a 10% capital buffer to absorb losses ahead of the government guarantee provided for in the bill. On May 15, 2014, the Senate Banking Committee passed this amended version of S. 1217, by a vote of 13-9. The 113$^{th}$ Congress ended with neither the House or Senate considering these respective reform proposals, and the prospects for passage of housing finance and GSE reform legislation remain uncertain in Congress in 2015.

Although neither the Obama administration nor Congress has taken significant actions to wind down the GSEs, the FHFA, as the regulator and conservator of the GSEs, has the authority to establish the priorities of the GSEs and to control and direct their operations. In the absence of comprehensive legislative reform of the GSEs, the FHFA has made changes to the business and operations of the GSEs, in part under the direction of an FHFA-developed strategic plan for the conservatorship of the GSEs. This strategic plan calls for the contraction of the role of the GSEs and expansion of the role private capital through a number of actions, including shrinking the portfolios of the GSEs, raising guaranty fees and consideration of expanded use of credit risk sharing with private market participants, including private mortgage insurance and capital markets.

On December 9, 2013, FHFA announced an increase in the guarantee fees that the GSEs charge lenders in return for providing a credit guarantee to ensure the timely payment of principal and interest to investors in mortgage-backed securities if the borrower fails to pay. In January 2014, however, the FHFA delayed the implementation of these changes pending an evaluation of the full rationale for the increase and the effects on credit cost and availability. In June 2014, the FHFA requested input on the guarantee fees that the GSEs charge lenders and the optimum level of guarantee fees required to protect taxpayers and implications for mortgage credit availability. The public input period closed in September 2014, and a final decision by the FHFA with regard to the framework for setting GSE guarantee fees remains open.

There can be no assurance that other Federal laws and regulations affecting these institutions and entities will not change, or that new legislation or regulations will not be adopted that will adversely affect the private mortgage insurance industry. See "Risk Factors—Risks Relating to Our Business—*Legislative or regulatory actions or decisions to change the role of the GSEs in the U.S. housing market generally, or changes to the charters of the GSEs with regard to the use of credit enhancements generally and private mortgage insurance specifically, could reduce our revenues or adversely affect our profitability and returns*" and "*—Changes in the business practices of the GSEs, including actions or decisions to decrease or discontinue the use of mortgage insurance or changes in the GSEs' eligibility requirements for mortgage insurers, could reduce our revenues or adversely affect our profitability and returns.*"

***Mortgage Insurance Tax Deduction***

In 2006, Congress enacted the private mortgage insurance tax deduction in order to foster homeownership. The deduction was enacted on a temporary basis and it expired at the end of 2011. In January 2013, Congress passed the American Taxpayer Relief Act, which extended the private mortgage insurance tax deduction retroactively for one year and prospectively for one year through 2013. The provisions allowing for the deduction for mortgage insurance premiums expired at the end of 2013. Several pieces of legislation have been introduced to extend the deduction for mortgage insurance premiums, including S. 688, which would permanently extend the deduction for mortgage insurance premiums, and H.R. 3941, which would extend the deduction for mortgage insurance premiums through 2014. Prior to the end of the 113$^{th}$ Congress, the House and Senate passed, and the President signed into law, H.R. 5771, the Tax Increase Prevention Act of 2014 (P.L. 113-295), which among other things extended the private mortgage insurance tax deduction for the 2014 tax year. Congress may choose to extend the deduction for mortgage insurance premiums for an additional year or may address this issue as part of the comprehensive tax reform debate. We cannot predict whether the tax deduction will be made permanent and if not, whether it will be extended for tax years after 2014.

***FHA Reform***

We compete with the single-family mortgage insurance programs of the FHA, which is part of HUD. The most recent FHA report to Congress dated November 17, 2014 on the financial status of the FHA Mutual Mortgage Insurance Fund, or MMIF, showed the capital reserve ratio of the MMIF at 0.41%, an improvement from prior years, but still below the Congressionally mandated required minimum level of 2%. As a result of the financial improvements in the condition of the fund and the stated desire to support the housing recovery, the FHA reduced its mortgage insurance premiums by 50 basis points in January 2015.

In part as a result of the FHA's continuing capital shortfall, Congress has considered several bills seeking to reform the FHA. In 2012, an FHA reform bill, H.R. 4264 "The FHA Emergency Fiscal Solvency Act of 2012," passed the House of Representatives and came close to passage in the Senate. In July 2013, the House Financial Services Committee passed the PATH Act, which contains among its provisions extensive reforms to the FHA, including an increase to the minimum capital reserve ratio to 4%, a 5% minimum borrower down payment, mandated minimum premiums and increased premium authority, increased authority for the FHA to seek indemnification from lenders for improperly originated loans and a requirement to implement loan level risk sharing agreements. In addition, on July 31, 2013, the Senate Banking Committee passed the S. 1376 "The FHA Solvency Act of 2013," which among other changes, would raise the minimum capital reserve ratio to 3%, set certain minimum and maximum premiums and grants authority for higher premiums than currently permitted, and strengthen the authority of the FHA to seek indemnifications from lenders for improperly originated loans. Despite areas of similarity, such as provisions to strengthen the solvency of the FHA MMIF, there are significant differences between the PATH Act and the FHA Solvency Act of 2013. The prospects for passage of FHA reform legislation in either the House or Senate, and how differences in

proposed reforms between the House and Senate might be resolved in any final legislation, remain uncertain.

***Federal Insurance Office***

On December 9, 2013, the U.S. Department of the Treasury's Federal Insurance Office released a report entitled "How to Modernize and Improve the System of Insurance Regulation in the United States." This report, which was mandated by Title V of the Dodd-Frank Act, states that that mortgage insurance is "interconnected with other aspects of the federal housing finance system" and will be "an important component of any reform package as an alternative way to place private capital in front of any taxpayer risk." Given this role, the report recommends "national solvency and business practice standards" for mortgage insurers to ensure "confidence in the solvency and performance of housing finance." To the extent any such Federal oversight or standards as may be established exceed the current standards and oversight represented by the overlay of FHFA and GSE-driven eligibility requirements and the direct prudential and solvency regulatory and supervisory oversight of state insurance commissioners, it may adversely affect the results of our business operations.

***Lobbying Disclosure Act of 1995***

We employ an in-house lobbyist in order to engage in the public policy debates that have been referred to herein, and accordingly have registered with the Secretary of the Senate and the Clerk of the House of Representatives as required by the Lobbying Disclosure Act. The Lobbying Disclosure Act requires initial registration and periodic reports relative to an organization's Federal lobbying activities and expenditures.

***Basel III***

In 1988, the Basel Committee on Banking Supervision, which we refer to as the "Basel Committee," developed the Basel Capital Accord, which we refer to as "Basel I," which set out international benchmarks for assessing banks' capital adequacy requirements. In 2005, the Basel Committee issued Basel II, which, among other things, governs the capital treatment of mortgage insurance purchased and held on balance sheet by banks in respect of their origination and securitization activities. In July 2013, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation approved publication of the Basel III Rules, which govern almost all U.S. banking organizations regardless of size or business model. The Basel III Rules revise and enhance the Federal banking agencies' general risk-based capital, advanced approaches and leverage rules. The Basel III Rules became effective on January 1, 2014, with a mandatory compliance date of January 1, 2015 for banking organizations other than advanced approaches banking organizations that are not savings and loan holding companies. On January 1, 2014, most banking organizations became required to begin a multi-year transition period to the full implementation of the new capital framework. The effective date and compliance period, and the beginning of the transitional period, is January 1, 2014 for advanced approaches banking organizations that are not savings and loan holding companies.

The Federal banking agencies' proposed rule to implement Basel III in the United States would have made extensive changes to the capital requirements for residential mortgages. In addition, the proposed rule would have eliminated existing capital recognition for certain low down payment mortgages if covered by mortgage insurance. After consideration of extensive comments with regard to the proposed capital rules for residential mortgages, the Federal banking agencies revised the Basel III Rules to retain the treatment for residential mortgage exposures under the general risk-based capital rules and the treatment of mortgage insurance. Consistent with such rules, the Basel III Rules assign a 50% or 100% risk weight to loans secured by one-to-four-family residential properties. Generally, residential mortgage exposures secured by a first lien on a one-to-four family residential property that

are prudently underwritten and that are performing according to their original terms receive a 50% risk weighting. All other one-to-four family residential mortgage loans are assigned a 100% risk weight. The Basel III Rules continue to afford FHA-insured loans a lower risk weighting than low down payment loans insured with private mortgage insurance, and Ginnie Mae mortgage-backed securities are afforded a lower risk weighting than Fannie Mae and Freddie Mac mortgage-backed securities.

If implementation of the Basel III Rules increases the capital requirements of banking organizations with respect to the residential mortgages we insure, it could adversely affect the size of the portfolio lending market, which in turn would reduce the demand for our mortgage insurance. If the Federal banking agencies revise the Basel III Rules to reduce or eliminate the capital benefit banks receive from insuring low down payment loans with private mortgage insurance, or if our bank customers believe that such adverse changes may occur at some time in the future, our current and future business may be adversely affected. In addition, with regard to the separate Basel III Rules applicable to general credit risk mitigation for banking exposures, insurance companies engaged predominantly in the business of providing credit protection, such as private mortgage insurance companies, are not eligible guarantors, which could affect our business prospects.

See "Risk Factors—Risks Relating to Our Business—*The implementation of the Basel III Capital Accord, or other changes to our customers' capital requirements, may discourage the use of mortgage insurance*."

***Banking Regulation***

The Goldman Sachs Group, Inc., which holds interests in us both directly and through its affiliates, is a bank holding company and regulated as a financial holding company under the Bank Holding Company Act, or the BHC Act. Due to the size of its voting and economic interests in us, we are deemed to be controlled by The Goldman Sachs Group, Inc., and are therefore considered to be a non-bank subsidiary of The Goldman Sachs Group, Inc., under the BHC Act. As a result, although we do not engage in banking operations, we are subject to regulation, supervision, examination and potential enforcement action by the Federal Reserve and to certain banking laws, regulations and orders that apply to The Goldman Sachs Group, Inc. In addition, we are subject to the examination authority of, and may be required to submit reports to, the CFPB because we are an affiliate of Goldman Sachs Bank USA, which is an insured depository institution with more than $10 billion in assets. The bank regulatory framework is intended primarily to protect depositors, the Deposit Insurance Fund of the Federal Deposit Insurance Corporation, the safety and soundness of depository institutions and the financial system as a whole, rather than our shareholders. Because of The Goldman Sachs Group, Inc.'s status as a bank holding company, we have agreed to certain restrictions on our activities imposed by The Goldman Sachs Group, Inc. that are intended to facilitate its compliance with the BHC Act. For a discussion of these restrictions, see "Certain Relationships and Related Transactions, and Director Independence" elsewhere in this Annual Report.

We will remain subject to this regulatory regime until The Goldman Sachs Group, Inc. is no longer deemed to control us for bank regulatory purposes, which we do not generally have the ability to control and which will not occur until The Goldman Sachs Group, Inc. has significantly reduced its voting and economic interests in us. We cannot predict the ownership level at which the Federal Reserve would consider us no longer controlled by The Goldman Sachs Group, Inc.

The Goldman Sachs Group, Inc. and its non-bank subsidiaries, including Essent, generally may conduct only activities that are authorized for a bank holding company or a financial holding company under the BHC Act. The scope of services we may provide to our customers is limited under the BHC Act to those which are (i) financial in nature or incidental to financial activities (including insurance underwriting and selling insurance as agent or broker such as our activity of offering private mortgage insurance and reinsurance coverage for single-family mortgage loans), or (ii) complementary to a

financial activity and which do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally. Any failure of The Goldman Sachs Group, Inc. to maintain its status as a financial holding company could result in substantial limitations on our activities and our growth. In particular, our permissible activities could be further restricted to only those that constitute banking or activities closely related to banking. The Goldman Sachs Group, Inc.'s loss of its financial holding company status could be caused by several factors, including any failure by The Goldman Sachs Group, Inc.'s bank subsidiaries to remain sufficiently capitalized, by any examination downgrade of one of The Goldman Sachs Group's bank subsidiaries, or by any failure of one of The Goldman Sachs Group, Inc.'s bank subsidiaries to maintain a satisfactory rating under the Community Reinvestment Act. In addition, the Dodd-Frank Act broadened the requirements for maintaining financial holding company status by also requiring the holding company to remain well capitalized and well managed. We have no ability to prevent such occurrences from happening nor can we control whether The Goldman Sachs Group, Inc. remains well capitalized and well managed.

The Federal Reserve has broad enforcement authority over us, including the power to prohibit us from conducting any activity that, in the Federal Reserve's opinion, is unauthorized or constitutes an unsafe or unsound practice in conducting our business. The Federal Reserve may approve, deny or refuse to act upon applications or notices for The Goldman Sachs Group, Inc. and its subsidiaries to conduct new activities, acquire or divest businesses or assets, or reconfigure existing operations. The Federal Reserve may also impose substantial fines and other penalties for violations of applicable banking laws, regulations and orders. The Dodd-Frank Act strengthened the Federal Reserve's supervisory and enforcement authority over a bank holding company's non-bank affiliates.

There are limits on the ability of The Goldman Sachs Group, Inc.'s bank subsidiaries to extend credit to or conduct other transactions with us. In general, any loans to us from a bank subsidiary of The Goldman Sachs Group, Inc. must be on market terms and secured by designated amounts of specified collateral and are limited to 10% of the lending bank's capital stock and surplus. Statutory changes made by the Dodd-Frank Act will place certain additional restrictions on transactions between us and The Goldman Sachs Group, Inc. in the future, which we do not expect to be material to us.

***Bermuda Insurance Regulation***

The Insurance Act 1978 of Bermuda and related regulations, as amended, or the Insurance Act, regulates the insurance business of our Bermuda-based reinsurance subsidiary, Essent Reinsurance Ltd., and provides that no person may carry on any insurance business in or from within Bermuda unless registered as an insurer under the Insurance Act by the Bermuda Monetary Authority, or the BMA. In deciding whether to grant registration, the BMA has broad discretion to act as it thinks fit in the public interest. The BMA is required by the Insurance Act to determine whether the applicant is a fit and proper body to be engaged in the insurance business and, in particular, whether it has, or has available to it, adequate knowledge and expertise to operate an insurance business. In addition, the BMA is required by the Insurance Act to determine whether a person who proposes to control 10%, 20%, 33% or 50% (as applicable) of the voting powers of a Bermuda-registered insurer or its parent company is a fit and proper person to exercise such degree of control.

The continued registration of an applicant as an insurer is subject to the applicant complying with the terms of its registration and such other conditions as the BMA may impose from time to time. The Insurance Act also grants to the BMA powers to supervise, investigate and intervene in the affairs of insurance companies.

The Insurance Act imposes on Bermuda insurance companies solvency and liquidity standards as well as auditing and reporting requirements. Certain significant aspects of the Bermuda insurance regulatory framework are set forth below.

*Classification of Insurers*

The Insurance Act distinguishes between insurers carrying on long-term business, insurers carrying on special purpose business and insurers carrying on general business. There are six classifications of insurers carrying on general business (Classes 1, 2, 3, 3A, 3B, and 4) with Class 1 insurers subject to the lightest regulation and Class 4 insurers subject to the strictest regulation.

Essent Reinsurance Ltd., which is incorporated in Bermuda to carry on general insurance and reinsurance business, is registered as a Class 3A insurer in Bermuda and is regulated as such under the Insurance Act. We are not, however, licensed in Bermuda to carry on long-term business. Long-term business broadly includes life insurance and disability insurance with terms in excess of five years. General business broadly includes all types of insurance that is not long-term business.

*Cancellation of Insurer's Registration*

An insurer's registration may be cancelled by the BMA on certain grounds specified in the Insurance Act. Failure of the insurer to comply with its obligations under the Insurance Act or if, the BMA believes that the insurer has not been carrying on business in accordance with sound insurance principles, would be such grounds.

*Principal Representative*

An insurer is required to maintain a principal office in Bermuda and to appoint and maintain a principal representative in Bermuda. For the purpose of the Insurance Act, Essent Reinsurance Ltd.'s principal representative is Kane (Bermuda) Limited and its principal office for these purposes is the offices of Kane. Without a reason acceptable to the BMA, an insurer may not terminate the appointment of its principal representative, and the principal representative may not cease to act as such, unless 30 days' notice in writing to the BMA is given of the intention to do so. It is the duty of the principal representative to forthwith notify the BMA where the principal representative believes there is a likelihood of the insurer (for which the principal representative acts) becoming insolvent or that a reportable "event" has, to the principal representative's knowledge, occurred or is believed to have occurred. Examples of such a reportable "event" include failure by the insurer to comply substantially with a condition imposed upon the insurer by the BMA relating to a solvency margin or a liquidity or other ratio. Within 14 days of such notification to the BMA, the principal representative must furnish the BMA with a written report setting out all the particulars of the case that are available to the principal representative.

*Independent Approved Auditor*

A Class 3A insurer must appoint an independent auditor who will annually audit and report on the insurer's financial statements prepared under generally accepted accounting principles or international financial reporting standards, statutory financial statements and statutory financial returns each of which are required to be filed annually with the BMA. The auditor must be approved by the BMA as the independent auditor of the insurer. If the insurer fails to appoint an approved auditor or at any time fails to fill a vacancy for such auditor, the BMA may appoint an approved auditor for the insurer and shall fix the remuneration to be paid to the approved auditor within 14 days, if not agreed sooner by the insurer and the auditor.

*Loss Reserve Specialist*

A Class 3A insurer is required to submit an opinion of its approved loss reserve specialist with its statutory financial return in respect of its losses and loss expenses provisions. The loss reserve specialist will normally be a qualified casualty actuary and must be approved by the BMA.

*Annual Financial Statements*

A Class 3A insurer is required to prepare annual GAAP financial statements and statutory financial statements. The Insurance Act prescribes rules for the preparation and substance of statutory financial statements (which include, in statutory form, a balance sheet, income statement, a statement of capital and surplus, and notes thereto). The statutory financial statements include detailed information and analysis regarding premiums, claims, reinsurance and investments of the insurer. An insurer is required to file with the BMA the annual GAAP financial statements and statutory financial statements within four months from the end of the relevant financial year (unless specifically extended). The statutory financial statements do not form part of the public records maintained by the BMA but the GAAP financial statements are available for public inspection.

*Annual Statutory Financial Return*

An insurer is required to file with the BMA a statutory financial return no later than four months after its financial year end (unless specifically extended). The statutory financial return includes, among other matters, a report of the approved independent auditor on the statutory financial statements of the insurer, a general business solvency certificate, the statutory financial statements themselves and the opinion of the loss reserve specialist. The principal representative and at least two directors of the insurer must sign the solvency certificate. The directors are required to certify whether the minimum solvency margin has been met, and the independent approved auditor is required to state whether in its opinion it was reasonable for the directors to so certify. Where an insurer's accounts have been audited for any purpose other than compliance with the Insurance Act, a statement to that effect must be filed with the statutory financial return. The statutory financial return is not available for public inspection.

*Minimum Solvency Margin, Enhanced Capital Requirement and Restrictions on Dividends and Distributions*

A Class 3A insurer must maintain at all times a solvency margin and an enhanced capital requirement in accordance with the provisions of the Insurance Act. Each year the insurer is required to file with the BMA a capital and solvency return within four months of its relevant financial year end (unless specifically extended). The prescribed form of capital and solvency return comprises the insurer's Bermuda Solvency Capital Requirement model, a schedule of fixed income investments by rating categories, a schedule of net loss and loss expense provisions by line of business, a schedule of premiums written by line of business, a schedule of risk management and a schedule of fixed income securities.

The Insurance Act mandates certain actions and filings with the BMA if a Class 3A insurer fails to meet and/or maintain its enhanced capital requirement or solvency margin including the filing of a written report detailing the circumstances giving rise to the failure and the manner and time within which the insurer intends to rectify the failure. A Class 3A insurer is prohibited from declaring or paying a dividend if in breach of its enhanced capital requirement, solvency margin or minimum liquidity ratio or if the declaration or payment of such dividend would cause such a breach. Where an insurer fails to meet its solvency margin or minimum liquidity ratio on the last day of any financial year, it is prohibited from declaring or paying any dividends during the next financial year without the approval of the BMA. Class 3A insurers must obtain the BMA's prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year's financial statements. These restrictions on declaring or paying dividends and distributions under the Insurance Act are in addition to those under the Companies Act which apply to all Bermuda companies.

*Minimum Liquidity Ratio*

The Insurance Act provides a minimum liquidity ratio for general business. An insurer engaged in general business is required to maintain the value of its relevant assets at not less than 75% of the amount of its relevant liabilities. Relevant assets include cash and time deposits, quoted investments, unquoted bonds and debentures, first liens on real estate, investment income due and accrued, accounts and premiums receivable and reinsurance balances receivable.

There are certain categories of assets which, unless specifically permitted by the BMA, do not automatically qualify as relevant assets, such as unquoted equity securities, investments in and advances to affiliates and real estate and collateral loans.

The relevant liabilities are total general business insurance reserves and total other liabilities less deferred income tax and sundry liabilities (by interpretation, those not specifically defined).

*Supervision, Investigation and Intervention*

The BMA may appoint an inspector with powers to investigate the affairs of an insurer if the BMA believes that an investigation is required in the interests of the insurer's policyholders or potential policyholders. In order to verify or supplement information otherwise provided to the inspector, the BMA may direct an insurer to produce documents or information relating to matters connected with its business.

An inspector may examine on oath any past or present officer, employee or insurance manager of the insurer under investigation in relation to its business and apply to the court in Bermuda for an order that other persons may also be examined on any matter relevant to the investigation. It shall be the duty of any insurer in relation to whose affairs an inspector has been appointed and of any past or present officer, employee or insurance manager of such insurer, to produce to the inspector on request all books, records and documents relating to the insurer under investigation which are in its or his custody or control and otherwise to give to the inspector all assistance in connection with the investigation which it or he is reasonably able to give.

If it appears to the BMA that there is a risk of an insurer becoming insolvent, or that it is in breach of the Insurance Act or any conditions imposed upon its registration, the BMA may, among other things, direct the insurer (1) not to take on any new insurance business, (2) not to vary any insurance contract if the effect would be to increase its liabilities, (3) not to make certain investments, (4) to realize certain investments, (5) to maintain or transfer to the custody of a specified bank, certain assets, (6) not to declare or pay any dividends or other distributions or to restrict the making of such payments (7) to limit its premium income, (8) not to enter into any specified transaction with any specified persons or persons of a specified class, (9) to provide such written particulars relating to the financial circumstances of the insurer as the BMA thinks fit, (10) to obtain the opinion of a loss reserve specialist and to submit it to the BMA and (11) to remove a controller or officer.

*Disclosure of Information*

In addition to powers under the Insurance Act to investigate the affairs of an insurer, the BMA may require certain information from an insurer (or certain other persons) to be produced to the BMA. Further, the BMA has been given powers to assist other regulatory authorities, including foreign insurance regulatory authorities, with their investigations involving insurance and reinsurance companies in Bermuda but subject to restrictions. For example, the BMA must be satisfied that the assistance being requested is in connection with the discharge of regulatory responsibilities of the foreign regulatory authority. Further, the BMA must consider whether cooperation is in the public interest. The grounds for disclosure are limited and the Insurance Act provides for sanctions for breach of the statutory duty of confidentiality.

**Employees**

As of December 31, 2014, we had 332 employees, substantially all of whom are based in the United States. None of our employees are represented by a labor union and we consider our employee relations to be good. We also periodically engage contractors who provide services to us on a temporary basis.

**Corporate Structure**

Essent Group Ltd. was organized as a limited liability company under the laws of Bermuda on July 1, 2008. Our registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and our telephone number is (441) 297-9901. Our corporate website address is www.essentgroup.com. The information contained on, or accessible through, our corporate website does not constitute part of this Annual Report.

Our primary mortgage insurance operations are conducted through Essent Guaranty, Inc., a Pennsylvania domiciled insurer which is a monoline insurance company licensed in all 50 states and the District of Columbia. We also have a wholly-owned Bermuda-domiciled reinsurer, Essent Reinsurance Ltd., which has a Class 3A insurance license issued by the Bermuda Monetary Authority.

**Available Information**

We file annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and other information with the SEC. Members of the public may read and copy materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Members of the public may also obtain information on the Public Reference Room by calling the SEC at 1-800-732-0330. The SEC also maintains an Internet web site that contains reports, proxy and information statements and other information regarding issuers, including us, that file electronically with the SEC. The address of that site is http://www.sec.gov. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and other information filed by us with the SEC are available, without charge, on our Internet web site, http://www.essentgroup.com, as soon as reasonably practicable after they are filed electronically with the SEC. Copies are also available, without charge, by writing to Secretary, Essent Group Ltd., Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The information on our website is not a part of this Annual Report.

## ITEM 1A. RISK FACTORS

Our current business and future results may be affected by a number of risks and uncertainties, including those described below. The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business, results of operations and financial condition could suffer. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements.

### Risks Relating to Our Business

***Legislative or regulatory actions or decisions to change the role of the GSEs in the U.S. housing market generally, or changes to the charters of the GSEs with regard to the use of credit enhancements generally and private mortgage insurance specifically, could reduce our revenues or adversely affect our profitability and returns.***

Since 2008, the Federal government has assumed an expanded role in many key aspects of the U.S. housing finance system. In particular, the Department of the Treasury and the FHFA placed the GSEs into conservatorship in September 2008, putting regulatory and operational control of the GSEs under the auspices of the FHFA. Although we believe the FHFA's conservatorship was intended to be temporary, the GSEs have remained in conservatorship for over six years. During that time, there have been a wide-ranging set of GSE and secondary market reform advocacy proposals put forward, including nearly complete privatization of the mortgage market and elimination of the role of the GSEs, recapitalization of the GSEs and a set of alternatives that would combine a Federal role with private capital, some of which eliminate the GSEs and others which envision an ongoing role for the GSEs. Since 2011, a number of comprehensive GSE/secondary market legislative reform bills have also been introduced or announced, differing widely with regard to the future role of the GSEs, the overall structure of the secondary market and the role of the Federal government within the mortgage market. As a result of the uncertainty regarding resolution of the conservatorship of the GSEs and the proper structure of any new secondary mortgage market, as well as the Federal government's recently increased role within the housing market, we cannot predict how or when the role of the GSEs may change. In addition, the size, complexity and centrality of the GSEs to the current housing finance system and the importance of housing to the nation's economy make the transition to any new housing finance system difficult and present risks to market participants, including to us.

The charters of the GSEs currently require certain credit enhancement for low down payment mortgage loans in order for such loans to be eligible for purchase or guarantee by the GSEs, and lenders historically have relied on mortgage insurance to a significant degree in order to satisfy these credit enhancement requirements. Because the overwhelming majority of our current and expected future business is the provision of mortgage insurance on loans sold to the GSEs, if the charters of the GSEs are amended to change or eliminate the acceptability of private mortgage insurance in their purchasing practices, then our volume of new business and our revenue may decline significantly.

Changes to the statutory requirements of the FHFA's conservatorship of the GSEs, the elimination of the GSEs or the replacement of the GSEs with any successor entities or structures, or changes to the GSE charters would require Federal legislative action, which makes predicting the timing or substance of such changes difficult. As a result, it is uncertain what role the GSEs, the FHFA, the government and private capital, including private mortgage insurance, will play in the U.S. housing finance system in the future or the impact and timing of any such changes on the market and our business.

***Changes in the business practices of the GSEs, including actions or decisions to decrease or discontinue the use of mortgage insurance or changes in the GSEs' eligibility requirements for mortgage insurers, could reduce our revenues or adversely affect our profitability and returns.***

Changes in the business practices of the GSEs, which can be implemented by the GSEs at the FHFA's direction, could negatively impact our operating results and financial performance, including changes to:

- the level of coverage when private mortgage insurance is used to satisfy the GSEs' charter requirements on low down payment mortgages;
- the overall level of guaranty fees or the amount of loan level delivery fees that the GSEs assess on loans that require mortgage insurance;
- the GSEs' influence in the mortgage lender's selection of the mortgage insurer providing coverage and, if so, any transactions that are related to that selection;
- the underwriting standards that determine what loans are eligible for purchase by the GSEs, which can affect the volume and quality of the risk insured by the mortgage insurer;
- the terms on which mortgage insurance coverage can be cancelled before reaching the cancellation thresholds established by law;
- programs established by the GSEs intended to avoid or mitigate loss on insured mortgages and the circumstances in which mortgage servicers must implement such programs;
- the extent to which the GSEs establish requirements for mortgage insurers' rescission practices or rescission settlement practices with lenders;
- the size of loans that are eligible for purchase or guaranty by the GSEs, which if reduced or otherwise limited may reduce the overall level of business and the number of low down payment loans with mortgage insurance that the GSEs purchase or guaranty; and
- requirements for a mortgage insurer to become and remain an approved eligible insurer for the GSEs, including, among other items, minimum capital adequacy targets and the terms that the GSEs require to be included in mortgage insurance master policies for loans that they purchase or guaranty.

In 2013, the GSEs, in coordination with the FHFA, issued new minimum standards for mortgage insurer master policies, including standards relating to rescission rights, requiring all approved mortgage insurers to implement complying revised master policies for coverage with respect to mortgage insurance applications received on or after October 1, 2014. As a result of these standards, we, along with the other private mortgage insurers, were required to make changes to our master policy, some of which may not be favorable to us and which could result in us paying more claims than required under our prior master policy or could otherwise increase our operating costs. The imposition of standardized master policies may also make it more difficult for us to distinguish ourselves from our competitors on the basis of coverage terms. See "Business—Our Products and Services—Mortgage Insurance—Master Policy" above.

In addition, each of the GSEs maintains separate eligibility requirements for mortgage insurers. See "Business—Regulation—Direct U.S. Regulation—GSE Qualified Mortgage Insurer Requirements." The GSEs are currently developing revisions to their respective eligibility standards for approved mortgage insurers, which we expect may be finalized by the end of the first quarter of 2015, or shortly thereafter. As currently proposed, those requirements would include a new risk-based capital adequacy framework with asset requirements that would impact the capital required to remain an approved, eligible mortgage insurer. These eligibility requirements could negatively impact our ability to write

mortgage insurance at our current levels, generate the returns we anticipate from our business or otherwise participate in the private mortgage insurance market at all.

***Our revenues, profitability and returns would decline if we lose a significant customer.***

Our mortgage insurance business depends on our relationships with our customers, and in particular, our relationships with our largest lending customers. Our top ten customers generated 42.6% of our new insurance written, or NIW, during year ended December 31, 2014, compared to 49.6% and 60.4% for the years ended December 31, 2013 and 2012, respectively. For the year ended December 31, 2014, one customer represented in excess of 10% of our consolidated revenues. Maintaining our business relationships and business volumes with our largest lending customers remains critical to the success of our business.

Our master policies do not, and by law cannot, require our customers to do business with us. Under the terms of our master policy, our customers, or the parties they designate to service the loans we insure, have the unilateral right to cancel our insurance coverage at any time for any loan that we insure. Upon cancellation of coverage, subject to the type of coverage, we may be required to refund unearned premiums, if any.

In addition, the economic downturn and challenging market conditions of the recent past adversely affected the financial condition of a number of our largest customers. If the U.S. economy enters into another recessionary period, these customers could again become subject to serious financial constraints that may jeopardize the viability of their business plans or their access to additional capital, forcing them to consider alternatives such as bankruptcy or consolidation with others in the industry. Other factors, such as rising interest rates, which could reduce mortgage origination volumes generally, rising costs associated with regulatory compliance and the relative cost of capital, may also result in consolidation among our customers. In the event our customers consolidate, they may revisit their relationships with individual mortgage insurers, such as us, which could result in a loss of customers or a reduction in our business. The loss of business from a significant customer could have a material adverse effect on the amount of new business we are able to write, and consequently, our revenue, and we can provide no assurance that any loss of business from a significant customer would be replaced from other new or existing lending customers.

***Intense competition within the private mortgage insurance industry could result in the loss of customers, lower premiums, wider credit guidelines and other changes which could lower our revenues or raise our costs.***

The private mortgage insurance industry is intensely competitive, with seven private mortgage insurers currently approved and eligible to write business for the GSEs. We compete with other private mortgage insurers on the basis of pricing, terms and conditions, underwriting guidelines, loss mitigation practices, financial strength, reputation, customer relationships, service and other factors. One or more private mortgage insurers may seek increased market share from government-supported insurance programs, such as those sponsored by the FHA, or from other private mortgage insurers by reducing pricing, loosening their underwriting guidelines or relaxing their risk management practices, which could, in turn, improve their competitive position in the industry and negatively impact our level of NIW. A decline in industry NIW might result in increased competition as certain private mortgage insurance companies may seek to maintain their NIW levels within a smaller market. In addition, the perceived increase in the credit quality of loans that currently are being insured, the relative financial strength of the existing mortgage insurance companies and the possibility of the private mortgage insurance market acquiring a greater share of the overall mortgage insurance market may encourage new entrants into the private mortgage insurance industry, which could further increase competition in our business.

We believe that our financial strength has been a reason that some customers have done business with us. However, this competitive advantage may be mitigated if our competitors continue to improve their capital positions, profitability and financial strength ratings, or if we incur losses which weaken our financial position. Our customers may choose to diversify the mortgage insurers with which they do business due to weakness in our relative financial strength or other reasons, which could negatively affect our level of NIW and our market share.

***The amount of insurance we may be able to write could be adversely affected if lenders and investors select alternatives to private mortgage insurance.***

We compete for business with alternatives to private mortgage insurance, consisting primarily of government-supported mortgage insurance programs as well as home purchase or refinancing alternatives that do not use any form of mortgage insurance.

Government-supported mortgage insurance programs include, but are not limited to:

- Federal mortgage insurance programs, including those offered by the FHA and VA; and
- state-supported mortgage insurance funds, including, but not limited to, those funds supported by the states of California and New York.

Alternatives to mortgage insurance include, but are not limited to:

- lenders and other investors holding mortgages in their portfolios and self-insuring;
- investors using other risk mitigation techniques in conjunction with reduced levels of private mortgage insurance coverage, or accepting credit risk without credit enhancement;
- mortgage sellers retaining at least a 10% participation in a loan or mortgage sellers agreeing to repurchase or replace a loan upon an event of default; and
- lenders originating mortgages using "piggyback structures" which avoid private mortgage insurance, such as a first mortgage with an 80% loan-to-value ratio and a second mortgage with a 10%, 15% or 20% loan-to-value ratio (referred to as 80-10-10, 80-15-5 or 80-20 loans, respectively) rather than a first mortgage with a 90%, 95% or 100% loan-to-value ratio that has private mortgage insurance.

Any of these alternatives to private mortgage insurance could reduce or eliminate the demand for our product, cause us to lose business or limit our ability to attract the business that we would prefer to insure. In particular, there has been substantial competition from government-sponsored mortgage insurance programs in the wake of the recent financial crisis. Government-supported mortgage insurance programs are not subject to the same capital requirements, risk tolerance or business objectives that we and other private mortgage insurance companies are, and therefore, generally have greater financial flexibility in setting their pricing, guidelines and capacity, which could put us at a competitive disadvantage. In addition, loans insured under FHA and other Federal government-supported mortgage insurance programs are eligible for securitization in Ginnie Mae securities, which may be viewed by investors as more desirable than Fannie Mae and Freddie Mac securities due to the explicit backing of Ginnie Mae securities by the full faith and credit of the U.S. Federal government.

Consequently, if the FHA or other government-supported mortgage insurance programs maintain or increase their share of the mortgage insurance market, our business and industry could be affected. Factors that could cause the FHA or other government-supported mortgage insurance programs to maintain or increase their share of the mortgage insurance market include:

- a reduction in the premiums charged for government mortgage insurance or a loosening of underwriting guidelines (such as the 50 basis point decrease in FHA premium rates announced in January 2015);

- past and potential future capital constraints in the private mortgage insurance industry;
- increases in premium rates or tightening of underwriting guidelines by private mortgage insurers based on past loan performance or other risk concerns;
- increased levels of loss mitigation activity by private mortgage insurers on older vintage portfolios when compared to the more limited loss mitigation activities of government insurance programs;
- imposition of additional loan level delivery fees by the GSEs on loans that require mortgage insurance;
- increases in GSE guaranty fees and the difference in the spread between Fannie Mae mortgage-backed securities and Ginnie Mae mortgage-backed securities;
- the perceived operational ease of using government insurance compared to the products of private mortgage insurers;
- differences in the enforcement of program requirements by the FHA relative to the enforcement of policy terms by private entities;
- the implementation of new regulations under the Dodd-Frank Act (particularly the Qualified Mortgage and Qualified Residential Mortgage rules) and the Basel III Rules, which may be more favorable to the FHA than to private mortgage insurers (see "*—Our business prospects and operating results could be adversely impacted if, and to the extent that, the Consumer Financial Protection Bureau's ("CFPB") final rule defining a qualified mortgage ("QM") reduces the size of the origination market or creates incentives to use government mortgage insurance programs*", "*—The amount of insurance we write could be adversely affected by the implementation of the Dodd-Frank Act's risk retention requirements and the definition of Qualified Residential Mortgage ("QRM")*" and "*—The implementation of the Basel III Capital Accord, or other changes to our customers' capital requirements, may discourage the use of mortgage insurance*"); and
- increases in FHA loan limits above GSE loan limits.

Further, at the direction of the FHFA, the GSEs have significantly expanded their credit risk sharing programs. These programs have included the use of structured finance vehicles and off-shore reinsurance. The growing success of these programs and the perception that some of these risk-sharing structures have beneficial features in comparison to private mortgage insurance (e.g. lower costs, reduced counterparty risk due to collateral on hand or more diversified insurance exposures) may create increased competition for mortgage insurance going forward on loans traditionally sold to the GSEs with private mortgage insurance. The GSEs have also shown an interest in directly placing mortgage insurance rather than having lenders place the mortgage insurance as part of their expanded risk sharing programs. No assurances can be given that these practices may not expand to loans traditionally insured by lenders with mortgage insurance prior to sale to the GSEs, which could impact our business.

In addition, in the event that a government-supported mortgage insurance program in one of our markets reduces prices significantly or alters the terms and conditions of its mortgage insurance or other credit enhancement products in furtherance of political, social or other goals rather than a profit motive, we may be unable to compete in that market effectively, which could have an adverse effect on our business, financial condition and operating results.

***If the volume of low down payment home mortgage originations declines, the amount of insurance that we write could decline, which would reduce our revenues.***

Our ability to write new business depends, among other things, on the origination volume of low down payment mortgages that require mortgage insurance. Factors that affect the volume of low down payment mortgage originations include:

- the level of home mortgage interest rates and the deductibility of mortgage interest and mortgage insurance for income tax purposes;
- the health of the domestic economy as well as conditions in regional and local economies;
- housing affordability;
- population trends, including the rate of household formation;
- the rate of home price appreciation, which in times of significant refinancing can affect whether refinance loans have loan-to-value ratios that require private mortgage insurance;
- government housing policies encouraging loans to borrowers that may need low down payment financing, such as first-time homebuyers;
- the extent to which the guaranty fees, loan-level price adjustments, credit underwriting guidelines and other business terms provided by the GSEs affect lenders' willingness to extend credit for low down payment mortgages;
- requirements for ability-to-pay determinations prior to extending credit as discussed below;
- restrictions on mortgage credit due to more stringent underwriting standards and the risk retention requirements for securitized mortgage loans affecting lenders as discussed below; and
- changes in the credit standards, premiums or other terms of obtaining FHA, VA or USDA insurance, which competes directly with private mortgage insurance.

If the volume of low down payment loan originations declines, then our ability to write new policies may suffer, and our revenue and results of operations may be negatively impacted.

***We expect our claims to increase as our portfolio matures.***

We believe, based upon our experience and industry data, that claims incidence for mortgage insurance is generally highest in the third through sixth years after loan origination. Although the claims experience on new insurance written by us since we began to write coverage in 2010 has been favorable to date, 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. Incurred losses and claims could be further increased in the future in the event of general economic weakness or decreases in housing values. An increase in the number or size of claims, compared to what we anticipate, could adversely affect our results of operations or financial conditions.

***Because we establish loss reserves only upon a loan default rather than based on estimates of our ultimate losses on risk in force, losses may have a disproportionate adverse effect on our earnings in certain periods.***

In accordance with industry practice and statutory accounting rules applicable to mortgage guaranty insurance companies, we establish loss reserves only for loans in default. Reserves are established for reported insurance losses and loss adjustment expenses based on when notices of default on insured mortgage loans are received. Reserves are also established for estimated losses incurred in connection with defaults that have not yet been reported. We establish reserves using estimated claim rates and claim amounts in estimating the ultimate loss. Because our reserving method does not account for the impact of future losses that could occur from loans that are not yet delinquent, our obligation for ultimate losses that we expect to occur under our policies in force at any period end is not reflected in our financial statements, except in the case where a premium deficiency exists. As a result, future losses may have a material impact on future results as defaults occur.

***A downturn in the U.S. economy, a decline in the value of borrowers' homes from their value at the time their loans close and natural disasters, acts of terrorism or other catastrophic events may result in more homeowners defaulting and could increase our losses.***

Losses result from events that reduce a borrower's ability to continue to make mortgage payments, such as increasing unemployment and whether the home of a borrower who defaults on his or her mortgage can be sold for an amount that will cover unpaid principal and interest and the expenses of the sale. In general, favorable economic conditions reduce the likelihood that borrowers will lack sufficient income to pay their mortgages and also favorably affect the value of homes, thereby reducing and in some cases even eliminating a loss from a mortgage default. Deterioration in economic conditions generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect housing values, which in turn can decrease the willingness of borrowers with sufficient resources to make mortgage payments when the mortgage balance exceeds the value of the home. Housing values may decline even absent deterioration in economic conditions due to declines in demand for homes, which may result from changes in buyers' perceptions of the potential for future appreciation, restrictions on mortgage credit due to more stringent underwriting standards, liquidity issues affecting lenders or other factors, such as the phase-out of the mortgage interest deduction, reductions or elimination in the deductibility of mortgage insurance premiums or changes in the tax treatment of residential property. The residential mortgage market in the United States has for some time experienced a variety of worsening economic conditions and housing values that have recently begun to stabilize but may not continue to do so. If our loss projections are inaccurate, our loss payments could materially exceed our expectations resulting in an adverse effect on our financial position and operating results. If economic conditions, such as employment and home prices, are less favorable than we expect, our premiums and underwriting standards may prove inadequate to shield us from a material increase in losses. In addition, natural disasters such as floods and tornadoes, acts of terrorism or other catastrophic events could result in increased claims against policies that we have written due to the impact that such events may have on the employment and income of borrowers and the value of affected homes, resulting in defaults on and claims under our policies. We cannot assure you that any strategies we may employ to mitigate the impact on us of such events, including limitations under our master policy on the payment of claims in certain circumstances where a property is damaged, the dispersal of our risk by geography and the potential use of third-party reinsurance structures, will be successful.

***Our business prospects and operating results could be adversely impacted if, and to the extent that, the Consumer Financial Protection Bureau's ("CFPB") final rule defining a qualified mortgage ("QM") reduces the size of the origination market or creates incentives to use government mortgage insurance programs.***

The Dodd-Frank Act established the CFPB to regulate the offering and provision of consumer financial products and services under Federal law, including residential mortgages, and generally

requires creditors to make a reasonable, good faith determination of a consumer's ability-to-repay any consumer credit transaction secured by a dwelling prior to effecting such transaction. The CFPB is authorized to issue the regulations governing a good faith determination; Dodd-Frank, however, provides a statutory presumption of eligibility of loans that satisfy the QM definition. The CFPB has issued a final rule defining what constitutes a QM, which we refer to as the "QM Rule," that took effect on January 10, 2014. Under the rule, a loan is deemed to be a QM if, among other factors:

- the term of the loan is less than or equal to 30 years;
- there are no negative amortization, interest only or balloon features;
- the lender properly documents the loan in accordance with the requirements;
- the total "points and fees" do not exceed certain thresholds, generally 3% of the total loan amount; and
- the total debt-to-income ratio of the borrower does not exceed 43%.

The QM Rule provides a "safe harbor" for QM loans with annual percentage rates, or APRs, below the threshold of 150 basis points over the Average Prime Offer Rate, or APOR, and a "rebuttable presumption" for QM loans with an APR above that threshold.

The Dodd-Frank Act separately granted statutory authority to HUD (for FHA-insured loans), the VA (for VA-guaranteed loans) and certain other government agency insurance programs to develop their own definitions of a qualified mortgage in consultation with CFPB. In 2013, HUD adopted a separate definition of a qualified mortgage for loans insured by the FHA. The VA developed its QM definition in 2014. Under both the FHA's and the VA's QM standards, certain loans which would not qualify as QM loans in the conventional market would still be deemed to be QM loans if insured or guaranteed by FHA or VA. As a result, lenders may favor the use of FHA or VA insurance to achieve the legal protections of a making a QM loan through these agencies, even if the same loan could be made at the same or lower cost to the borrower using private mortgage insurance, which could adversely impact our business. To the extent that the other government agencies adopt their own definitions of a QM which are more favorable to lenders and mortgage holders than those applicable to the market in which we operate, our business may be adversely affected.

The QM Rule also provides for a second temporary category with more flexible requirements if the loan is eligible to be (i) purchased or guaranteed by the GSEs while they are in conservatorship, which represents the overwhelming majority of our business, or (ii) insured by the FHA, the VA, the Department of Agriculture or the Rural Housing Service. The second temporary category still requires that loans satisfy certain criteria, including the requirement that the loans are fully amortizing, have terms of 30 years or less and have points and fees representing 3% or less of the total loan amount. This temporary QM category expires on January 10, 2021, or earlier if the Federal agencies issue their own qualified mortgage rules or, with respect to GSEs, if the FHFA's conservatorship ends.

Failure to comply with the ability-to-repay requirement exposes a lender to substantial potential liability. As a result, we believe that the QM regulations may cause changes in the lending standards and origination practices of our customers. Under the QM Rule, mortgage insurance premiums that are payable by the consumer at or prior to consummation of the loan may be included in the calculation of points and fees, including our borrower-paid single premium products. To the extent the use of private mortgage insurance causes a loan not to meet the definition of a QM, the volume of loans originated with mortgage insurance may decline or cause a change in the mix of premium plans and therefore our profitability.

***The amount of insurance we write could be adversely affected by the implementation of the Dodd-Frank Act's risk retention requirements and the definition of Qualified Residential Mortgage ("QRM").***

The Dodd-Frank Act requires an originator or issuer to retain a specified percentage of the credit risk exposure on securitized mortgages that do not meet the definition of QRM. On December 24, 2014, the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Commission, the Federal Housing Finance Agency, the Securities and Exchange Commission and the Department of Housing and Urban Development adopted a joint final rule to implement the Qualified Residential Mortgage, or QRM, regulations as required by the Dodd-Frank Act. The final rule aligns the definition of a QRM loan with that of a QM loan and will take effect on December 24, 2015. If, however, the QRM definition is changed (or if the QM definition is amended) in a manner that is unfavorable to us, such as to give no consideration to mortgage insurance in computing LTV or to require a large down payment for a loan to qualify as a QRM, the attractiveness of originating and securitizing loans with lower down payments may be reduced, which may adversely affect the future demand for mortgage insurance.

***The implementation of the Basel III Capital Accord, or other changes to our customers' capital requirements, may discourage the use of mortgage insurance.***

In 1988, the Basel Committee on Banking Supervision, which we refer to as the "Basel Committee", developed the Basel Capital Accord, which we refer to as "Basel I", which set out international benchmarks for assessing banks' capital adequacy requirements. In 2005, the Basel Committee issued an update to Basel I, which we refer to as "Basel II", which, among other things, governs the capital treatment of mortgage insurance purchased and held on balance sheet by banks in respect of their origination and securitization activities. In July 2013, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation approved publication of final regulatory capital rules, which we refer to as the "Basel III Rules", which govern almost all U.S. banking organizations regardless of size or business model. The Basel III Rules revise and enhance the Federal banking agencies' general risk-based capital, advanced approaches and leverage rules. The Basel III Rules became effective on January 1, 2014, with a mandatory compliance date of January 1, 2015 for banking organizations other than advanced approaches banking organizations that are not savings and loans holding companies. On January 1, 2014, most banking organizations became required to begin a multi-year transition period to the full implementation of the new capital framework.

The Federal banking agencies' previously proposed Basel III rule would have made extensive changes to the capital requirements for residential mortgages, including eliminating capital recognition for certain low down payment mortgages covered by mortgage insurance. The Federal banking agencies decided to retain in the Basel III Rules the treatment for residential mortgage exposures that is currently set forth in the general risk-based capital rules and the treatment of mortgage insurance. In addition, with regard to the separate Basel III Rules applicable to general credit risk mitigation for banking exposures, insurance companies engaged predominantly in the business of providing credit protection, such as private mortgage insurance companies, are not eligible guarantors.

If implementation of the Basel III Rules increases the capital requirements of banking organizations with respect to the residential mortgages we insure, it could adversely affect the size of the portfolio lending market, which in turn would reduce the demand for our mortgage insurance. If the Federal banking agencies revise the Basel III Rules to reduce or eliminate the capital benefit banks receive from insuring low down payment loans with private mortgage insurance, or if our bank customers believe that such adverse changes may occur at some time in the future, our current and future business may be adversely affected. Furthermore, if mortgage insurance companies do not meet the requirements to be an eligible guarantor for purposes of general credit mitigation, our future business prospects may be adversely affected.

***Our success depends, in part, on our ability to manage risks in our investment portfolio.***

Our investment portfolio consists primarily of investment-grade debt obligations. Our investments are subject to fluctuations in value as a result of broad changes in market conditions as well as risks inherent in particular securities. Changing market conditions could materially impact the future valuation of securities in our investment portfolio, which may cause us to impair, in the future, some portion of the value of those securities and which could have a significant adverse effect on our liquidity, financial condition and operating results.

Income from our investment portfolio is a source of cash flow to support our operations and make claim payments. If we, or our investment advisors, improperly structure our investments to meet those future liabilities or we have unexpected losses, including losses resulting from the forced liquidation of investments before their maturity, we may be unable to meet those obligations. Our investments and investment policies are subject to state insurance laws, which results in our portfolio being predominantly limited to highly rated fixed income securities. If interest rates rise above the rates on our fixed income securities, the market value of our investment portfolio would decrease. Any significant decrease in the value of our investment portfolio would adversely impact our financial condition.

In addition, compared to historical averages, interest rates and investment yields on highly rated investments have generally been low during the period in which we purchased the securities in our portfolio, which limits the investment income we can generate. We depend on our investments as a source of revenue, and a prolonged period of low investment yields would have an adverse impact on our revenues and could adversely affect our operating results.

We may be forced to change our investments or investment policies depending upon regulatory, economic and market conditions, and our existing or anticipated financial condition and operating requirements, including the tax position, of our business. Our investment objectives may not be achieved. Although our portfolio consists predominately of investment grade fixed income securities and complies with applicable regulatory requirements, the success of our investment activity and the value of our portfolio is affected by general economic conditions, which may adversely affect the markets for credit and interest-rate-sensitive securities, including the extent and timing of investor participation in these markets and the level and volatility of interest rates.

***If interest rates decline, house prices appreciate or mortgage insurance cancellation requirements change, the length of time that our policies remain in force could decline and cause a decline in our revenue.***

Generally, in each year, most of our premiums are from insurance that has been written in prior years. As a result, the length of time insurance remains in force, which is also generally referred to as persistency, is a significant determinant of our revenues. A lower level of persistency could reduce our future revenues. Our annual persistency rate was 86.4% at December 31, 2014, compared to 94% at December 31, 2011. The factors affecting the persistency of our insurance portfolio include:

- the level of current mortgage interest rates compared to the mortgage interest rates on the insurance in force, which affects the incentives of borrowers we have insured to refinance;
- the amount of equity in a home, as homeowners with more equity in their homes can generally more readily move to a new residence or refinance their existing mortgage;
- the rate at which homeowners sell their existing homes and move to new locations, generally referred to as housing turnover, with more rapid economic growth and stronger job markets tending to increase housing turnover;
- the mortgage insurance cancellation policies of mortgage investors along with the current values of the homes underlying the mortgages in the insurance in force; and

- the cancellation of borrower-paid mortgage insurance mandated by law based on the amortization schedule of the loan, which generally occurs sooner the lower the note rate of the insured loan.

Mortgage interest rates have remained at near historic lows since the financial crisis, but may rise in response to expected future changes in monetary policy by the Federal Reserve. Some portion of our insured portfolio may still be able to refinance at the current level of mortgage rates, which may reduce our future revenues. If interest rates rise, persistency is likely to increase, which may extend the average life of our insured portfolio and result in higher levels of future claims as more loans remain outstanding.

***The premiums we charge may not be adequate to compensate us for our liabilities for losses and, as a result, any inadequacy could materially affect our financial condition and results of operations.***

Our mortgage insurance premium rates may not be adequate to cover future losses. We set premiums at the time a policy is issued based on a number of factors, including our expectations regarding likely mortgage performance over the expected life of the coverage. These expectations may prove to be incorrect. Generally, we cannot cancel mortgage insurance coverage or adjust renewal premiums during the life of a mortgage insurance policy. As a result, higher than anticipated claims generally cannot be offset by premium increases on policies in force or mitigated by our non-renewal or cancellation of insurance coverage. The premiums we charge, and the associated investment income, may not be adequate to compensate us for the risks and costs associated with the insurance coverage provided to customers. Should we wish to increase our premium rates, any such change would be prospectively applied to new policies written, and the changes would be subject to approval by state regulatory agencies, which may delay or limit our ability to increase our premium rates.

***Our delegated underwriting program may subject our mortgage insurance business to unanticipated claims.***

In our mortgage insurance business, we enter into agreements with our customers that commit us to insure loans made by them using pre-established underwriting guidelines. Once we accept a customer into our delegated underwriting program, we generally insure a loan originated by that customer without re-confirming the customer followed our specified underwriting guidelines. Under this program, a customer could commit us to insure a material number of loans with unacceptable risk profiles before we discover the problem and terminate that customer's delegated underwriting authority or pursue other rights that may be available to us, such as our rights to rescind coverage or deny claims, which rights are limited by the terms of our master policy.

***We face risks associated with our contract underwriting business.***

We provide contract underwriting services for certain of our customers, including on loans for which we are not providing mortgage insurance. For substantially all of the existing loans that were originated through our contract underwriting services, we have agreed that if we make a material error in providing these services and the error leads to a loss for the customer, the customer may, subject to certain conditions and limitations, claim a remedy. Accordingly, we have assumed some credit risk in connection with providing these services. We also face regulatory and litigation risk in providing these services.

***Because loss reserve estimates are subject to uncertainties and are based on assumptions that may be volatile, ultimate losses may be substantially different than our loss reserves.***

We establish reserves using estimated claim rates and claim amounts in estimating the ultimate loss on delinquent loans. The estimated claim rates and claim amounts represent our best estimates of what we will actually pay on the loans in default as of the reserve date. Our master policy provides us the

right to rescind or deny claims under certain circumstances. Our reserve calculations do not currently include any estimate for claim rescissions, but we may be required to do so at some later time to ensure that our reserves meet the requirements of accounting principles generally accepted in the United States.

The establishment of loss reserves is subject to inherent uncertainty and requires judgment by management. Our estimates of claim rates and claim sizes will be strongly influenced by prevailing economic conditions, such as current rates or trends in unemployment, housing price appreciation and/or interest rates, and our best judgments as to the future values or trends of these macroeconomic factors. If prevailing economic conditions deteriorate suddenly and/or unexpectedly, our estimates of loss reserves could be materially understated, which may adversely impact our financial condition and operating results. Changes to our estimates could result in a material impact to our results of operations, even in a stable economic environment, and there can be no assurance that actual claims paid by us will not be substantially different than our loss reserves.

***A downgrade in our financial strength ratings may adversely affect the amount of business that we write.***

Financial strength ratings, which various ratings organizations publish as a measure of an insurance company's ability to meet contractholder and policyholder obligations, are important to maintain confidence in our products and our competitive position. A downgrade in our financial strength ratings, or the announced potential for a downgrade, could have an adverse effect on our financial condition and results of operations in many ways, including: (i) increased scrutiny of us and our financial condition by our customers, potentially resulting in a decrease in the amount of new insurance policies that we write; (ii) requiring us to reduce the premiums that we charge for mortgage insurance in order to remain competitive; and (iii) adversely affecting our ability to obtain reinsurance or to obtain reasonable pricing on reinsurance. A ratings downgrade could also increase our cost of capital and limit our access to the capital markets.

In addition, if the GSEs renew their historical focus on financial strength or other third-party credit ratings as components of their eligibility requirements for private mortgage insurers and do not set such requirements at a level that we can satisfy, or if as a result of a downgrade we would no longer comply with such rating requirements, our revenues and results of operations would be materially adversely affected. See "*—Changes in the business practices of the GSEs, including actions or decisions to decrease or discontinue the use of mortgage insurance or changes in the GSEs' eligibility requirements for mortgage insurers, could reduce our revenues or adversely affect our profitability and returns"*and "Business—Regulation—Direct U.S. Regulation—GSE Qualified Mortgage Insurer Requirements."

***We rely on our senior management team and our business could be harmed if we are unable to retain qualified personnel.***

Our success depends, in part, on the skills, working relationships and continued services of our senior management team. We have employment agreements with each of our senior executives. Other than the departure of our executive vice president, who has announced that he will retire effective March 31, 2015, we have not experienced the departure of any key personnel. Such departures in the future could adversely affect the conduct of our business. In such an event, we would be required to obtain other personnel to manage and operate our business, and there can be no assurance that we would be able to employ a suitable replacement for the departing individual, or that a replacement could be hired on terms that are favorable to us. Volatility or lack of performance in our share price may affect our ability to retain our key personnel or attract replacements should key personnel depart.

***If servicers fail to adhere to appropriate servicing standards or experience disruptions to their businesses, our losses could unexpectedly increase.***

We depend on reliable, consistent third-party servicing of the loans that we insure. Among other things, our mortgage insurance policies require our policyholders and their servicers to timely submit premium and monthly insurance in force and default reports and utilize commercially reasonable efforts to limit and mitigate loss when a loan is in default. If one or more servicers were to experience adverse effects to its business, such servicers could experience delays in their reporting and premium payment requirements. Without reliable, consistent third-party servicing, our insurance subsidiaries may be unable to correctly record new loans as they are underwritten, receive and process payments on insured loans and/or properly recognize and establish loss reserves on loans when a default exists or occurs but is not reported to us. In addition, if these servicers fail to limit and mitigate losses when appropriate, our losses may unexpectedly increase. Significant failures by large servicers or disruptions in the servicing of mortgage loans covered by our insurance policies would adversely impact our business, financial condition and operating results.

Furthermore, we have delegated to the GSEs, who have in turn delegated to most of their servicers, authority to accept modifications, short sales and deeds-in-lieu of foreclosure on loans we insure. Servicers are required to operate under protocols established by the GSEs in accepting these loss mitigation alternatives. We are dependent upon servicers in making these decisions and mitigating our exposure to losses. In some cases, loss mitigation decisions favorable to the GSEs may not be favorable to us, and may increase the incidence of paid claims. Inappropriate delegation protocols or failure of servicers to service in accordance with the protocols may increase the magnitude of our losses and have an adverse effect on our business, financial condition and operating results. Our delegation of loss mitigation decisions to the GSEs is subject to cancellation but exercise of our cancellation rights may have an adverse impact on our relationship with the GSEs and lenders.

***Our information technology systems may become outmoded, be temporarily interrupted or fail thereby causing us to fail to meet our customers' demands.***

Our business is highly dependent on the effective operation of our information technology systems, which are vulnerable to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber-attacks, security breaches, catastrophic events and errors in usage. Although we have disaster recovery and business continuity plans in place, we may not be able to adequately execute these plans in a timely fashion. Additionally, we may not satisfy our customers' requirements if we fail to invest sufficient resources in, or otherwise are unable to maintain and upgrade our information technology systems. Because we rely on our information technology systems for many critical functions, including connecting with our customers, if such systems were to fail or become outmoded, we may experience a significant disruption in our operations and in the business we receive, which could negatively affect our operating results, financial condition and profitability.

***The security of our information technology systems may be compromised and confidential information, including non-public personal information that we maintain, could be improperly disclosed.***

Our information technology systems may be vulnerable to physical or electronic intrusions, computer viruses or other attacks. As part of our business, we maintain large amounts of confidential information, including non-public personal information on consumers and our employees. Breaches in security could result in the loss or misuse of this information, which could, in turn, result in potential regulatory actions or litigation, including material claims for damages, interruption to our operations, damage to our reputation or otherwise have a material adverse effect on our business, financial condition and operating results. Although we believe we have appropriate information security policies and systems in place in order to prevent unauthorized use or disclosure of confidential information, including non-public personal information, there can be no assurance that such use or disclosure will not occur.

***Our holding company structure and certain regulatory and other constraints, including adverse business performance, could negatively impact our liquidity and potentially require us to raise more capital.***

Essent Group Ltd. serves as the holding company for our insurance and other subsidiaries and does not have any significant operations of its own. As a result, its principal source of funds is income from our investment portfolio, dividends and other distributions from our insurance and other subsidiaries, including permitted payments under our expense-sharing arrangements, and funds that may be raised from time to time in the capital markets. Our dividend income is limited to upstream dividend payments from our insurance and other subsidiaries, which may be restricted by applicable state insurance laws. Under Pennsylvania law, our insurance subsidiaries may pay ordinary dividends without prior approval of the Pennsylvania Insurance Commissioner (the "Commissioner"), but are not permitted to pay extraordinary dividends without the prior approval of the Commissioner. An extraordinary dividend is a dividend or distribution which, together with other dividends and distributions made within the preceding 12 months, exceeds the greater of (i) 10% of our surplus as shown in our last annual statement on file with the Commissioner, or (ii) our net income for the period covered by such statement, but shall not include pro rata distributions of any class of our own securities. Moreover, under Pennsylvania law, dividends and other distributions may only be paid out of unassigned surplus unless approved by the Commissioner. Our primary operating subsidiary, Essent Guaranty, Inc., had negative unassigned surplus of approximately $80.1 million as of December 31, 2014, and as a result we would not have been permitted to pay ordinary dividends from Essent Guaranty, Inc. as of that date. In addition, Essent Guaranty of PA, Inc. had unassigned surplus of less than approximately $3.7 million as of December 31, 2014, and as a result we would have limited ability to pay ordinary dividends from Essent Guaranty of PA, Inc. as of that date. As a result of these dividend limitations, we likely will not receive dividend income from our subsidiaries for several years and, consequently, Essent Group Ltd. may have limited liquidity and may be required to raise additional capital.

***We may need additional capital to fund our operations or expand our business, and if we are unable to obtain sufficient financing or such financing is obtained on adverse terms, we may not be able to operate or expand our business as planned, which could negatively affect our results of operations and future growth.***

We may require incremental capital to support our growth and comply with regulatory requirements. To the extent we require capital in the future, we may need to obtain financing from the capital markets or other third-party sources of financing. Potential investors or lenders may be unable to provide us with financing that is attractive to us. Our access to such financing will depend, in part, on:

- general market conditions;
- the market's perception of our growth potential;
- our debt levels, if any;
- our expected results of operations;
- our cash flow; and
- the market price of our common shares.

Our principal capital demands include funds for (i) the expansion of our business, (ii) the payment of certain corporate operating expenses, (iii) capital support for our subsidiaries, and (iv) Federal, state and local taxes. We may need to provide additional capital support to our insurance subsidiaries if required pursuant to insurance laws and regulations or by the GSEs. If we were unable to meet our obligations, our insurance subsidiaries could lose GSE approval or be required to cease writing business in one or more states, which would adversely impact our business, financial condition and operating results.

***Our success will depend on our ability to maintain and enhance effective operating procedures and internal controls.***

Operational risk and losses can result from, among other things, fraud, errors, failure to document transactions properly or to obtain proper internal authorization, failure to comply with regulatory requirements, information technology failures, failure to appropriately transition new hires or external events. We continue to enhance our operating procedures and internal controls to effectively support our business and our regulatory and reporting requirements. Our management does not expect that our disclosure controls or our internal controls will prevent all potential errors and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons or by collusion of two or more people. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. As a result of the inherent limitations in a cost-effective control system, misstatement due to error or fraud may occur and not be detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the disclosure controls and procedures are met. Any ineffectiveness in our controls or procedures could have a material adverse effect on our business.

We have a risk management framework designed to assess and monitor our risks. However, there can be no assurance that we can effectively review and monitor all risks or that all of our employees will operate within our risk management framework, nor can there can be any assurance that our risk management framework will result in accurately identifying all risks and accurately limiting our exposures based on our assessments. Moreover, risk management is expected to be a new and important focus of regulatory examinations of companies under supervision. There can be no assurance that our risk management framework and documentation will meet the expectations of such regulators.

***The mortgage insurance industry is, and as a participant in that industry we are, subject to litigation and regulatory risk generally.***

The mortgage insurance industry faces litigation risk in the ordinary course of operations, including the risk of class action lawsuits and administrative enforcement by Federal and state agencies. Litigation relating to capital markets transactions and securities-related matters in general has increased and is expected to continue to increase as a result of the recent financial crisis. Consumers are bringing a growing number of lawsuits against home mortgage lenders and settlement service providers. Mortgage insurers have been involved in class action litigation alleging violations of Section 8 of the Real Estate Settlement Procedures Act of 1974, or RESPA, and the Fair Credit Reporting Act, or FCRA. Section 8 of RESPA generally precludes mortgage insurers from paying referral fees to mortgage lenders for the referral of mortgage insurance business. This limitation also can prohibit providing services or products to mortgage lenders free of charge, charging fees for services that are lower than their reasonable or fair market value and paying fees for services that mortgage lenders provide that are higher than their reasonable or fair market value, in exchange for the referral of mortgage insurance business services. Violations of the referral fee limitations of RESPA may be enforced by the CFPB, HUD, the Department of Justice, state attorneys general and state insurance commissioners, as well as by private litigants in class actions. In the past, a number of lawsuits have

challenged the actions of private mortgage insurers under RESPA, alleging that the insurers have violated the referral fee prohibition by entering into captive reinsurance arrangements or providing products or services to mortgage lenders at improperly reduced prices in return for the referral of mortgage insurance, including the provision of contract underwriting services. In addition to these private lawsuits, other private mortgage insurance companies have received civil investigative demands from the CFPB as part of its investigation to determine whether mortgage lenders and mortgage insurance providers engaged in acts or practices in connection with their captive mortgage insurance arrangements in violation of RESPA, the Consumer Financial Protection Act and the Dodd-Frank Act. We received such an inquiry from the CFPB in January 2012; however, we do not currently have nor have we ever had any such captive reinsurance arrangements. In April 2013, the United States District Court for the Southern District of Florida approved consent orders issued by the CFPB against four other private mortgage insurers relating to captive reinsurance, and a settlement with a fifth private mortgage insurer was announced in November 2013. Under the settlements as approved, the mortgage insurers agreed to end the challenged practices, pay monetary penalties, and be subject to monitoring by the CFPB and are required to make reports to the CFPB in order to ensure their compliance with the provisions of the orders. Although we did not participate in the practices that were the subject of the CFPB investigation, the private mortgage insurance industry and our insurance subsidiaries are, and likely will continue to be, subject to substantial Federal and state regulation, which has increased in recent years as a result of the deterioration of the housing and mortgage markets in the United States. Increased Federal or state regulatory scrutiny could lead to new legal precedents, new regulations or new practices, or regulatory actions or investigations, which could adversely affect our financial condition and operating results.

***Our operating insurance and reinsurance subsidiaries are subject to regulation in various jurisdictions, and material changes in the regulation of their operations could adversely affect us.***

Our insurance and reinsurance subsidiaries are subject to government regulation in each of the jurisdictions in which they are licensed or authorized to do business. Governmental agencies have broad administrative power to regulate many aspects of the insurance business, which may include trade and claim practices, accounting methods, premium rates, marketing practices, claims practices, advertising, policy forms, and capital adequacy. These agencies are concerned primarily with the protection of policyholders rather than shareholders. Moreover, insurance laws and regulations, among other things:

- establish solvency requirements, including minimum reserves and capital and surplus requirements;
- limit the amount of dividends, tax distributions, intercompany loans and other payments our insurance subsidiaries can make without prior regulatory approval; and
- impose restrictions on the amount and type of investments we may hold.

The NAIC examines existing state insurance laws and regulations in the United States. During 2012, the NAIC established a Mortgage Guaranty Insurance Working Group, which we refer to as the "MGIWG", to determine and make recommendations to the NAIC's Financial Condition Committee regarding what, if any, changes are deemed necessary to the solvency regulation of mortgage guaranty insurers. The MGIWG has advanced a draft revised Model Act and has engaged with certain industry members developing a risk-sensitive analytical model to assess and establish capital adequacy levels. The MGIWG has advised us that they would like to conclude their work in 2015.

If the NAIC were to adopt a revised Mortgage Guaranty Insurance Model Act, it may result in state legislatures enacting and implementing the revised provisions. We cannot predict the effect that any NAIC recommendations or proposed or future legislation or rule-making in the United States or elsewhere may have on our financial condition or operations.

Our Bermuda insurance and reinsurance subsidiary, Essent Reinsurance Ltd., conducts its business from its offices in Bermuda and is not licensed or admitted to do business in any jurisdiction except Bermuda. We do not believe that Essent Reinsurance Ltd. is subject to the insurance laws of any state in the United States. However, recent scrutiny of the insurance and reinsurance industry in the United States and other countries could subject Essent Reinsurance Ltd. to additional regulation in the future that may make it unprofitable or illegal to operate a reinsurance business through our Bermuda subsidiary.

***If our Bermuda principal operating subsidiary becomes subject to insurance statutes and regulations in jurisdictions other than Bermuda or if there is a change in Bermuda law or regulations or the application of Bermuda law or regulations, there could be a significant and negative impact on our business.***

Our reinsurance subsidiary, Essent Reinsurance Ltd., is a registered Bermuda Class 3A insurer pursuant to Section 4 of the Insurance Act 1978. As such, it is subject to regulation and supervision in Bermuda. Bermuda insurance statutes and the regulations, and policies of the BMA, require Essent Reinsurance Ltd. to, among other things:

- maintain a minimum level of capital and surplus;
- maintain an enhanced capital requirement, general business solvency margins and a minimum liquidity ratio;
- restrict dividends and distributions;
- obtain prior approval regarding the ownership and transfer of shares;
- maintain a principal office and appoint and maintain a principal representative in Bermuda;
- file annual financial statements, an annual statutory financial return and an annual capital and solvency return; and
- allow for the performance of certain periodic examinations of Essent Reinsurance Ltd. and its financial condition.

These statutes and regulations may restrict Essent Reinsurance Ltd.'s ability to write insurance and reinsurance policies, distribute funds and pursue its investment strategy. We do not presently intend for Essent Reinsurance Ltd. to be admitted to do business in the United States, the U.K. or any jurisdiction other than Bermuda. However, we cannot assure you that insurance regulators in the United States, the U.K. or elsewhere will not review the activities of Essent Reinsurance Ltd. or its subsidiaries or agents and assert that Essent Reinsurance Ltd. is subject to such jurisdiction's licensing requirements.

Generally, Bermuda insurance statutes and regulations applicable to Essent Reinsurance Ltd. are less restrictive than those that would be applicable if they were governed by the laws of any state in the United States. If in the future Essent Reinsurance Ltd. becomes subject to any insurance laws of the United States or any state thereof or of any other jurisdiction, we cannot assure you that Essent Reinsurance Ltd. would be in compliance with such laws or that complying with such laws would not have a significant and negative effect on our business.

The process of obtaining licenses is very time consuming and costly, and Essent Reinsurance Ltd. may not be able to become licensed in jurisdictions other than Bermuda should we choose to do so. The modification of the conduct of our business that would result if we were required or chose to become licensed in certain jurisdictions could significantly and negatively affect our financial condition and results of operations. In addition, our inability to comply with insurance statutes and regulations could significantly and adversely affect our financial condition and results of operations by limiting our ability to conduct business as well as subject us to penalties and fines.

Because Essent Reinsurance Ltd. is a Bermuda company, it is subject to changes in Bermuda law and regulation that may have an adverse impact on our operations, including through the imposition of tax liability or increased regulatory supervision. In addition, Essent Reinsurance Ltd. will be exposed to any changes in the political environment in Bermuda. The Bermuda insurance and reinsurance regulatory framework recently has become subject to increased scrutiny in many jurisdictions, including the U.K. As a result of the delay in implementation of Solvency II Directive 2009/138/EC ("Solvency II"), it is unclear when the European Commission will take a final decision on whether or not it will recognize the solvency regime in Bermuda to be equivalent to that laid down in Solvency II. While we cannot predict the future impact on our operations of changes in the laws and regulation to which we are or may become subject, any such changes could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to banking regulations that may limit our business activities.***

The Goldman Sachs Group, Inc., which holds interests in us both directly and through its affiliates, is a bank holding company and regulated as a financial holding company under the Bank Holding Company Act of 1956, as amended, or the BHC Act. The BHC Act imposes regulations and requirements on The Goldman Sachs Group, Inc. and on any company that is deemed to be controlled by The Goldman Sachs Group, Inc. under the BHC Act and the regulations of the Board of Governors of the Federal Reserve System, or the Federal Reserve. Due to the size of its voting and economic interests in us, we are deemed to be controlled by The Goldman Sachs Group, Inc., and are therefore considered to be a non-bank subsidiary of The Goldman Sachs Group, Inc. under the BHC Act and so we are subject to the supervision and regulation of the Federal Reserve and to certain banking laws, regulations and orders that apply to The Goldman Sachs Group, Inc. We will remain subject to this regulatory regime until The Goldman Sachs Group, Inc. is no longer deemed to control us for purposes of the BHC Act, which we do not generally have the ability to control and which will not occur until The Goldman Sachs Group, Inc. has significantly reduced its voting and economic interests in us.

As a controlled non-bank subsidiary of The Goldman Sachs Group, Inc., we are restricted from engaging in activities that are not permissible under the BHC Act, or the rules and regulations promulgated thereunder. Permitted activities for a financial holding company or any controlled non-bank subsidiary generally include activities that the Federal Reserve has previously determined to be closely related to banking, financial in nature, or incidental or complementary to financial activities, including insurance underwriting and selling insurance as agent or broker such as our activity of offering private mortgage insurance and reinsurance coverage for single-family mortgage loans. Further, as a result of being subject to regulation and supervision by the Federal Reserve, we may be required to obtain the prior approval of the Federal Reserve before engaging in certain new activities or businesses, whether organically or by acquisition. The Federal Reserve could exercise its power to restrict us from engaging in any activity that, in the Federal Reserve's opinion, is unauthorized or constitutes an unsafe or unsound business practice. To the extent that these regulations impose limitations on our business, we could be at a competitive disadvantage because some of our competitors are not subject to these limitations.

As a subsidiary of a bank holding company, we are subject to examination by the Federal Reserve and required to provide information and reports for use by the Federal Reserve under the BHC Act. In addition, we are subject to the examination authority of, and may be required to submit reports to, the CFPB because we are an affiliate of Goldman Sachs Bank USA, which is an insured depository institution with more than $10 billion in assets. Further, the Dodd-Frank Act and related financial regulatory reform calls for the issuance of numerous regulations designed to increase and strengthen the regulation of bank holding companies, including The Goldman Sachs Group, Inc. and its affiliates. We cannot predict the impact of regulatory changes on our business with certainty.

Because of The Goldman Sachs Group, Inc.'s status as a bank holding company, we have agreed to certain restrictions on our activities imposed by The Goldman Sachs Group, Inc. that are intended to facilitate compliance with the BHC Act and that may impose certain obligations on the Company. Furthermore, additional restrictions placed on The Goldman Sachs Group as a result of supervisory or enforcement actions may restrict us or our activities in certain circumstances, even if these actions are unrelated to our conduct or business.

For further discussion of the applicability of banking regulation to our business and the risks presented by such regulation, see "Business—Regulation—Banking Regulation."

**Risks Relating to Taxes**

***We and our non-U.S. subsidiaries may become subject to U.S. Federal income and branch profits taxation.***

Essent Group Ltd. and Essent Reinsurance Ltd. intend to operate their business in a manner that will not cause them to be treated as engaged in a trade or business in the United States and, thus, will not be required to pay U.S. Federal income and branch profits taxes (other than U.S. excise taxes on insurance and reinsurance premium and withholding taxes on certain U.S. source investment income) on their income. However, because there is uncertainty as to the activities which constitute being engaged in a trade or business in the United States, there can be no assurances that the U.S. Internal Revenue Service (the "IRS") will not contend successfully that Essent Group Ltd. or its non-U.S. subsidiaries are engaged in a trade or business in the United States. In addition, Section 845 of the Internal Revenue Code of 1986, as amended (the "Code"), was amended in 2004 to permit the IRS to reallocate, recharacterize or adjust items of income, deduction or certain other items related to a reinsurance contract between related parties to reflect the proper "amount, source or character" for each item (in contrast to prior law, which only covered "source and character"). If, in future periods, we were to generate income from our Bermuda operations, then any U.S. Federal income and branch profits taxes levied upon earnings from such operations could materially adversely affect our shareholders' equity and earnings.

Recent legislative proposals would treat certain foreign corporations as U.S. corporations if such corporation is primarily managed and controlled within the United States. There can be no assurance that any such proposal would not apply to Essent Group Ltd.

Congress has been considering legislation intended to eliminate certain perceived tax advantages of Bermuda and other non-U.S. insurance companies and U.S. insurance companies having Bermuda and other non-U.S. affiliates, including perceived tax benefits resulting principally from reinsurance between or among U.S. insurance companies and their Bermuda affiliates.

Legislative proposals introduced in the House of Representatives as well as a prior Senate Finance Committee staff discussion draft and other prior proposals would limit deductions for premiums ceded to affiliated non-U.S. reinsurers above certain levels. The Administration's Fiscal Year 2016 Revenue Proposals contain a similar but more restrictive provision that would deny deductions for all premiums ceded to affiliated non-U.S. reinsurers, offset by an exclusion for any ceding commissions received or reinsurance recovered from such affiliates. Enactment of such legislation or proposal as well as other changes in U.S. tax laws, regulations and interpretations thereof to address these issues could adversely affect us to the extent we generate income from our Bermuda operations.

***The Federal Insurance Excise Tax may apply on a cascading basis.***

The IRS, in Revenue Ruling 2008-15, formally announced its position that the Federal Insurance Excise Tax (the "FET") is applicable (at a 1% rate on premiums) to all reinsurance cessions or retrocessions of risks by non-U.S. insurers or reinsurers to non-U.S. reinsurers where the underlying risks are either (i) risks of a U.S. entity or individual located wholly or partly within the United States,

or (ii) risks of a non-U.S. entity or individual engaged in a trade or business in the United States which are located within the United States ("U.S. Situs Risks"), even if the FET has been paid on prior cessions of the same risks. The legal and jurisdictional basis for the IRS' position is unclear, and the District Court for the District of Columbia recently held that the FET does not apply to retrocessions. Although certain U.S. income tax treaties provide for an exemption from the FET, including the "cascading" FET, the U.S. income tax treaty with Bermuda does not provide for such an exemption. We expect that, pursuant to Revenue Ruling 2008-15, the FET potentially could apply to (i) risks ceded to Essent Reinsurance Ltd. from a non-U.S. insurance company, or (ii) risks ceded by Essent Reinsurance Ltd. to a non-U.S. insurance company that does not have a FET treaty exemption.

***Holders of 10% or more of our common shares may be subject to U.S. income taxation under the "controlled foreign corporation" ("CFC") rules.***

If you are a "10% U.S. Shareholder" of a non-U.S. corporation deemed to be a "U.S. Person" (as defined below) who owns (directly, indirectly through non-U.S. entities or "constructively" (as defined below)) at least 10% of the total combined voting power of all classes of stock entitled to vote) and such non-U.S. corporation is a CFC for an uninterrupted period of 30 days or more during a taxable year and you own shares in the non-U.S corporation directly or indirectly through non-U.S. entities on the last day of the non-U.S. corporation's taxable year on which it is a CFC, you must include in your gross income for U.S. Federal income tax purposes your pro rata share of the CFC's "subpart F income," even if the subpart F income is not distributed. "Subpart F income" of a non-U.S. insurance corporation typically includes "foreign personal holding company income" (such as interest, dividends and other types of passive income), as well as insurance and reinsurance income (including underwriting and investment income). A non-U.S. corporation is considered a CFC if "10% U.S. Shareholders" own (directly, indirectly through non-U.S. entities or by attribution by application of the constructive ownership rules of section 958(b) of the Code, (i.e., "constructively")) more than 50% of the total combined voting power of all classes of voting stock of that non-U.S. corporation, or the total value of all stock of that non-U.S. corporation. For purposes of taking into account insurance income, a CFC also includes a non-U.S. corporation earning insurance income in which more than 25% of the total combined voting power of all classes of stock (or more than 25% of the total value of the stock) is owned by 10% U.S. Shareholders on any day during the taxable year of such corporation, if the gross amount of premiums or other consideration for the reinsurance or the issuing of insurance or annuity contracts (other than certain insurance or reinsurance related to some country risks written by certain insurance companies, not applicable here) exceeds 75% of the gross amount of all premiums or other consideration in respect of all risks.

For purposes of this discussion, the term "U.S. Person" means: (i) an individual citizen or resident of the United States, (ii) a partnership or corporation, created in or organized under the laws of the United States, or organized under the laws of any political subdivision thereof, (iii) an estate the income of which is subject to U.S. Federal income taxation regardless of its source, (iv) a trust if either (x) a court within the United States is able to exercise primary supervision over the administration of such trust and one or more U.S. Persons have the authority to control all substantial decisions of such trust or (y) the trust has a valid election in effect to be treated as a U.S. Person for U.S. Federal income tax purposes; or (v) any other person or entity that is treated for U.S. Federal income tax purposes as if it were one of the foregoing.

We believe that because of the anticipated dispersion of our share ownership, provisions in our organizational documents that limit voting power and other factors, no U.S. Person who owns our common shares directly or indirectly through one or more non-U.S. entities should be treated as owning (directly, indirectly through non-U.S. entities, or constructively) 10% or more of the total voting power of all classes of shares of the Company or Essent Reinsurance Ltd. See "— *Provisions in our*

*bye-laws may reduce or increase the voting rights of our shares*." It is possible, however, that the IRS could successfully challenge the effectiveness of these provisions.

***U.S. Persons who hold our shares may be subject to U.S. income taxation at ordinary income rates on their proportionate share of our "related party insurance income" ("RPII").***

If the RPII (determined on a gross basis) of Essent Reinsurance Ltd. were to equal or exceed 20% of Essent Reinsurance Ltd.'s gross insurance income in any taxable year and direct or indirect policyholders (and persons related to those policyholders) own directly or indirectly through entities 20% or more of the voting power or value of the Company, then a U.S. Person who owns any shares of Essent Reinsurance Ltd. (directly or indirectly through non-U.S. entities) on the last day of the taxable year on which it is an RPII CFC would be required to include in its income for U.S. Federal income tax purposes such person's pro rata share of Essent Reinsurance Ltd.'s RPII for the entire taxable year, determined as if such RPII were distributed proportionately only to U.S. Persons at that date regardless of whether such income is distributed, in which case your investment could be materially adversely affected. In addition, any RPII that is includible in the income of a U.S. tax-exempt organization may be treated as unrelated business taxable income. The amount of RPII earned by a non-U.S. insurance subsidiary (generally, premium and related investment income from the indirect or direct insurance or reinsurance of any direct or indirect U.S. holder of shares or any person related to such holder) will depend on a number of factors, including the identity of persons directly or indirectly insured or reinsured by the company. We do not expect gross RPII of Essent Reinsurance Ltd. to equal or exceed 20% of its gross insurance income in any taxable year for the foreseeable future, but we cannot be certain that this will be the case because some of the factors which determine the extent of RPII may be beyond our control.

***U.S. Persons who dispose of our shares may be subject to U.S. Federal income taxation at the rates applicable to dividends on a portion of such disposition.***

Section 1248 of the Code in conjunction with the RPII rules provides that if a U.S. Person disposes of shares in a non-U.S. corporation that earns insurance income in which U.S. Persons own 25% or more of the shares (even if the amount of gross RPII is less than 20% of the corporation's gross insurance income and the ownership of its shares by direct or indirect policyholders and related persons is less than the 20% threshold), any gain from the disposition will generally be treated as a dividend to the extent of the holder's share of the corporation's undistributed earnings and profits that were accumulated during the period that the holder owned the shares (whether or not such earnings and profits are attributable to RPII). In addition, such a holder will be required to comply with certain reporting requirements, regardless of the amount of shares owned by the holder. These RPII rules should not apply to dispositions of our shares because the Company will not itself be directly engaged in the insurance business. The RPII provisions, however, have never been interpreted by the courts or the U.S. Treasury in final regulations, and regulations interpreting the RPII provisions of the Code exist only in proposed form. It is not certain whether these regulations will be adopted in their proposed form or what changes or clarifications might ultimately be made thereto or whether any such changes, as well as any interpretation or application of the RPII rules by the IRS, the courts, or otherwise, might have retroactive effect. The U.S. Treasury has authority to impose, among other things, additional reporting requirements with respect to RPII. Accordingly, the meaning of the RPII provisions and the application thereof to us is uncertain.

***U.S. Persons who hold our shares will be subject to adverse tax consequences if we are considered to be a passive foreign investment company ("PFIC") for U.S. Federal income tax purposes.***

If we are considered to be a PFIC for U.S. Federal income tax purposes, a U.S. Person who owns any of our shares could be subject to adverse tax consequences, including becoming subject to a greater tax liability than might otherwise apply and to tax on amounts in advance of when tax would otherwise be imposed, in which case your investment could be materially adversely affected. In addition, if we were considered a PFIC, upon the death of any U.S. individual owning shares, such individual's heirs or estate would not be entitled to a "step-up" in the basis of the shares that might otherwise be available under U.S. Federal income tax laws. We believe that we are not, have not been, and currently do not expect to become, a PFIC for U.S. Federal income tax purposes. We cannot assure you, however, that we will not be deemed a PFIC by the IRS. If we were considered a PFIC, it could have material adverse tax consequences for an investor that is subject to U.S. Federal income taxation. There are currently no regulations regarding the application of the PFIC provisions to an insurance company. New regulations or pronouncements interpreting or clarifying these rules may be forthcoming. We cannot predict what impact, if any, such guidance would have on an investor that is subject to U.S. Federal income taxation.

***U.S. tax-exempt organizations who own our shares may recognize unrelated business taxable income.***

A U.S. tax-exempt organization may recognize unrelated business taxable income if a portion of the insurance income of any of our non-U.S. insurance subsidiaries is allocated to the organization, which generally would be the case if any of our non-U.S. insurance subsidiaries is a CFC and the tax-exempt shareholder is a 10% U.S. Shareholder or there is RPII, certain exceptions do not apply and the tax-exempt organization owns any of our shares. Although we do not believe that any U.S. Persons should be allocated such insurance income, we cannot be certain that this will be the case. U.S. tax-exempt investors are advised to consult their own tax advisors.

***There is the potential foreign bank account reporting and reporting of "Specified Foreign Financial Assets."***

U.S. Persons holding our common shares should consider their possible obligation to file a FINCEN Form TD 114—Report of Foreign Bank and Financial Accounts Report—with respect to their shares. Additionally, such U.S. and non-U.S. persons should consider their possible obligations to annually report certain information with respect to us with their U.S. Federal income tax returns. Shareholders should consult their tax advisors with respect to these or any other reporting requirement which may apply with respect to their ownership of our common shares.

***Reduced tax rates for qualified dividend income may not be available in the future.***

We believe that the dividends paid on the common shares should qualify as "qualified dividend income" if, as is intended, the common shares are approved for listing on a national securities exchange. Qualified dividend income received by non-corporate U.S. Persons is generally eligible for long-term capital gain rates. There has been proposed legislation before the U.S. Senate and House of Representatives that would exclude shareholders of certain foreign corporations from this advantageous tax treatment. If such legislation were to become law, non-corporate U.S. Persons would no longer qualify for the reduced tax rate on the dividends paid by us.

***Proposed U.S. tax legislation could have an adverse impact on us or holders of our common shares.***

It is possible that legislation could be introduced and enacted by the current Congress or future Congresses that could have an adverse impact on us or holders of our common shares. Any such legislation could have a retroactive effect. Additionally, the U.S. Federal income tax laws and interpretations regarding whether a company is engaged in a trade or business within the United States

or is a PFIC, or whether U.S. Persons would be required to include in their gross income the "subpart F income" or the RPII of a CFC, are subject to change, possibly on a retroactive basis. There are currently no regulations regarding the application of the PFIC rules to insurance companies and the regulations regarding RPII are still in proposed form. New regulations or pronouncements interpreting or clarifying such rules may be forthcoming. We cannot be certain if, when or in what form such regulations or pronouncements may be provided and whether such guidance will have a retroactive effect.

**Risks Relating to Ownership of Our Common Shares**

***Our share price may be volatile or may decline regardless of operating performance.***

The market price of our common shares may fluctuate significantly in the future. Some of the factors that could negatively affect the market price of our common shares include:

- actual or anticipated variations in our quarterly operating results;
- changes in our earnings estimates or publication of research reports about us or the real estate industry;
- changes in market valuations of similar companies;
- any indebtedness we incur in the future;
- changes in credit markets and interest rates;
- changes in government policies, laws and regulations;
- changes impacting Fannie Mae, Freddie Mac or Ginnie Mae;
- additions to or departures of our key management personnel;
- actions by shareholders;
- speculation in the press or investment community;
- strategic actions by us or our competitors;
- changes in our credit ratings;
- general market and economic conditions;
- our failure to meet, or the lowering of, our earnings estimates or those of any securities analysts; and
- price and volume fluctuations in the stock market generally.

The stock markets have experienced extreme volatility in recent years that has been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common shares. In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation, even if it does not result in liability for us, could result in substantial costs to us and divert management's attention and resources.

***Future sales of shares by existing shareholders could cause our share price to decline.***

Sales of substantial amounts of our common shares in the public market, or the perception that these sales could occur, could cause the market price of our common shares to decline. As of February 20, 2015, we had 92,662,850 outstanding common shares. Holders of approximately 50 million shares have registration rights, subject to some conditions, to require us to file registration statements

covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other shareholders in the future. Once we register the shares for the holders of registration rights, they can be freely sold in the public market upon issuance.

In the future, we may issue additional common shares or other equity or debt securities convertible into common shares in connection with a financing, acquisition, and litigation settlement or employee arrangement or otherwise. Any of these issuances could result in substantial dilution to our existing shareholders and could cause the trading price of our common shares to decline.

***If securities or industry analysts do not publish research or publish misleading or unfavorable research about our business, our share price and trading volume could decline.***

The trading market for our common shares depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of these analysts downgrades our shares or publishes misleading or unfavorable research about our business, our share price would likely decline. If one or more of these analysts ceases coverage of our Company or fails to publish reports on us regularly, demand for our shares could decrease, which could cause our share price or trading volume to decline.

***We do not intend to pay dividends on our common shares and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common shares.***

We do not intend to declare and pay dividends on our share capital for the foreseeable future. We currently intend to retain all our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on your common shares for the foreseeable future and the success of an investment in our common shares will depend upon any future appreciation in their value. There is no guarantee that our common shares will appreciate in value or even maintain the price at which our shareholders have purchased their shares. Furthermore, our subsidiaries are restricted by state insurance laws and regulations from declaring dividends to us. See "*—Our holding company structure and certain regulatory and other constraints, including adverse business performance, could negatively impact our liquidity and potentially require us to raise more capital.*"

***Holders of our shares may have difficulty effecting service of process on us or enforcing judgments against us in the United States.***

We are a Bermuda exempted company. As a result, the rights of holders of our common shares will be governed by Bermuda law and our memorandum of association and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Certain of our directors are not residents of the United States, and a substantial portion of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process on those persons in the United States or to enforce in the United States judgments obtained in U.S. courts against us or those persons based on the civil liability provisions of the U.S. securities laws. It is doubtful whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the United States, against us or our directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against us or our directors or officers under the securities laws of other jurisdictions.

***U.S. persons who own our shares may have more difficulty in protecting their interests than U.S. persons who are shareholders of a U.S. corporation.***

The Companies Act 1981 of Bermuda (the "Companies Act"), which applies to us, differs in certain material respects from laws generally applicable to U.S. corporations and their shareholders. Set forth below is a summary of certain significant provisions of the Companies Act and our bye-laws which

differ in certain respects from provisions of Delaware corporate law. Because the following statements are summaries, they do not discuss all aspects of Bermuda law that may be relevant to us and our shareholders.

*Interested Directors:* Bermuda law provides that if a director has an interest in a material contract or proposed material contract with us or any of our subsidiaries or has a material interest in any person that is a party to such a contract, the director must disclose the nature of that interest at the first opportunity either at a meeting of directors or in writing to the board. Under Delaware law such transaction would not be voidable if:

- the material facts as to such interested director's relationship or interests were disclosed or were known to the board of directors and the board of directors had in good faith authorized the transaction by the affirmative vote of a majority of the disinterested directors;

- such material facts were disclosed or were known to the shareholders entitled to vote on such transaction and the transaction were specifically approved in good faith by vote of the majority of shares entitled to vote thereon; or

- the transaction was fair as to the corporation as of the time it was authorized, approved or ratified. Under Delaware law, the interested director could be held liable for a transaction in which the director derived an improper personal benefit.

*Business Combinations with Large Shareholders or Affiliates.* As a Bermuda company, we may enter into business combinations with our large shareholders or affiliates, including mergers, asset sales and other transactions in which a large shareholder or affiliate receives, or could receive, a financial benefit that is greater than that received, or to be received, by other shareholders, without obtaining prior approval from our board of directors or from our shareholders. If we were a Delaware company, we would need prior approval from our board of directors or a supermajority of our shareholders to enter into a business combination with an interested shareholder for a period of three years from the time the person became an interested shareholder, unless we opted out of the relevant Delaware statute. Our bye-laws also include a provision restricting business combinations with interested shareholders consistent with the corresponding Delaware statute.

*Shareholders' Suits.* The rights of shareholders under Bermuda law are not as extensive as the rights of shareholders in many U.S. jurisdictions. Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. However, the Bermuda courts ordinarily would be expected to follow English case law precedent, which would permit a shareholder to commence an action in the name of the company to remedy a wrong done to the company where an act is alleged to be beyond the corporate power of the company, is illegal or would result in the violation of our memorandum of association or bye-laws. Furthermore, a court would consider acts that are alleged to constitute a fraud against the minority shareholders or where an act requires the approval of a greater percentage of our shareholders than actually approved it. The prevailing party in such an action generally would be able to recover a portion of attorneys' fees incurred in connection with such action. Our bye-laws provide that shareholders waive all claims or rights of action that they might have, individually or in the right of the company, against any director or officer for any act or failure to act in the performance of such director's or officer's duties, except with respect to any fraud or dishonesty of such director or officer. Class actions and derivative actions generally are available to shareholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In such actions, the court has discretion to permit the winning party to recover attorneys' fees incurred in connection with such action.

*Indemnification of Directors.* We may indemnify our directors or officers or any person appointed to any committee by the board of directors acting in their capacity as such in relation to any of our affairs for any loss arising or liability attaching to them by virtue of any rule of law in respect of any

negligence, default, breach of duty or breach of trust of which such person may be guilty in relation to the company other than in respect of his own fraud or dishonesty. Under Delaware law, a corporation may indemnify a director or officer of the corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in defense of an action, suit or proceeding by reason of such position if such director or officer acted in good faith and in a manner he or she reasonably believed to be in or not be opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, such director or officer had no reasonable cause to believe his or her conduct was unlawful.

***We may repurchase a shareholder's common shares without the shareholder's consent.***

Under our bye-laws and subject to Bermuda law, we have the option, but not the obligation, to require a shareholder to sell to us at fair market value the minimum number of common shares which is necessary to avoid or cure any adverse tax consequences or materially adverse legal or regulatory treatment to us, our subsidiaries or our shareholders if our board of directors reasonably determines, in good faith, that failure to exercise our option would result in such adverse consequences or treatment.

***Provisions in our bye-laws may reduce or increase the voting rights of our shares.***

In general, and except as provided under our bye-laws and as provided below, our shareholders have one vote for each common share held by them and are entitled to vote, on a non-cumulative basis, at all meetings of shareholders. However, if, and so long as, the shares of a shareholder are treated as "controlled shares" (as determined pursuant to sections 957 and 958 of the Code) of any U.S. Person that owns shares directly or indirectly through non-U.S. entities) and such controlled shares constitute 9.5% or more of the votes conferred by our issued shares, the voting rights with respect to the controlled shares owned by such U.S. Person will be limited, in the aggregate, to a voting power of less than 9.5%, under a formula specified in our bye-laws. The formula is applied repeatedly until the voting power of all 9.5% U.S. Shareholders has been reduced to less than 9.5%. In addition, our board of directors may limit a shareholder's voting rights when it deems it appropriate to do so to (i) avoid the existence of any 9.5% U.S. Shareholder; and (ii) avoid certain material adverse tax, legal or regulatory consequences to us, any of our subsidiaries or any direct or indirect shareholder or its affiliates. "Controlled shares" include, among other things, all shares that a U.S. Person is deemed to own directly, indirectly or constructively (within the meaning of section 958 of the Code). The amount of any reduction of votes that occurs by operation of the above limitations will generally be reallocated proportionately among our other shareholders whose shares were not "controlled shares" of the 9.5% U.S. Shareholder so long as such reallocation does not cause any person to become a 9.5% U.S. Shareholder.

Under these provisions, certain shareholders may have their voting rights limited, while other shareholders may have voting rights in excess of one vote per share. Moreover, these provisions could have the effect of reducing the votes of certain shareholders who would not otherwise be subject to the 9.5% limitation by virtue of their direct share ownership.

We are authorized under our bye-laws to request information from any shareholder for the purpose of determining whether a shareholder's voting rights are to be reallocated under the bye-laws. If any holder fails to respond to this request or submits incomplete or inaccurate information, we may, in our sole discretion, eliminate the shareholder's voting rights.

***There are regulatory limitations on the ownership and transfer of our common shares.***

Common shares may be offered or sold in Bermuda only in compliance with the provisions of the Companies Act and the Bermuda Investment Business Act 2003, which regulates the sale of securities in Bermuda. In addition, the BMA must approve all issues and transfers of shares of a Bermuda

exempted company. However, the BMA has pursuant to its statement of June 1, 2005 given its general permission under the Exchange Control Act 1972 (and related regulations) for the issue and free transfer of our common shares to and among persons who are non-residents of Bermuda for exchange control purposes as long as the shares are listed on an appointed stock exchange, which includes the New York Stock Exchange. This general permission would cease to apply if the Company were to cease to be so listed. We have obtained consent under the Bermuda Exchange Control Act 1972 (and its related regulations) from the BMA for the issue and transfer of our common shares to and between residents and non-residents of Bermuda for exchange control purposes provided our common shares remain listed on an appointed stock exchange, which includes the NYSE. Bermuda insurance law requires that any person who becomes a holder of at least 10%, 20%, 33% or 50% of the common shares of an insurance or reinsurance company or its parent company must notify the BMA in writing within 45 days of becoming such a holder or 30 days from the date they have knowledge of having such a holding, whichever is later. The BMA may, by written notice, object to a person holding 10%, 20%, 33% or 50% of our common shares if it appears to the BMA that the person is not fit and proper to be such a holder. The BMA may require the holder to reduce their shareholding in us and may direct, among other things, that the voting rights attaching to their shares shall not be exercisable. A person that does not comply with such a notice or direction from the BMA will be guilty of an offense.

The insurance holding company laws and regulations of the Commonwealth of Pennsylvania, the state in which our insurance subsidiaries are domiciled, require that, before a person can acquire direct or indirect control of an insurer domiciled in the state, prior written approval must be obtained from the Pennsylvania Insurance Department. The state insurance regulators are required to consider various factors, including the financial strength of the acquirer, the integrity and management experience of the acquirer's board of directors and executive officers, and the acquirer's plans for the future operations of the reinsurer or insurer. Pursuant to applicable laws and regulations, "control" over an insurer is generally presumed to exist if any person, directly or indirectly, owns, controls, holds the power to vote or holds proxies representing, 10% or more of the voting securities of that reinsurer or insurer. Indirect ownership includes ownership of our common shares.

Except in connection with the settlement of trades or transactions entered into through the facilities of the NYSE, our board of directors may generally require any shareholder or any person proposing to acquire our shares to provide the information required under our bye-laws. If any such shareholder or proposed acquirer does not provide such information, or if the board of directors has reason to believe that any certification or other information provided pursuant to any such request is inaccurate or incomplete, the board of directors may decline to register any transfer or to effect any issuance or purchase of shares to which such request is related. Although these restrictions on transfer will not interfere with the settlement of trades on the NYSE, we may decline to register transfers in accordance with our bye-laws and board of directors resolutions after a settlement has taken place.

***Future offerings of debt or equity securities, which may rank senior to our common shares, may restrict our operating flexibility and adversely affect the market price of our common shares.***

If we decide to issue debt securities in the future, it is likely that they will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any equity securities or convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common shares and may adversely affect the market price of our common shares. Any such debt or preference equity securities will rank senior to our common shares and will also have priority with respect to any distributions upon a liquidation, dissolution or similar event, which could result in the loss of all or a portion of your investment. Our decision to issue such securities will depend on market conditions and other factors beyond our control, and we cannot predict or estimate the amount, timing or nature of our future offerings.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 2. PROPERTIES

We do not own any real property. We lease office facilities for our U.S. operations headquarters in Radnor, Pennsylvania and additional offices in Winston-Salem, North Carolina, Irvine, California and Bermuda. We believe our current facilities are adequate for our current needs and that suitable additional space will be available as and when needed.

## ITEM 3. LEGAL PROCEEDINGS

We are not currently subject to any material legal proceedings.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

### ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common shares commenced trading on the New York Stock Exchange (NYSE) under the symbol "ESNT" on October 31, 2013. Before our initial public offering, there was no public market for our common shares. The following table sets forth, for the periods indicated, the high and low intra-day sales prices of our common shares as reported by the NYSE:

| 2013 | High | Low |
|---|---|---|
| Fourth Quarter (since October 31, 2013) | $ 24.10 | $ 19.95 |

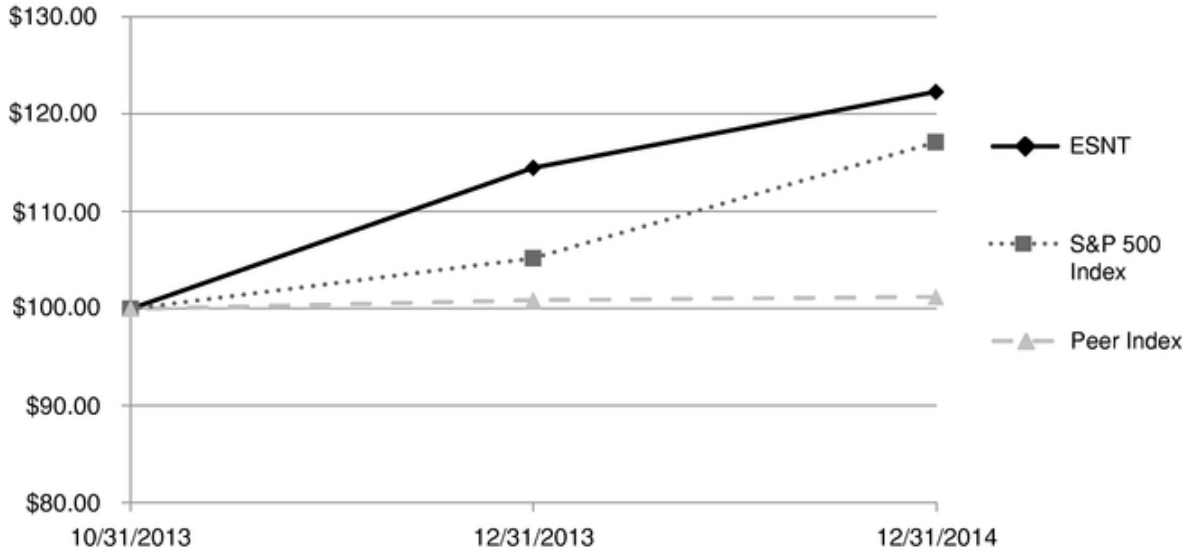
| 2014 | High | Low |
|---|---|---|
| First Quarter | $ 26.45 | $ 21.32 |
| Second Quarter | $ 22.59 | $ 18.03 |
| Third Quarter | $ 23.29 | $ 17.26 |
| Fourth Quarter | $ 26.02 | $ 21.14 |

As of February 20, 2015, we had approximately 32 holders of record of our common shares.

**Performance Graph**

The following performance graph compares, for the period from October 31, 2013 (the date our common shares commenced trading on the NYSE) through December 31, 2014, the cumulative total shareholder return of an investment in (i) our common shares, (ii) the S&P 500 and (iii) a composite peer group selected by us consisting of Arch Capital Group Ltd., Genworth Financial, Inc., MGIC Investment Corporation, NMI Holdings, Inc. and Radian Group Inc. We selected the members of this peer group because each is a direct competitor of ours in the private mortgage insurance industry.

The graph assumes an initial investment of $100 and the reinvestment of dividends, if any. Such returns are based on historical results and are not intended to suggest future performance.




| | 10/31/2013 | 12/31/2013 | 12/31/2014 |
|---|---|---|---|
| S&P 500 | $ 100 | $ 105.23 | $ 117.21 |
| Peer Group | $ 100 | $ 100.90 | $ 101.24 |
| ESNT | $ 100 | $ 114.57 | $ 122.43 |

The performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

**Dividends**

We have not declared or paid any dividends during the past two fiscal years, and we do not currently expect to declare or pay dividends on our Common Shares for the foreseeable future. Instead, we intend to retain earnings to finance the growth and development of our business and general corporate purposes. Any payment of dividends will be at the discretion of our board of directors and will depend upon various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law, general business conditions and other factors that our board of directors may deem relevant. In addition, the ability of our insurance subsidiaries to pay dividends to Essent Group Ltd. is limited by state insurance laws and under certain agreements with counterparties. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Risk Factors—Risks Relating to Our Business—*Our holding company structure and certain regulatory and other constraints, including adverse business performance, could negatively impact our liquidity and potentially require us to raise more capital.*" In addition, under the Bermuda Companies Act, we may only declare or pay a dividend if, among other matters, there are reasonable grounds for believing that we are, and would after the payment be, able to pay our respective liabilities as they become due and that the realizable value of our assets will, and after the payment would, exceed our liabilities.

**Securities Authorized for Issuance Under Equity Compensation Plans as of December 31, 2014**

The following table sets forth, as of December 31, 2014, information concerning equity compensation plans under which our securities are authorized for issuance. The table does not reflect grants, awards, exercises, terminations or expirations since that date.

| Plan Category | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 664,486(1) | (2) | 13,509,295(3) |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 664,486 | — | 13,509,295 |

(1) All of these shares are subject to outstanding restricted common share unit awards. This number does not include 2,761,569 shares that are subject to then-outstanding, but unvested, restricted common share awards because those securities have been subtracted from the number of securities remaining available for future issuance under Column (c).

(2) Not applicable because all outstanding awards reflected in column (a) will be issued upon the vesting of outstanding restricted common share units.

(3) All of the shares that remained available for future issuance as of December 31, 2014 were available under the 2013 Essent Group Ltd. Long-Term Incentive Plan (the "2013 Plan"). Subject to certain express limits of the 2013 Plan, shares available for award purposes under the 2013 Plan generally may be used for any type of award authorized under that plan including options, stock appreciation rights, and other forms of awards granted or denominated in our common shares including, without limitation, stock bonuses, restricted stock, restricted stock units and performance shares. A total of 14,700,000 common shares were originally reserved and available for delivery under the 2013 Plan. The total number of common shares reserved and available for delivery under the 2013 Plan is increased on the first day of each of our fiscal years beginning with 2014 in an amount equal to the lesser of (i) 1,500,000 common shares, (ii) 2% of our outstanding common shares on the last day of the immediately preceding fiscal year, or (iii) such number of common shares as determined by our board of directors. The number of common shares reserved and available for delivery under the 2013 Plan is subject to adjustment, as described below. The maximum number of common shares that may be issued in respect of incentive share options under the 2013 Plan is 14,700,000. Common shares underlying awards that are settled in cash, cancelled, forfeited, or otherwise terminated without delivery to a participant will again be available for issuance under the 2013 Plan. Common shares withheld or surrendered in connection with the payment of an exercise price of an award or to satisfy tax withholding will not again become available for issuance under the 2013 Plan.

**Issuer Purchase of Equity Securities**

The table below sets forth information regarding repurchases of our common shares during the fourth quarter of 2014. All of the shares represent common shares that were tendered to the Company by employees in connection with the vesting of restricted shares to satisfy tax withholding obligations. We do not consider these transactions to be a share buyback program.

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| October 1 - October 31, 2014 | 0 | $ N/A | — | — |
| November 1 - November 30, 2014 | 0 | $ N/A | — | — |
| December 1 - December 31, 2014 | 3,110 | $ 24.63 | — | — |
| Total | 3,110 | | — | — |

**Use of Proceeds from Initial Public Offering**

On November 5, 2013, we completed an initial public offering of an aggregate of 22,666,635 common shares at a price of $17.00 per share for an aggregate offering price of $385,332,795. On that date, we issued and sold 19,956,517 shares, including 2,956,517 shares pursuant to the underwriters' exercise of their option to purchase additional shares, and certain of our shareholders sold an additional 2,710,118 shares, and the offering terminated. Goldman, Sachs & Co., J.P. Morgan Securities LLC, and Barclays Capital Inc. served as joint representatives of the several underwriters for the offering. As a result of the initial public offering, we raised approximately $313.7 million in net proceeds, after deducting underwriting discounts and commissions of approximately $21.5 million and estimated expenses in connection with the offering of approximately $4 million. We did not receive any

proceeds from the sale of shares by the selling shareholders. No payments were made by us to our directors, officers or any of their associates, persons owning 10% or more of our Common Shares, or their associates, or our affiliates, except for approximately $11.7 million that was paid in the aggregate in underwriting discounts and commissions to Goldman, Sachs & Co. and J.P. Morgan Securities LLC, affiliates of which owned more than 11% and 8%, respectively, of our outstanding capital immediately prior to our initial public offering. We believe that the services performed by Goldman, Sachs & Co. and J.P. Morgan Securities LLC in connection with the above offering were provided on terms no more or less favorable than those with unrelated parties.

As of December 31, 2014, we have contributed in the aggregate all of our net proceeds from the offering (including approximately $36.7 million during the three months ended December 31, 2014) to our U.S. insurance subsidiaries and our Bermuda-based subsidiary, Essent Reinsurance Ltd., as capital investments.

**ITEM 6. SELECTED FINANCIAL DATA**

| Summary of Operations (In thousands, except per share amounts) | Year Ended December 31, 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Net premiums written | $ 276,778 | $ 186,200 | $ 72,668 | $ 17,865 | $ 219 |
| Increase in unearned premiums | (53,549) | (62,829) | (30,875) | (9,686) | (9) |
| Net premiums earned | 223,229 | 123,371 | 41,793 | 8,179 | 210 |
| Net investment income | 12,285 | 4,110 | 2,269 | 1,169 | 214 |
| Realized investment gains, net | 925 | 116 | 143 | 364 | 13 |
| Other income | 3,028 | 3,806 | 4,511 | 4,676 | 5,863 |
| Total revenues | 239,467 | 131,403 | 48,716 | 14,388 | 6,300 |
| **Losses and expenses:** | | | | | |
| Provision for losses and LAE | 6,308 | 2,321 | 1,466 | 57 | — |
| Other underwriting and operating expenses | 97,232 | 71,055 | 61,126 | 48,781 | 33,928 |
| Total losses and expenses | 103,540 | 73,376 | 62,592 | 48,838 | 33,928 |
| Income (loss) before income taxes | 135,927 | 58,027 | (13,876) | (34,450) | (27,628) |
| Income tax expense (benefit) | 47,430 | (7,386) | (333) | (895) | (54) |
| **Net income (loss)** | **$ 88,497** | **$ 65,413** | **$ (13,543)** | **$ (33,555)** | **$ (27,574)** |
| **Earnings (loss) per share (EPS)(1):** | | | | | |
| Basic: | | | | | |
| Common Shares(2) | $ 1.05 | $ 0.90 | N/A | N/A | N/A |
| Class A common shares | N/A | N/A | $ (0.49) | $ (1.39) | $ (1.24) |
| Class B-2 common shares | N/A | N/A | (0.01) | N/A | N/A |
| Diluted: | | | | | |
| Common Shares(2) | $ 1.03 | $ 0.70 | N/A | N/A | N/A |
| Class A common shares | N/A | N/A | $ (0.49) | $ (1.39) | $ 1.24 |
| Class B-2 common shares | N/A | N/A | (0.01) | N/A | N/A |
| **Weighted average common shares outstanding:** | | | | | |
| Basic: | | | | | |
| Common Shares(2) | 83,986 | 14,044 | N/A | N/A | N/A |
| Class A common shares | N/A | N/A | 27,445 | 24,151 | 22,205 |
| Class B-2 common shares | N/A | N/A | 393 | — | — |
| Diluted: | | | | | |
| Common Shares(2) | 85,602 | 18,103 | N/A | N/A | N/A |
| Class A common shares | N/A | N/A | 27,445 | 24,151 | 22,205 |
| Class B-2 common shares | N/A | N/A | 393 | — | — |

| Balance sheet data ($ in thousands) | December 31, 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Total investments | $ 1,057,613 | $ 332,555 | $ 247,414 | $ 171,091 | $ 161,725 |
| Cash | 24,411 | 477,655 | 22,315 | 18,501 | 15,511 |
| Total assets | 1,181,461 | 853,970 | 283,332 | 210,066 | 193,589 |
| Reserve for losses and LAE | 8,427 | 3,070 | 1,499 | 57 | — |
| Unearned premium reserve | 156,948 | 103,399 | 40,570 | 9,695 | 9 |
| Amounts due under Asset Purchase Agreement | — | 4,949 | 9,841 | 14,703 | 2,485 |
| Total stockholders' equity | $ 955,738 | $ 722,141 | $ 219,123 | $ 176,061 | $ 183,493 |

| Selected additional data ($ in thousands) | December 31, 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| New insurance written(3) | $ 24,799,434 | $ 21,152,638 | $ 11,241,161 | $ 3,229,720 | $ 245,898 |
| Loss ratio(4) | 2.8% | 1.9% | 3.5% | 0.7% | 0.0% |
| Expense ratio(5) | 43.6% | 57.6% | 146.3% | 596.4% | 16,156.2% |
| Combined ratio | 46.4% | 59.5% | 149.8% | 597.1% | 16,156.2% |

| Insurance portfolio ($ in thousands) | December 31, 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Insurance in force | $ 50,762,594 | $ 32,028,196 | $ 13,628,980 | $ 3,376,708 | $ 244,968 |
| Risk in force | $ 12,227,270 | $ 7,768,605 | $ 3,221,631 | $ 777,460 | $ 53,561 |
| Policies in force | 229,721 | 141,417 | 59,764 | 15,135 | 1,204 |
| Loans in default | 457 | 159 | 56 | 3 | — |
| Percentage of loans in default | 0.20% | 0.11% | 0.09% | 0.02% | — |

| Insurance company capital ($ in thousands) | | | | | |
|---|---|---|---|---|---|
| *U.S. Mortgage Insurance Business* | | | | | |
| Combined statutory capital(6) | $ 705,890 | $ 469,424 | $ 203,611 | $ 150,851 | $ 165,144 |
| Risk to capital ratios: | | | | | |
| Essent Guaranty, Inc. | 16.4:1 | 16.6:1 | 15.8:1 | 5.0:1 | 0.3:1 |
| Essent Guaranty of PA, Inc. | 14.6:1 | 17.1:1 | 16.2:1 | 10.4:1 | 0.6:1 |
| Combined(7) | 16.2:1 | 16.5:1 | 15.8:1 | 5.2:1 | 0.3:1 |
| *Essent Reinsurance Ltd. Mortgage Insurance Business* | | | | | |
| Stockholder's equity (GAAP basis) | $ 155,123 | $ 389 | $ 366 | $ 294 | $ 195 |
| Net risk in force(8) | $ 835,976 | N/A | N/A | N/A | N/A |

(1) Prior to the initial public offering ("IPO") which was completed on November 5, 2013, the Company had two classes of common shares outstanding: Class A common shares and Class B-2 common shares. The Class A common shares accrued a 10% cumulative dividend and the Class B-2 common shares had no stated dividend rate with any dividends being declared at the discretion of the Company's Board of Directors. Accordingly, earnings (loss) per common share was calculated using the "two-class" method which provides that earnings and losses be allocated to each class of common shares according to dividends declared and their respective participation rights. Substantially all of the net income (loss) for the periods prior to the IPO was allocated to the Class A common shares for purposes of determining earnings per share. Upon the completion of the IPO, all of the Class A common shares and the Class B-2 common shares converted into a single class of common shares (the "Common Shares"), as more fully described in Note 9 to our consolidated financial statements.

(2) The weighted average Common Shares outstanding as presented in the table above includes: (a) the weighted average Common Shares outstanding for the period from November 5, 2013 until December 31, 2013, and (b) the weighted average Class B-2 common shares outstanding (adjusted for the 2 for 3 share split) for the period from January 1, 2013 until the date of the conversion to Common Shares at the IPO. For purposes of determining EPS in 2013, the net income allocated to the Class B-2 common shares and all net income of the Company for the period following the IPO are allocated to the Common Shares.

(3) New insurance written ("NIW") includes NIW on a flow basis (in which loans are insured in individual, loan-by-loan transactions) and bulk insurance that we write (in which each loan in a portfolio of loans is insured in a single transaction).

(4) Loss ratio is calculated by dividing the provision for loss and loss adjustment expenses by net premiums earned.

(5) Expense ratio is calculated by dividing other underwriting and operating expenses by net premiums earned.

(6) Combined statutory capital equals the sum of statutory capital of Essent Guaranty, Inc. plus Essent Guaranty of PA, Inc., after eliminating the impact of intercompany transactions.

(7) The combined risk to capital ratio equals the sum of the net risk in force of Essent Guaranty, Inc. and Essent Guaranty of PA, Inc. divided by combined statutory capital.

(8) Net risk in force represents total risk in force, net of reinsurance ceded and net of exposure on policies for which loss reserves have been established.

**ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion should be read in conjunction with the "Selected Financial Data" and our financial statements and related notes thereto included elsewhere in this 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" and "Risk Factors." 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.*

*Except as otherwise indicated, "Market Share" means our market share as measured by our share of total new insurance written ("NIW") on a flow basis (in which loans are insured in individual, loan-by-loan transactions) in the private mortgage insurance industry, and excludes NIW under the Home Affordable Refinance Program ("HARP" and such NIW, the "HARP NIW") and bulk insurance (in which each loan in a portfolio of loans is insured in a single transaction).*

**Overview**

We are an established and growing private mortgage insurance company. We were formed to serve the U.S. housing finance industry at a time when the demands of the financial crisis and a rapidly changing business environment created the need for a new, privately funded mortgage insurance company. Since writing our first policy in May 2010, we have grown to an estimated 13.7% Market Share for the year ended December 31, 2014, up from 12.1% and 8.6% for the years ended December 31, 2013 and 2012, respectively. We believe that our success has been driven by the unique opportunity we offer lenders to partner with a well-capitalized mortgage insurer, unencumbered by business originated prior to the financial crisis, that provides fair and transparent claims payment practices, and consistency and speed of service.

In 2010, Essent became the first private mortgage insurer to be approved by the GSEs since 1995, and we are licensed to write mortgage insurance coverage in all 50 states and the District of Columbia. We completed our initial public offering in November 2013. The financial strength of Essent Guaranty, Inc., our wholly-owned insurance subsidiary, is rated Baa2 with a stable outlook by Moody's Investors Service and BBB+ with a stable outlook by Standard & Poor's Rating Services.

We had master policy relationships with approximately 1,175 customers as of December 31, 2014. Our holding company is domiciled in Bermuda and our U.S. insurance business is headquartered in Radnor, Pennsylvania. We operate additional underwriting and service centers in Winston-Salem, North Carolina and Irvine, California. We have a highly experienced, talented team with 332 employees as of December 31, 2014. For the years ended December 31, 2014, 2013 and 2012, we generated new insurance written of approximately $24.8 billion (including approximately $1.8 billion in NIW written on a bulk basis), $21.2 billion and $11.2 billion, respectively, and as of December 31, 2014, we had approximately $50.8 billion of insurance in force.

We also offer mortgage-related insurance and reinsurance through our wholly-owned Bermuda-based subsidiary, Essent Reinsurance Ltd., which we refer to as "Essent Re." In 2014, Essent Re issued two policies in connection with Freddie Mac's Agency Credit Insurance Structure (ACIS) program covering in the aggregate up to approximately $43.7 million of risk on mortgage loans in reference pools associated with debt notes issued by Freddie Mac. Essent Re also reinsures 25% of Essent Guaranty, Inc.'s GSE-eligible mortgage insurance NIW originated since July 1, 2014 under a quota share reinsurance agreement.

**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. Key regulatory and legislative developments that may affect us include:

***Housing Finance, GSE Reform and GSE Qualified Mortgage Insurer Requirements***

Because an overwhelming majority of our current and expected future business is the provision of mortgage insurance on loans sold to the GSEs, changes to the business practices of the GSEs or any regulation relating to the GSEs may impact our business and our results of operations. The FHFA is the regulator and conservator of the GSEs with authority to control and direct their operations. The FHFA has directed, and is likely to continue to direct, changes to the business operations of the GSEs in ways that affect the mortgage insurance industry.

It is likely that Federal legislation will be necessary to resolve the conservatorship of the GSEs, and such legislation could materially affect the role and charter of the GSEs and the operation of the housing finance system. In 2011, the U.S. Department of the Treasury recommended options for winding down the GSEs and using a combination of Federal housing policy changes to contract the government's footprint in housing finance and restore a larger role for private capital. Since 2011, members of Congress have introduced several bills intended to reform the secondary market and the role of the GSEs, although no comprehensive housing finance or GSE reform legislation has been enacted to date. See "Business—Regulation—Federal Laws and Regulations—Housing Finance Reform", "Risk Factors—Risks Relating to Our Business—*Legislative or regulatory actions or decisions to change the role of the GSEs in the U.S. housing market generally, or changes to the charters of the GSEs with regard to the use of credit enhancements generally and private mortgage insurance specifically, could reduce our revenues or adversely affect our profitability and returns*", and "*—Changes in the business practices of the GSEs, including actions or decisions to decrease or discontinue the use of mortgage insurance or changes in the GSEs' eligibility requirements for mortgage insurers, could reduce our revenues or adversely affect our profitability and returns.*"

On July 10, 2014, the FHFA released for public input draft Private Mortgage Insurer Eligibility Requirements (PMIERs). If implemented, the PMIERs would represent revised standards by which private mortgage insurers would be eligible to provide mortgage insurance on loans owned or guaranteed by Fannie Mae and Freddie Mac. The PMIERs would replace the current eligibility requirements separately established by each of Fannie Mae and Freddie Mac prior to the financial crisis. As proposed, the PMIERs include new financial strength requirements incorporating a risk-based framework that would require approved insurers to have a sufficient level of liquid assets from which to pay claims. These new requirements would impact the amount of capital a mortgage insurer must hold. The draft requirements also include enhanced operational performance expectations and define remedial actions that would apply should an approved insurer fail to comply with the new requirements. The public input period with respect to the PMIERs closed on September 8, 2014. The FHFA has advised us that it does not expect to release the final PMIERs until at least late in the first quarter of 2015.

***Dodd-Frank Act***

Various regulatory agencies have produced, and are now in the process of developing additional, new rules under the Dodd-Frank Act that are expected to have a significant impact on the housing finance industry, including the Qualified Mortgage, or QM, definition and the risk retention requirement and related Qualified Residential Mortgage, or QRM, definition.

*QM Definition*

Under the Dodd-Frank Act, the CFPB is authorized to issue regulations governing a loan originator's determination that, at the time a loan is originated, the consumer has a reasonable ability to repay the loan. The Dodd-Frank Act provides a statutory presumption that a borrower will have the ability to repay a loan if the loan has characteristics satisfying the QM definition. On January 10, 2014, the CFPB implemented a final rule regarding QMs, which we refer to as the "QM Rule". Under the QM Rule, a loan is deemed to be a QM if it has certain loan features, satisfies extensive documentation requirements and meets limitations on fees and points and APRs. The QM Rule provides a "safe harbor" for QM loans with annual percentage rates, or APRs, below the threshold of 150 basis points over the Average Prime Offer Rate, or APOR, and a "rebuttable presumption" for QM loans with an APR above that threshold.

Although some large lenders have announced plans to originate loans that do not qualify as QMs, we expect that most lenders will be reluctant to make non QM loans because they will not be entitled to the presumption against civil liability under the Dodd-Frank Act, and mortgage investors may be reluctant to purchase mortgages or mortgage-backed securities that are not QMs due to potential assignee liability for such loans. As a result, we believe that the QM regulations will have a direct impact on establishing a subset of borrowers who can meet the regulatory standards and will directly affect the willingness of lenders and mortgage investors to extend mortgage credit and therefore the size of the residential mortgage market. To the extent the use of private mortgage insurance causes a loan not to meet the definition of a QM, the volume of loans originated with mortgage insurance may decline. In addition, the impact of the mortgage insurance premiums on the calculation of points and fees for purposes of QM may influence the use of mortgage insurance, as well as our mix of premium plans and therefore our profitability. See "—Factors Affecting Our Results of Operations—Persistency and Business Mix" and "Risk Factors—Risks Relating to Our Business—*Our business prospects and operating results could be adversely impacted if, and to the extent that, the Consumer Financial Protection Bureau's ("CFPB") final rule defining a qualified mortgage ("QM") reduces the size of the origination market or creates incentives to use government mortgage insurance programs."*

*Risk Retention Requirements and QRM Definition*

The Dodd-Frank Act provides for an originator or issuer risk -retention requirement on securitized mortgage loans that do not meet the definition of a QRM. On December 24, 2014, the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Commission, the Federal Housing Finance Agency, the Securities and Exchange Commission and the Department of Housing and Urban Development adopted a joint final rule to implement the Qualified Residential Mortgage, or QRM, regulations as required by Dodd-Frank. The final rule aligns the definition of a QRM loan with that of a QM loan and will take effect on December 24, 2015. Given the alignment of the QRM definition to QM, unless the QRM or QM definitions are revised we see little or no adverse impact to our current business from the final QRM standards. See "Business—Regulation—Federal Laws and Regulation—Dodd-Frank Act—Qualified Residential Mortgage Regulations—Risk Retention Requirements" and "Risk Factors—Risks Relating to Our Business—*The amount of insurance we write could be adversely affected by the implementation of the Dodd-Frank Act's risk retention requirements and the definition of Qualified Residential Mortgage ("QRM")*."

***FHA Reform***

The FHA is our primary competitor outside of the private mortgage insurance industry and the FHA's role in the mortgage insurance industry is also significantly dependent upon regulatory developments. The U.S. Congress is considering reforms of the housing finance market, which includes consideration of the future mission, size and structure of the FHA, which is part of HUD. The most recent FHA report to Congress dated November 17, 2014 on the financial status of the FHA Mutual

Mortgage Insurance Fund, or MMIF showed the capital reserve ratio of the MMIF at 0.41%, an improvement from prior years, but still below the Congressionally mandated required minimum level of 2%. As a result of the financial improvements in the condition of the fund and the stated desire to support the housing recovery, in January 2015 President Obama announced a 50 basis point reduction in FHA premiums.

In part as a result of this capital shortfall, Congress has over the past several years considered legislation to reform the FHA. If FHA reform were to raise FHA premiums, tighten FHA credit guidelines, make other changes which make lender use of FHA less attractive, or implement credit risk sharing between FHA and private mortgage insurers, these changes may be beneficial to our business. However, there can be no assurance that any FHA reform legislation will be enacted into law, and what provisions may be contained in any final legislation, if any. Therefore, the future impact on our business is uncertain. See "Business—Regulation—Federal Laws and Regulation—FHA Reform" and "Risk Factors—Risks Relating to Our Business—*The amount of insurance we may be able to write could be adversely affected if lenders and investors select alternatives to private mortgage insurance.*"

**Factors Affecting Our Results of Operations**

***Net Premiums Written and Earned***

Premiums are based on 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 premium rates in effect during a given period will also cause premiums to differ when compared to earlier periods. IIF at the end of a reporting period is a function of the IIF at the beginning of such reporting period plus NIW less policy cancellations (including claims paid) during the period. As a result, premiums are generally influenced by:

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

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

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

- Premiums ceded or assumed under reinsurance arrangements. To date, we have not entered into any third-party reinsurance contracts.

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. 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 December 31, 2014 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 year ended December 31, 2014, monthly and single premium policies comprised 80% and 20% of our NIW, respectively.

***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 86.4% at December 31, 2014. 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 comprised entirely of investment grade fixed income securities and money market investments as of December 31, 2014. The principal factors that influence investment income are the size of the investment portfolio and the yield. As measured by amortized cost (which excludes changes in fair market value, such as from changes in interest rates), the size of our investment portfolio is mainly a function of increases in capital and cash generated from or used in operations which is impacted by net premiums received, investment earnings, net claim payments and expenses. Realized gains and losses are a function of the difference between the amount received on the sale of a security and the security's amortized cost, as well as any "other than temporary" impairments recognized in earnings. The amount received on the sale of fixed income securities is affected by the coupon rate of the security compared to the yield of comparable securities at the time of sale.

***Other Income***

In connection with the acquisition of our mortgage insurance platform, we entered into a services agreement with Triad Guaranty Inc. and its wholly-owned subsidiary, Triad Guaranty Insurance Corporation, which we refer to collectively as "Triad", to provide certain information technology maintenance and development and customer support-related services. In return for these services, we receive a fee which is recorded in other income. From the period from December 1, 2009 to November 30, 2010, this fee was based on a fixed amount. Effective December 1, 2010, the fee is adjusted monthly based on the number of Triad's mortgage insurance policies in force and, accordingly, will decrease over time as Triad's existing policies are cancelled. The services agreement provides for a minimum monthly fee of $150,000 for the duration of the services agreement. The services agreement was automatically extended until November 30, 2015 and provides for four subsequent one-year renewals at Triad's option. See Note 6 to our consolidated financial statements.

Other income also includes revenues associated with contract underwriting services and changes in the fair value of derivative instruments. The level of contract underwriting revenue is dependent upon the number of customers who have engaged us for this service and the number of loans underwritten for these customers. The insurance and reinsurance policies issued by Essent Re in connection with the ACIS program are accounted for as derivatives under GAAP with the fair value of these policies reported as an asset or liability and changes in the fair value of these policies reported in earnings. Changes in the fair value of these policies are impacted by changes in market observable factors. See Note 16 to our consolidated financial statements.

***Provision for Losses and Loss Adjustment Expenses***

The provision for losses and loss adjustment expenses reflect 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 rate at which we may rescind policies. Because of tighter underwriting standards generally in the mortgage lending industry and terms set forth in our Clarity of Coverage master policy endorsement, 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. The average age of our insurance portfolio is young with 97% of our IIF as of December 31, 2014 having been originated since January 1, 2012. As a result, based on historical industry performance, we expect the number of defaults and claims we experience, as well as our provision for losses and loss adjustment expenses, to increase as our portfolio seasons. See "—Mortgage Insurance Earnings and Cash Flow Cycle" below.

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

We believe, based upon our experience and industry data, that claims incidence for mortgage insurance is generally highest in the third through sixth years after loan origination. As of December 31, 2014, 47% of our IIF relates to business written in 2014 and substantially all of our policies in force are 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.

***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 66%, 66% and 52% of other underwriting and operating expenses for the years ended December 31, 2014, 2013 and 2012, respectively. Compensation and benefits expense includes base and incentive cash compensation, stock compensation expense, benefits and payroll taxes. Compensation and benefits expense has steadily increased each period as we have increased our staffing from 157 employees at January 1, 2012 to 332 at December 31, 2014, primarily in our business development and operations functions to support the growth of our business. The growth in our sales organization contributed to the growth of our active customers and NIW. We also expanded our underwriting and customer service teams to support this new business.

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. Depreciation and amortization expense represented 3%, 3% and 25% of other underwriting and operating expenses for the years ended December 31, 2014, 2013 and 2012, respectively. A significant portion of the depreciation expense recorded during 2012 related to the assets acquired from Triad for $30 million in cash and the assumption of certain contractual obligations under that certain asset purchase agreement, dated October 7, 2009, among Essent Guaranty, Inc. and Triad (the "Asset Purchase Agreement"). The purchase price of the assets acquired from Triad was allocated primarily to acquired technology (94%) and workforce-in-place (4%) and was amortized to expense on a straight-line basis over 36 months and 48 months, respectively, from the date of acquisition. The acquired technology component of the purchase price was fully depreciated as of November 30, 2012 and the workforce-in-place component of the purchase price was fully amortized as of November 30, 2013 and, accordingly, depreciation and amortization expense in 2014 and 2013 was lower than prior periods.

We anticipate that as we continue to add customers and increase our IIF, our expenses will also continue to increase. In addition, as a result of the increase in our IIF, we expect that our net premiums earned will grow faster than our underwriting and other expenses resulting in a decline in our expense ratio.

***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. To date, substantially all of our business activity has been conducted in the United States where we are subject

to corporate level Federal income taxes. Our U.S. insurance subsidiaries are generally not subject to income taxes in the states in which we operate; however, our non-insurance subsidiaries are subject to state income taxes. In lieu of state income taxes, our insurance subsidiaries pay premium taxes that are recorded in other underwriting and operating expenses. 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.

Essent Group Ltd. and its wholly-owned subsidiary, Essent Re, are domiciled in Bermuda, which does not have a corporate income tax. Prior to 2014, these entities incurred expenses and generated limited amounts of investment income. In 2014, Essent Re entered into insurance and reinsurance transactions with Freddie Mac and entered into a quota share reinsurance agreement with Essent Guaranty, an affiliate, to reinsure 25% of Essent Guaranty's GSE-eligible NIW effective July 1, 2014.

Since inception and prior to June 30, 2013, we recorded a valuation allowance against deferred tax assets, and, as such, we generally did not record a benefit associated with the losses incurred in prior periods or other income tax benefits. The income tax provision or benefit recognized in prior periods related to changes in our valuation allowance associated with changes in deferred tax liabilities resulting from the increase or decrease in the unrealized gain on our investment portfolio. At June 30, 2013, after weighing all the evidence, we concluded that it was more likely than not that our deferred tax assets would be realized. As a result, in 2013 we released the valuation allowance on our deferred tax assets. The release of the valuation allowance resulted in the recognition of a net $7.4 million benefit for Federal income taxes in the year ended December 31, 2013.

***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 increasing losses.

**Key Performance Indicators**

***Insurance In Force***

As discussed above, premiums we collect and earn are generated based on our IIF, which is a function of our NIW and cancellations. From 2010, when we first began writing policies, through December 31, 2014, we have increased our NIW annually. We have also grown the number of customers who have approved us to provide mortgage insurance over this period, as well as increased our share of NIW from certain customers over time. The following table includes a summary of the change in our IIF for the years ended December 31, 2014, 2013 and 2012. In addition, this table

includes our RIF at the end of each period and the number of customers that purchased mortgage insurance during each respective period.

| ($ in thousands) | Year Ended December 31, 2014 | 2013 | 2012 |
|---|---|---|---|
| IIF, beginning of period | $ 32,028,196 | $ 13,628,980 | $ 3,376,708 |
| NIW | 24,799,434 | 21,152,638 | 11,241,161 |
| Cancellations | (6,065,036) | (2,753,422) | (988,889) |
| IIF, end of period | $ 50,762,594 | $ 32,028,196 | $ 13,628,980 |
| Average IIF during the period | $ 40,577,996 | $ 22,787,671 | $ 7,581,042 |
| RIF, end of period | $ 12,227,270 | $ 7,768,605 | $ 3,221,631 |
| Number of customers generating NIW during the period | 1,000 | 721 | 463 |

Our cancellation activity has been relatively low to date because the average age of our insurance portfolio is young. Following is a summary of our IIF at December 31, 2014 by vintage:

| ($ in thousands) | $ | % |
|---|---|---|
| 2014 | $ 23,699,572 | 46.7% |
| 2013 | 17,907,693 | 35.3 |
| 2012 | 7,780,072 | 15.3 |
| 2011 | 1,298,063 | 2.6 |
| 2010 | 77,194 | 0.1 |
| | $ 50,762,594 | 100.0% |

***Average Premium Rate***

Our average premium rate is dependent on a number of factors, including: (1) the risk characteristics and average coverage on the mortgages we insure; (2) the mix of monthly premiums compared to single premiums in our portfolio; (3) cancellations of non-refundable single premiums during the period; and (4) changes to our pricing.

The following table outlines our average premium rate, which reflects net premiums earned as a percentage of average IIF, for the periods presented:

| ($ in thousands) | Year Ended December 31, 2014 | 2013 | 2012 |
|---|---|---|---|
| Net premiums earned | $ 223,229 | $ 123,371 | $ 41,793 |
| Average IIF during the period | $ 40,577,996 | $ 22,787,671 | $ 7,581,042 |
| Average premium rate | 0.55% | 0.54% | 0.55% |

***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 is frequently 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 December 31, 2014, our combined net risk in force for our U.S. insurance companies was $11.4 billion and our combined statutory capital was $705.9 million, resulting in a risk to capital ratio of 16.2 to 1. The amount of capital required varies in each jurisdiction in which we operate; however, generally, the maximum permitted risk to capital ratio is 25.0 to 1. State insurance regulators and, as discussed in "—Liquidity and Capital Resources—Draft Private Mortgage Insurer Eligibility Requirements" below, the GSEs are currently examining their respective capital rules to determine whether, in light of the recent 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) | Year Ended December 31, 2014 | 2013 | 2012 |
|---|---|---|---|
| **Revenues:** | | | |
| Net premiums written | $ 276,778 | $ 186,200 | $ 72,668 |
| Increase in unearned premiums | (53,549) | (62,829) | (30,875) |
| Net premiums earned | 223,229 | 123,371 | 41,793 |
| Net investment income | 12,285 | 4,110 | 2,269 |
| Realized investment gains, net | 925 | 116 | 143 |
| Other income | 3,028 | 3,806 | 4,511 |
| Total revenues | 239,467 | 131,403 | 48,716 |
| **Losses and expenses:** | | | |
| Provision for losses and LAE | 6,308 | 2,321 | 1,466 |
| Other underwriting and operating expenses | 97,232 | 71,055 | 61,126 |
| Total losses and expenses | 103,540 | 73,376 | 62,592 |
| Income (loss) before income taxes | 135,927 | 58,027 | (13,876) |
| Income tax expense (benefit) | 47,430 | (7,386) | (333) |
| **Net income (loss)** | **$ 88,497** | **$ 65,413** | **$ (13,543)** |

**Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013**

For the year ended December 31, 2014, we reported net income of $88.5 million, compared to net income of $65.4 million for the year ended December 31, 2013. The increase in our operating results in 2014 over 2013 was primarily due to an increase in net premiums earned associated with the growth of our IIF and increases in net investment income and realized investment gains, partially offset by increases in other underwriting and operating expenses, the provision for losses and loss adjustment expenses and income taxes.

***Net Premiums Written and Earned***

Net premiums earned increased in the year ended December 31, 2014 by 81% compared to the year ended December 31, 2013 primarily due to the increase in our average IIF from $22.8 billion in 2013 to $40.6 billion in 2014. Net premiums written increased in the year ended December 31, 2014 by 49% over the prior year.

In the year ended December 31, 2014, unearned premiums increased by $53.5 million as a result of net premiums written on single premium policies of $84.1 million which was partially offset by $30.6 million of unearned premium that was recognized in earnings during the year. In the year ended December 31, 2013, unearned premiums increased by $62.8 million as a result of net premiums written on single premium policies of $78.5 million which was partially offset by $15.7 million of unearned premium that was recognized in earnings during the year. Included in unearned premium recognized was $8.2 million and $4.1 million related to policy cancellations for the year ended December 31, 2014 and 2013, respectively.

***Net Investment Income***

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

| | Year Ended December 31, | |
|---|---|---|
| **($ in thousands)** | **2014** | **2013** |
| Fixed maturities | $ 13,356 | $ 4,671 |
| Short-term investments | 56 | 26 |
| Gross investment income | 13,412 | 4,697 |
| Investment expenses | (1,127) | (587) |
| Net investment income | $ 12,285 | $ 4,110 |

The increase in net investment income to $12.3 million for the year ended December 31, 2014 as compared to $4.1 million for the year ended December 31, 2013 is primarily due to an increase in the weighted average balance of our investment portfolio as a result of investing proceeds from our secondary offering of Common Shares in 2014, proceeds from our IPO and capital contributions from our initial investors in 2013, and cash flows generated from operations. The average cash and investment portfolio balance was $887.2 million and $442.8 million during the years ended December 31, 2014 and 2013, respectively. The pre-tax investment income yield was 1.5% and 1.1% in the years ended December 31, 2014 and 2013, respectively. The pre-tax investment income yields are calculated based on amortized cost. See "—Liquidity and Capital Resources" for further details of our investment portfolio.

***Other Income***

Other income includes fees earned for information technology and customer support services provided to Triad, contract underwriting revenues and changes in the fair value of the insurance and reinsurance policies issued by Essent Re under the ACIS program. The decrease in other income for the year ended December 31, 2014 compared to the same period in 2013 is primarily due to a reduction in the number of Triad's mortgage insurance policies in force, partially offset by an increase in contract underwriting revenue. The fees earned from Triad will continue to decrease over time as Triad's existing policies are cancelled.

***Provision for Losses and Loss Adjustment Expenses***

The increase in the provision for losses and LAE in 2014 as compared to 2013 was primarily due to an increase in the number of insured loans in default partially offset by previously identified defaults that cured.

The following table presents a rollforward of insured loans in default for the periods indicated:

| | Year Ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Beginning default inventory | 159 | 56 |
| Plus: new defaults | 904 | 327 |
| Less: cures | (578) | (208) |
| Less: claims paid | (28) | (16) |
| Ending default inventory | 457 | 159 |

The increase in the number of defaults at December 31, 2014 compared to December 31, 2013 is primarily due to an increase in our IIF and policies in force, as well as further seasoning of our insurance portfolio.

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

| | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Case reserves (in thousands) | $ 7,700 | $ 2,807 |
| Ending default inventory | 457 | 159 |
| Average reserve per default | $ 16,851 | $ 17,658 |
| Default rate | 0.20% | 0.11% |
| Claims received included in ending default inventory | 9 | 5 |

The decrease in the average reserve per default is primarily due to changes in the composition (such as mark-to-market loan-to-value ratios, risk in force, and number of months past due) of the underlying loans in default. In addition, historical cure ratios showed improvement in 2014.

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

| ($ in thousands) | As of December 31, | |
|---|---|---|
| | 2014 | 2013 |
| Reserve for losses and LAE at beginning of year | $ 3,070 | $ 1,499 |
| Add provision for losses and LAE occurring in: | | |
| Current year | 6,877 | 2,986 |
| Prior years | (569) | (665) |
| Incurred losses during the current year | 6,308 | 2,321 |
| Deduct payments for losses and LAE occurring in: | | |
| Current year | 138 | 239 |
| Prior years | 813 | 511 |
| Loss and LAE payments during the current year | 951 | 750 |
| Reserve for losses and LAE at end of year | $ 8,427 | $ 3,070 |

| ($ in thousands) | As of December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Number of Policies in Default | Percentage of Policies in Default | Amount of Reserves | Percentage of Reserves | Defaulted RIF | Reserves as a Percentage of RIF |
| Missed payments: | | | | | | |
| Three payments or less | 247 | 54% | $ 2,381 | 31% | $ 13,059 | 18% |
| Four to eleven payments | 167 | 37 | 3,748 | 49 | 8,132 | 46 |
| Twelve or more payments | 34 | 7 | 1,147 | 15 | 1,510 | 76 |
| Pending claims | 9 | 2 | 424 | 5 | 419 | 101 |
| Total | 457 | 100% | 7,700 | 100% | $ 23,120 | 33 |
| IBNR | | | 578 | | | |
| LAE and other | | | 149 | | | |
| Total reserves | | | $ 8,427 | | | |

| ($ in thousands) | As of December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Number of Policies in Default | Percentage of Policies in Default | Amount of Reserves | Percentage of Reserves | Defaulted RIF | Reserves as a Percentage of RIF |
| Missed payments: | | | | | | |
| Three payments or less | 88 | 56% | $ 841 | 30% | $ 3,972 | 21% |
| Four to eleven payments | 56 | 35 | 1,497 | 53 | 2,672 | 56 |
| Twelve or more payments | 10 | 6 | 300 | 11 | 447 | 67 |
| Pending claims | 5 | 3 | 169 | 6 | 166 | 102 |
| Total | 159 | 100% | 2,807 | 100% | $ 7,257 | 39 |
| IBNR | | | 211 | | | |
| LAE and other | | | 52 | | | |
| Total reserves | | | $ 3,070 | | | |

During the year ended December 31, 2014, the provision for losses and LAE was $6.3 million, comprised of $6.9 million of current year losses partially offset by $0.6 million of favorable prior years' loss development. During the year ended December 31, 2013, the provision for losses and LAE was $2.3 million, comprised of $3.0 million of current year losses partially offset by $0.7 million of favorable prior years' loss development. In both periods, the favorable prior years' loss development is the result of a re-estimation of amounts ultimately to be paid on prior year defaults in the default inventory.

During the year ended December 31, 2014, we paid 28 claims for a total amount of $0.9 million. During the year ended December 31, 2013, we paid 16 claims for a total amount of $0.7 million. Claim severity, representing the total amount of claims paid divided by the related RIF of the defaulted mortgage loans, for the years ended December 31, 2014 and 2013 was 79% and 90%, respectively.

***Other Underwriting and Operating Expenses***

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

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| ($ in thousands) | $ | % | $ | % |
| Compensation and benefits | $ 64,286 | 66% | $ 46,971 | 66% |
| Other | 32,946 | 34 | 24,084 | 34 |
| | $ 97,232 | 100% | $ 71,055 | 100% |
| Number of employees at end of period | 332 | | 289 | |

Other underwriting and operating expenses increased to $97.2 million in the year ended December 31, 2014 as compared to $71.1 million in the year ended December 31, 2013. The significant factors contributing to the change in other underwriting and operating expenses are:

- Compensation and benefits increased primarily due to the increase in our workforce to 332 at December 31, 2014 from 289 at December 31, 2013. Additional employees were hired to support the growth in our business, particularly in our sales organization, as well as our underwriting and customer service teams. Compensation and benefits also increased as a result of an increase in annual incentive compensation and incremental cash and stock-based compensation. The increase in stock-based compensation is primarily due to the restricted shares and restricted share units issued to all employees in connection with our initial public offering as well as restricted shares and restricted share units issued in connection with annual incentive compensation. Compensation and benefits includes salaries, wages and bonus, stock compensation expense, benefits and payroll taxes.

- Other expenses, including premium taxes, travel, marketing, hardware, software, rent and other facilities expenses, depreciation, amortization, increased as a result of the expansion of our business. In addition, effective with the completion of our initial public offering, we began to incur certain incremental public company expenses, including insurance and board of directors costs.

***Income Taxes***

Our subsidiaries in the United States file a consolidated U.S. Federal income tax return. Our income tax expense was $47.4 million for the year ended December 31, 2014 compared to an income tax benefit of $7.4 million for the year ended December 31, 2013. Our effective tax rate was 34.9% for the year ended December 31, 2014, which approximates the U.S. federal statutory tax rate as substantially all of our earnings in 2014 were generated in the United States.

Our effective tax rate was (12.7)% for the year ended December 31, 2013. Since inception and prior to June 30, 2013, we had evaluated the realizability of our deferred tax assets on a quarterly basis and concluded that it was more likely than not that some portion or all of the deferred tax asset would not be realized and provided a valuation allowance against the deferred tax assets. Accordingly, we did not record a benefit associated with the losses incurred in prior periods or for other income tax benefits. At June 30, 2013, we concluded that it is more likely than not that our deferred tax assets will be realized. As a result, as of December 31, 2013 we released the valuation allowance on our deferred tax assets in accordance with Accounting Standard Codification ("ASC") No. 740-270. The release of the valuation allowance resulted in the recognition of a net $7.4 million benefit for income taxes for the year ended December 31, 2013.

At December 31, 2014 and 2013, we concluded that it is more likely than not that our deferred tax assets would be realized. Beginning in 2015, we expect an increasing portion of our consolidated earnings will be generated in Bermuda and accordingly expect that our effective tax rate will decline below the U.S. federal statutory tax rate.

**Year Ended December 31, 2013 Compared to Year Ended December 31, 2012**

For the year ended December 31, 2013, we reported net income of $65.4 million, compared to net loss of $13.5 million for the year ended December 31, 2012. The increase in our operating results in 2013 over 2012 was primarily due to an increase in net premiums earned associated with the growth of our IIF and an increase in net investment income as well as the income tax benefit recorded due to the reversal of our valuation allowance against deferred tax assets, partially offset by increases in other underwriting and operating expenses and the provision for losses and loss adjustment expenses and a reduction in other income.

***Net Premiums Written and Earned***

Net premiums earned increased in the year ended December 31, 2013 by 195% compared to the year ended December 31, 2012 primarily due to the increase in our average IIF from $7.6 billion in 2012 to $22.8 billion in 2013. Net premiums written increased in the year ended December 31, 2013 by 156% over the prior year.

In the year ended December 31, 2013, unearned premiums increased by $62.8 million as a result of net premiums written on single premium policies of $78.5 million which was partially offset by $15.7 million of unearned premium that was recognized in earnings during the year. In the year ended December 31, 2012, unearned premiums increased by $30.9 million as a result of net premiums written on single premium policies of $35.7 million partially offset by $4.8 million of unearned premium that was recognized during the year. Included in unearned premium recognized was $4.1 million related to policy cancellations for the year ended December 31, 2013.

***Net Investment Income***

The components of net investment income were derived from the following sources:

| | Year Ended December 31, | |
|---|---|---|
| **($ in thousands)** | **2013** | **2012** |
| Fixed maturities | $ 4,671 | $ 2,632 |
| Short-term investments | 26 | 14 |
| Gross investment income | 4,697 | 2,646 |
| Investment expenses | (587) | (377) |
| Net investment income | $ 4,110 | $ 2,269 |

The increase in net investment income to $4.1 million for the year ended December 31, 2013 as compared to $2.3 million for the year ended December 31, 2012 is primarily due to an increase in the weighted average balance of our investment portfolio as a result of capital contributions from our initial investors in June and March 2013, and cash flows generated from operations. The average cash and investment portfolio balance was $442.8 million and $214.0 million during the years ended December 31, 2013 and 2012, respectively. The pre-tax investment income yield was 1.1% and 1.2% in the years ended December 31, 2013 and 2012, respectively. The pre-tax investment income yields are calculated based on amortized cost. See "—Liquidity and Capital Resources" for further details of our investment portfolio.

***Other Income***

Other income includes fees earned for information technology and customer support services provided to Triad and contract underwriting revenues. The decrease in other income for the year ended December 31, 2013 compared to the same period in 2012 is primarily due to a reduction in the number of Triad's mortgage insurance policies in force, partially offset by an increase in contract underwriting revenue. The fees earned from Triad will continue to decrease over time as Triad's existing policies are cancelled.

***Provision for Losses and Loss Adjustment Expenses***

The increase in the provision for losses and LAE in 2013 as compared to 2012 was primarily due to an increase in the number of insured loans in default partially offset by previously identified defaults that cured.

The following table presents a rollforward of insured loans in default for the periods indicated:

| | Year Ended December 31, | |
|---|---|---|
| | 2013 | 2012 |
| Beginning default inventory | 56 | 3 |
| Plus: new defaults | 327 | 117 |
| Less: cures | (208) | (63) |
| Less: claims paid | (16) | (1) |
| Ending default inventory | 159 | 56 |

The increase in the number of defaults at December 31, 2013 compared to December 31, 2012 is primarily due to an increase in our IIF and policies in force, as well as further seasoning of our insurance portfolio.

The following tables include additional information about our loans in default as of the dates indicated:

| | As of December 31, | |
|---|---|---|
| | 2013 | 2012 |
| Case reserves (in thousands) | $ 2,807 | $ 1,393 |
| Ending default inventory | 159 | 56 |
| Average direct reserve per default | $ 17,658 | $ 24,860 |
| Default rate | 0.11% | 0.09% |
| Claims received included in ending default inventory | 5 | 3 |

The decrease in the average reserve per default is primarily due to changes in the composition (such as mark-to-market loan-to-value ratios, risk in force, and number of months past due) of the underlying loans in default. In addition, historical cure ratios showed continued improvement in 2013.

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

| ($ in thousands) | As of December 31, 2013 | 2012 |
|---|---|---|
| Reserve for losses and LAE at beginning of year | $ 1,499 | $ 57 |
| Add provision for losses and LAE occurring in: | | |
| Current year | 2,986 | 1,523 |
| Prior years | (665) | (57) |
| Incurred losses during the current year | 2,321 | 1,466 |
| Deduct payments for losses and LAE occurring in: | | |
| Current year | 239 | 24 |
| Prior years | 511 | — |
| Loss and LAE payments during the current year | 750 | 24 |
| Reserve for losses and LAE at end of year | $ 3,070 | $ 1,499 |

| | As of December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| ($ 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 RIF |
| Missed payments: | | | | | | |
| Three payments or less | 88 | 56% | $ 841 | 30% | $ 3,972 | 21% |
| Four to eleven payments | 56 | 35 | 1,497 | 53 | 2,672 | 56 |
| Twelve or more payments | 10 | 6 | 300 | 11 | 447 | 67 |
| Pending claims | 5 | 3 | 169 | 6 | 166 | 102 |
| Total | 159 | 100% | 2,807 | 100% | $ 7,257 | 39 |
| IBNR | | | 211 | | | |
| LAE and other | | | 52 | | | |
| Total reserves | | | $ 3,070 | | | |

| | As of December 31, 2012 | | | | | |
|---|---|---|---|---|---|---|
| ($ 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 RIF |
| Missed payments: | | | | | | |
| Three payments or less | 30 | 54% | $ 391 | 28% | $ 1,335 | 29% |
| Four to eleven payments | 19 | 34 | 689 | 49 | 948 | 73 |
| Twelve or more payments | 4 | 7 | 132 | 10 | 184 | 72 |
| Pending claims | 3 | 5 | 181 | 13 | 168 | 108 |
| Total | 56 | 100% | 1,393 | 100% | $ 2,635 | 53 |
| IBNR | | | 70 | | | |
| LAE and other | | | 36 | | | |
| Total reserves | | | $ 1,499 | | | |

During the year ended December 31, 2013, the provision for losses and LAE was $2.3 million, comprised of $3.0 million of current year losses partially offset by $0.7 million of favorable prior years'

loss development. During the year ended December 31, 2012, the provision for losses and LAE was $1.5 million, comprised of $1.6 million current year losses partially offset by $0.1 million of favorable prior years' loss development. In both periods, the favorable prior years' loss development is the result of a re-estimation of amounts ultimately to be paid on prior year defaults in the default inventory.

During the year ended December 31, 2013, we paid 16 claims for a total amount of $0.7 million. During the year ended December 31, 2012, we paid one claim for approximately $18,000. Claim severity, representing the total amount of claims paid divided by the related RIF of the defaulted mortgage loans, for the years ended December 31, 2013 and 2012 was 90% and 104%, respectively.

***Other Underwriting and Operating Expenses***

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

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| **($ in thousands)** | **$** | **%** | **$** | **%** |
| Compensation and benefits | $ 46,971 | 66% | $ 31,624 | 52% |
| Depreciation and amortization | 2,252 | 3 | 15,156 | 25 |
| Other | 21,832 | 31 | 14,346 | 23 |
| | $ 71,055 | 100% | $ 61,126 | 100% |
| Number of employees at end of period | 289 | | 209 | |

Other underwriting and operating expenses increased to $71.1 million during the year ended December 31, 2013 as compared to $61.1 million for the year ended December 31, 2012. The significant factors contributing to the change in other underwriting and operating expenses are:

- Compensation and benefits increased primarily due to the increase in our workforce to 289 at December 31, 2013 from 209 employees at December 31, 2012. Additional employees were hired to support the growth in our business, particularly in our sales organization, as well as our underwriting and customer service teams. Compensation and benefits also increased as a result of an increase in annual incentive compensation and incremental cash and stock-based compensation. The increase in stock-based compensation is primarily due to the restricted shares and restricted share units issued to all employees in connection with our initial public offering. Compensation and benefits includes salaries, wages and bonus, stock compensation expense, benefits and payroll taxes.

- Depreciation and amortization expense decreased in 2013 compared to 2012 as the substantial majority of the assets acquired from Triad were fully depreciated as of November 30, 2012 and the remaining acquired assets were fully amortized as of November 30, 2013. Depreciation and amortization expense associated with these assets during the years ended December 31, 2013 and 2012 was $0.4 and $12.4 million, respectively.

- Other expenses, including premium taxes, travel, marketing, hardware, software, rent and other facilities expenses, increased as a result of the expansion of our business. In addition, effective with the completion of our initial public offering, we began to incur certain incremental public company expenses, including insurance and board of directors costs.

We account for stock based compensation issued to employees using a fair value based method under which we measure the cost of employee services received in exchange for awards of equity instruments based on the grant date fair value of the award. Certain members of senior management were granted nonvested Common Shares in September 2013. The fair value for those grants of

$14.50 per Common Share was based on analysis at the time of the grant, provided by the underwriters associated with the offering, regarding the estimated fair value of Essent and the estimated IPO price range of $13.50 to $15.50 per Common Share. Factors considered in determining the IPO price range and Common Share valuation included prevailing market conditions, estimates of the Company's business potential and earnings prospects, the Company's historical operating results, market valuations of companies deemed comparable to the Company and an assessment of risks and opportunities. Employees that were not granted nonvested Common Shares in September 2013 were granted nonvested Common Share units on October 31, 2013. The fair value for those share unit grants was the initial public offering price of $17.00 per Common Share. The increase in the estimated fair value of Common Shares from September 2013 to October 31, 2013 was due to external factors including an increase in the valuations of publicly traded mortgage insurers during that period and Company-specific factors including the conclusion of the Company's IPO marketing efforts which resulted in an oversubscription at the IPO pricing range and setting the final IPO price at $17.00.

Subsequent to our initial public offering, quoted market prices were used for the valuation of Common Shares granted to employees.

***Income Taxes***

Our subsidiaries in the United States file a consolidated U.S. Federal income tax return. Our income tax benefit was $7.4 million and $0.3 million for the years ended December 31, 2013 and 2012, respectively. Our effective tax rate was (12.7)% and 2.4% for the years ended December 31, 2013 and 2012, respectively. Since inception and prior to June 30, 2013, we had evaluated the realizability of our deferred tax assets on a quarterly basis and concluded that it was more likely than not that some portion or all of the deferred tax asset would not be realized and provided a valuation allowance against the deferred tax assets. Accordingly, we did not record a benefit associated with the losses incurred in prior periods or for other income tax benefits. The income tax provision or benefit recognized in prior periods related to changes in our valuation allowance associated with changes in deferred tax liabilities relating to the change in the unrealized gain on our investment portfolio. At June 30, 2013, we concluded that it is more likely than not that our deferred tax assets will be realized. As a result, as of December 31, 2013 we have released the valuation allowance on our deferred tax assets in accordance with Accounting Standard Codification ("ASC") No. 740-270. The release of the valuation allowance resulted in the recognition of a net $7.4 million benefit for income taxes for the year ended December 31, 2013.

The positive evidence that weighed in favor of releasing the allowance as of June 30, 2013 and ultimately outweighed the negative evidence against releasing the allowance was the following:

- the substantial growth in our IIF which has driven the increase in net premiums earned experienced in 2012 and through June 30, 2013;
- our increasing level of profitability in the fourth quarter of 2012 and the first two quarters of 2013 and our expectations regarding the sustainability of these profits;
- our expectation that we would be in a three-year cumulative income position in 2013;
- the strong credit profile of the loans we have insured since we began to issue mortgage insurance policies in 2010;
- the size of our IIF and our contractual rights for future premiums from this book of business;
- our taxable income for 2012 and our expectations regarding the likelihood of future taxable income; and
- our current net operating loss carryforwards would be fully utilized in 2013.

Our determination of the amount of deferred tax asset valuation allowance to reverse as of June 30, 2013 was based on the guidance in ASC No. 740-270 regarding accounting for income taxes in interim periods. This guidance distinguishes between amounts that are recognized through the use of an estimated annual effective tax rate applied to year-to-date operating results and specific events that are discretely recognized as they occur. Under ASC No. 740-270, the tax benefit of an operating loss carryforward from prior years shall be included in the effective tax rate computation if the tax benefit is expected to be realized as a result of ordinary income in the current year. Otherwise, the tax benefit shall be recognized in each interim period to the extent that income in the period and for the year to date is available to offset the operating loss carryforward or, in the case of a change in judgment about realizability of the related deferred tax asset in future years, the effect shall be recognized in the interim period in which the change occurs. We estimated our pretax income for the year to determine the amount of tax benefit that was expected to be realized from ordinary income in 2013 and that amount was used to reduce tax expense from continuing operations to zero. The remainder of the tax benefit resulted from a change in estimate of future years' income and was recognized as a discrete benefit in the year ended December 31, 2013. At December 31, 2013, the valuation allowance was zero.

**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; and
- issuance of capital shares.

Our obligations consist primarily of:

- claim payments under our policies; and
- the other costs and operating expenses of our business.

As of December 31, 2014, we had substantial liquidity with cash and short term investments of $235.1 million, which includes $125.1 million at the holding company. Our cash and short term investment position increased during the year ended December 31, 2014 primarily as a result of net proceeds of $126.7 million from our secondary offering of Common Shares which was completed in November 2014 plus cash flows from operations, net of amounts invested in our fixed income portfolio. As of December 31, 2014, we have $1.1 billion in cash and investments and no debt.

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

While the Company and all of its subsidiaries are expected to have sufficient liquidity to meet all their expected obligations, additional capital may be required to meet any new capital requirements that are adopted by regulatory authorities or the GSEs, or to provide additional capital related to the growth of our risk in force in our mortgage insurance portfolio, or to fund new business initiatives including the insurance activities of Essent Re.

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

- significant decline in the value of our investments;
- inability to sell investment assets to provide cash to fund operating needs;

- decline in expected revenues generated from operations;
- increase in expected claim payments related to our IIF; or
- increase in operating expenses.

Our U.S. insurance subsidiaries are subject to certain capital and dividend rules and regulations prescribed by jurisdictions in which it is 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 December 31, 2014, Essent Guaranty, Inc. had negative unassigned surplus and therefore would require prior approval by the Pennsylvania Insurance Commissioner to make any dividend payment or other distributions in 2015. At December 31, 2014, Essent PA, Inc. had unassigned surplus of $3.7 million. In 2014, Essent Guaranty of PA, Inc. paid a $200,000 dividend to Essent US Holdings, Inc. Essent Guaranty, Inc. has paid no dividends since its inception. 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 December 31, 2014, Essent Re had total equity of $155.1 million. At December 31, 2014, 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:

| | Year Ended December 31, | | |
|---|---|---|---|
| **($ in thousands)** | **2014** | **2013** | **2012** |
| Net cash provided by operating activities | $ 153,704 | $ 119,008 | $ 36,639 |
| Net cash used in investing activities | (727,700) | (96,760) | (79,729) |
| Net cash provided by financing activities | 120,752 | 433,092 | 46,904 |
| Net (decrease) increase in cash | $ (453,244) | $ 455,340 | $ 3,814 |

***Operating Activities***

Cash flow provided by operations totaled $153.7 million for the year ended December 31, 2014 as compared to $119.0 million for the year ended December 31, 2013 and $36.6 million for the year ended December 31, 2012. The increase in cash flow from operations of $34.7 million in 2014 and $82.4 million in 2013 was a result of increases in premium collected and net investment income partially offset by an increase in expenses paid and a decrease in other income in both periods.

***Investing Activities***

Cash flow used in investing activities totaled $727.7 million for the year ended December 31, 2014 as compared to cash used in investing activities of $96.8 million for the year ended December 31, 2013. The increase in cash flow used in investing activities was primarily related to investing proceeds from our IPO, secondary offering, capital contributions from our initial investors and cash flows from the business.

Cash flow used in investing activities totaled $96.8 million for the year ended December 31, 2013 as compared to $79.7 million for the year ended December 31, 2012. The increase in cash flow used in investing activities was primarily related to investing a portion of capital contributions from our initial investors and cash flows from the business.

***Financing Activities***

Cash flow provided by financing activities totaled $120.8 million for the year ended December 31, 2014 as compared to cash flow provided by financing activities of $433.1 million for the year ended December 31, 2013. The decrease in cash flow provided by financing activities of $312.3 million was primarily due to a decrease in the issuance of common shares in 2014 as compared to 2013. In 2014, the Company completed a secondary offering of Common Shares for $126.7 million in net proceeds, net of offering costs. In 2013, the Company issued shares to its initial investors and completed its initial public offering resulting in a total of $437.6 million of net proceeds.

Cash flow provided by financing activities totaled $433.1 million for the year ended December 31, 2013 as compared to cash provided by financing activities of $46.9 million for the year ended December 31, 2012. In November 2013, the Company completed an initial public offering of Common Shares for $313.7 million in net proceeds, net of offering costs. In June and March 2013, the Company issued Class A common shares to its initial investors for net proceeds of $123.9 million. These cash inflows were partially offset by payments made to Triad under the Asset Purchase Agreement. Cash provided by financing activities in the year ended December 31, 2012 were principally due to Class A common shares issued to initial investors partially offset by the payment of the 2011 annual fee to initial investors and payments to Triad under the Asset Purchase Agreement. The annual fee was waived by our initial investors for the year ended December 31, 2012 and thereafter.

***Insurance Company Capital***

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

Our combined risk to capital calculation for our U.S. insurance subsidiaries as of December 31, 2014 is as follows:

| **Combined statutory capital: ($ in thousands)** | |
|---|---|
| Policyholders' surplus | $ 509,761 |
| Contingency reserves | 196,129 |
| Combined statutory capital | $ 705,890 |
| Combined net risk in force | $ 11,426,748 |
| Combined risk to capital ratio | 16.2:1 |

For additional information regarding regulatory capital see Note 17 to our consolidated financial statements. Our combined statutory capital equals the sum of statutory capital of Essent Guaranty, Inc. plus Essent Guaranty of PA, Inc., 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, Inc. and Essent Guaranty of PA, Inc. 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. Such practices vary from accounting principles generally accepted in the United States.

In 2014, Essent Re entered into insurance and reinsurance transactions with Freddie Mac and also executed a quota share reinsurance agreement with Essent Guaranty to reinsure 25% of Essent Guaranty's GSE-eligible NIW effective July 1, 2014. During the year ended December 31, 2014, Essent Group Ltd. made capital contributions to Essent Re of $152.4 million to support new business written, including Essent Re's quota share reinsurance agreement with Essent Guaranty that was finalized in the third quarter of 2014. As of December 31, 2014, Essent Re had total stockholders' equity of $155.1 million and net risk in force of $836.0 million.

***Financial Strength Ratings***

The financial strength of Essent Guaranty, our principal mortgage insurance subsidiary, is rated Baa2 by Moody's Investors Service ("Moody's") with a stable outlook. Standard & Poor's Rating Services' ("S&P") insurer financial strength rating of Essent Guaranty is BBB+ with a stable outlook. Essent Re is not currently rated by a nationally recognized statistical rating organization.

***Draft Private Mortgage Insurer Eligibility Requirements***

On July 10, 2014, the Federal Housing Finance Agency ("FHFA") released for public input draft Private Mortgage Insurer Eligibility Requirements ("PMIERs"). If implemented, the PMIERs represent revised standards by which private mortgage insurers would be eligible to provide mortgage insurance on loans owned or guaranteed by Fannie Mae and Freddie Mac. The PMIERs include new financial strength requirements incorporating a risk-based framework that would require approved insurers to have a sufficient level of liquid assets from which to pay claims. These new requirements also would impact the amount of capital a mortgage insurer must hold. The draft requirements also include enhanced operational performance expectations and define remedial actions that would apply should an approved insurer fail to comply with the new requirements. The public input period with respect to the PMIERs closed on September 8, 2014. The FHFA has advised us that it does not expect to release the final PMIERs until at least late in the first quarter of 2015.

**Financial Condition**

***Stockholders' Equity***

As of December 31, 2014, stockholders' equity was $955.7 million compared to $722.1 million as of December 31, 2013. This increase was primarily due to net proceeds of $126.7 million from our secondary offering completed in November 2014 as well as net income generated in 2014.

***Investments***

As of December 31, 2014, the total fair value of our investment portfolio was $1.1 billion, compared to $332.6 million as of December 31, 2013. In addition, our total cash was $24.4 million as of December 31, 2014, compared to $477.7 million as of December 31, 2013. The increase in investments and decrease in cash was primarily due to investing the proceeds from our initial public offering and capital contributions in the form of cash that were received in 2013 which had not been fully invested

as of December 31, 2013 along with investing proceeds from our secondary offering and cash flows from operations.

**Investment Portfolio by Asset Class**

| Asset Class ($ in thousands) | December 31, 2014 Fair Value | December 31, 2014 Percent | December 31, 2013 Fair Value | December 31, 2013 Percent |
|---|---|---|---|---|
| U.S. Treasury securities | $ 74,216 | 7.0% | $ 59,187 | 17.8% |
| U.S. agency securities | 4,520 | 0.4 | 14,839 | 4.5 |
| U.S. agency mortgage-backed securities | 83,540 | 7.9 | 22,241 | 6.7 |
| Municipal debt securities(1) | 195,546 | 18.5 | 57,650 | 17.3 |
| Corporate debt securities | 296,829 | 28.1 | 125,593 | 37.8 |
| Mortgage-backed securities | 66,086 | 6.3 | 18,581 | 5.6 |
| Asset-backed securities | 126,188 | 11.9 | 20,385 | 6.1 |
| Money market investments | 210,688 | 19.9 | 14,079 | 4.2 |
| **Total Investments** | **$ 1,057,613** | **100.0%** | **$ 332,555** | **100.0%** |

(1) At December 31, 2014, approximately 59.7% of municipal debt securities were special revenue bonds, 37.5% were general obligation bonds, 1.5% were tax allocation bonds, 0.8% were certification of participation bonds and 0.5% were special assessment bonds. At December 31, 2013, all municipal debt securities were general obligation bonds. For information regarding the amortized cost and fair value of the municipal debt securities, see Note 4 to our consolidated financial statements.

**Investment Portfolio by Rating**

| Rating(1) ($ in thousands) | December 31, 2014 Fair Value | December 31, 2014 Percent | December 31, 2013 Fair Value | December 31, 2013 Percent |
|---|---|---|---|---|
| Aaa | $ 545,807 | 51.6% | $ 147,862 | 44.5% |
| Aa1 | 47,792 | 4.5 | 21,570 | 6.5 |
| Aa2 | 51,958 | 4.9 | 15,464 | 4.6 |
| Aa3 | 48,261 | 4.6 | 11,902 | 3.6 |
| A1 | 74,161 | 7.0 | 26,541 | 8.0 |
| A2 | 67,413 | 6.4 | 17,045 | 5.1 |
| A3 | 71,964 | 6.8 | 29,886 | 9.0 |
| Baa1 | 60,399 | 5.7 | 24,441 | 7.3 |
| Baa2 | 79,727 | 7.5 | 30,782 | 9.3 |
| Baa3 | 10,131 | 1.0 | 7,062 | 2.1 |
| Below Baa3– | — | — | — | — |
| **Total Investments** | **$ 1,057,613** | **100.0%** | **$ 332,555** | **100.0%** |

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

**Investment Portfolio by Effective Duration**

| Effective Duration ($ in thousands) | December 31, 2014 Fair Value | December 31, 2014 Percent | December 31, 2013 Fair Value | December 31, 2013 Percent |
|---|---|---|---|---|
| < 1 Year | $ 332,399 | 31.4% | $ 65,092 | 19.6% |
| 1 to < 2 Years | 85,971 | 8.1 | 19,093 | 5.7 |
| 2 to < 3 Years | 167,504 | 15.8 | 74,335 | 22.4 |
| 3 to < 4 Years | 106,432 | 10.1 | 63,214 | 19.0 |
| 4 to < 5 Years | 80,300 | 7.6 | 66,230 | 19.9 |
| 5 or more Years | 285,007 | 27.0 | 44,591 | 13.4 |
| **Total Investments** | **$ 1,057,613** | **100.0%** | **$ 332,555** | **100.0%** |

**Top Ten Portfolio Holdings**

| Rank ($ in thousands) | Security | December 31, 2014 Fair Value | Amortized Cost | Unrealized Gain (Loss)(1) | Moody's Rating |
|---|---|---|---|---|---|
| 1 | US Treasury 2.375% 8/15/2024 | $ 16,907 | $ 16,522 | $ 385 | Aaa |
| 2 | US Treasury 1.500% 11/30/2019 | 8,744 | 8,747 | (3) | Aaa |
| 3 | US Treasury 2.000% 10/31/2021 | 7,520 | 7,486 | 34 | Aaa |
| 4 | Fannie Mae 4.500% MBS 30Yr | 7,064 | 7,057 | 7 | Aaa |
| 5 | Freddie Mac 4.000% MBS 30Yr | 6,891 | 6,669 | 222 | Aaa |
| 6 | US Treasury 2.750% 2/15/2024 | 5,498 | 5,396 | 102 | Aaa |
| 7 | US Treasury 2.000% 8/31/2021 | 5,216 | 5,173 | 43 | Aaa |
| 8 | Ally Master Owner Trust ABS 2014-1 A1 | 5,045 | 5,061 | (16) | Aaa |
| 9 | US Treasury 2.000% 11/15/2021 | 5,019 | 5,048 | (29) | Aaa |
| 10 | Sysco Corporation 3.000% 10/2/2021 | 4,680 | 4,712 | (32) | A2 |
| Total | | $ 72,584 | $ 71,871 | $ 713 | |
| **Percent of Investment Portfolio** | | **6.9%** | | | |

(1) As of December 31, 2014, for securities in unrealized loss positions, management believes decline in fair values is principally associated with the changes in the interest rate environment subsequent to their purchase and there are no other than temporary impairments. Also, see Note 4 to our consolidated financial statements, which summarizes the aggregate amount of gross unrealized losses by asset class in which the fair value of investments has been less than cost for more than 12 months and less than 12 months.

| Rank ($ in thousands) | December 31, 2013 Security | Fair Value |
|---|---|---|
| 1 | U.S. T-Note 2% 4/30/2016 | $ 6,621 |
| 2 | U.S. T-Note 2.125% 2/29/2016 | 6,442 |
| 3 | U.S. T-Note 2.625% 12/31/2014 | 5,429 |
| 4 | U.S. T-Note 2.375% 6/30/2018 | 4,874 |
| 5 | U.S. T-Note 1.625% 8/15/2022 | 4,724 |
| 6 | Goldman Sachs CMBS 2007-1 | 4,392 |
| 7 | U.S. T-Note 1.375% 9/30/2018 | 3,951 |
| 8 | U.S. T-Note 3.625% 2/15/2021 | 3,885 |
| 9 | Freddie Mac 3.0% 30 Yr MBS | 3,813 |
| 10 | Scholar Funding ABS 2013-A | 3,331 |
| Total | | $ 47,462 |
| **Percent of Investment Portfolio** | | **14.3%** |

The following table includes municipal securities for states that represent more than 10% of the total municipal bond position as of December 31, 2014:

| ($ in thousands) | Fair Value | Amortized Cost | Credit Rating(1)(2) |
|---|---|---|---|
| Texas | | | |
| Dallas/Fort Worth International Airport | $ 2,892 | $ 2,671 | A1 |
| The University of Texas | 2,500 | 2,390 | Aaa |
| City of Houston TX | 2,373 | 2,356 | Aa2 |
| Cypress-Fairbanks Independent School District | 2,184 | 2,192 | Aaa |
| Harris County Cultural Education | 2,003 | 2,000 | A1 |
| Alamo Community College District | 1,775 | 1,764 | Aaa |
| Alvin Independent School District | 1,276 | 1,290 | Aaa |
| Texas Transportation Commission | 1,230 | 1,185 | Aaa |
| Houston Texas Combined Utility System | 1,217 | 1,141 | Aa2 |
| County of Dallas TX | 1,121 | 1,122 | Aaa |
| Pasadena Independent School District | 1,093 | 1,087 | Aaa |
| Tarrant County Cultural Education | 1,088 | 1,076 | Aa3 |
| State of Texas Public Finance Authority | 1,070 | 1,053 | Aaa |
| North Texas Tollway Authority | 1,068 | 1,065 | A3 |
| County of Rockwall TX | 808 | 807 | Aa2 |
| City of El Paso TX | 611 | 575 | Aa1 |
| | $ 24,309 | $ 23,774 | |
| New York | | | |
| New York City Transitional Finance Authority | $ 3,437 | $ 3,311 | Aa1 |
| Port Authority of New York & New Jersey | 3,239 | 3,118 | Aa3 |
| New York State Urban Development | 2,818 | 2,730 | Aa1 |
| New York State Dormitory Authority | 2,418 | 2,365 | Aa1 |
| Metropolitan Transportation Authority | 2,411 | 2,302 | A2 |
| City of New York NY | 2,311 | 2,290 | Aa2 |
| County of Albany NY | 1,891 | 1,875 | Aa3 |
| New York City Water and Sewer System | 1,707 | 1,631 | Aa2 |
| Town of Oyster Bay NY | 1,143 | 1,141 | Aa2 |
| Triborough Bridge & Tunnel Authority | 798 | 766 | Aa3 |
| | $ 22,173 | $ 21,529 | |
| Total | $ 46,482 | $ 45,303 | |

(1) None of the above securities include financial guaranty insurance. Certain securities include state enhancements. The above ratings exclude the effect of such state enhancements.

(2) Based on ratings issued by Moody's if available. S&P utilized if Moody's is not available.

**Contractual Obligations**

As of December 31, 2014, the approximate future payments under our contractual obligations of the type described in the table below are as follows:

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| ($ in thousands) | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | More than 5 years |
| Estimated loss and LAE payments(1) | $ 8,427 | $ 5,230 | $ 3,197 | $ — | $ — |
| Operating lease obligations | 19,907 | 1,486 | 4,139 | 3,924 | 10,358 |
| Total | $ 28,334 | $ 6,716 | $ 7,336 | $ 3,924 | $ 10,358 |

(1) Our estimate of loss and LAE payments reflects the application of accounting policies described below in "—Critical Accounting Policies —Reserve for Losses and Loss Adjustment Expenses." The payments due by period are based on management's estimates and assume that all of the loss and LAE reserves included in the table will result in payments.

We lease office space in Pennsylvania, North Carolina, California and Bermuda under leases accounted for as operating leases. A portion of the space leased in North Carolina has been subleased to Triad; minimum lease payments shown above have not been reduced by minimum sublease rental income of $0.1 million due in 2015 under the non-cancelable sublease.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements or financing activities with special-purpose entities.

**Critical Accounting Policies**

Our discussion and analysis of our financial condition and results of operation are based upon our consolidated financial statements, which have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP"). In preparing our consolidated financial statements, management has made estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. In preparing these financial statements, management has utilized available information, including our past history, industry standards and the current and projected economic and housing environment, among other factors, in forming its estimates, assumptions and judgments, giving due consideration to materiality. Because the use of estimates is inherent in GAAP, actual results could differ from those estimates. In addition, other companies may utilize different estimates, which may impact comparability of our results of operations to those of companies in similar businesses. A summary of the accounting policies that management believes are critical to the preparation of our consolidated financial statements is set forth below.

***Insurance Premium Revenue Recognition***

Mortgage guaranty insurance policies are contracts that are generally non-cancelable by the insurer, are renewable at a fixed price, and provide for payment of premium on a monthly, annual or single basis. Upon renewal, we are not able to re-underwrite or re-price our policies. Consistent with industry accounting practices, premiums written on a monthly basis are earned as coverage is provided. Premiums written on an annual basis are amortized on a pro rata basis over the year of coverage. Primary mortgage insurance written on policies covering more than one year are referred to as single premium policies. A portion of the revenue from single premium policies is recognized in earned premium in the current period, and the remaining portion is deferred as unearned premium and

earned over the expected life of the policy. If single premium policies related to insured loans are cancelled due to repayment by the borrower, and the premium is non-refundable, then the remaining unearned premium related to each cancelled policy is recognized as earned premium upon notification of the cancellation. Unearned premium represents the portion of premium written that is applicable to the estimated unexpired risk of insured loans. Rates used to determine the earning of single premium policies are estimates based on an analysis of the expiration of risk.

***Reserve for Losses and Loss Adjustment Expenses***

We establish reserves for losses based on our best estimate of ultimate claim costs for defaulted loans using the general principles contained in ASC No. 944, in accordance with industry practice. However, consistent with industry standards for mortgage insurers, we do not establish loss reserves for future claims on insured loans which are not currently in default. Loans are classified as defaulted when the borrower has missed two consecutive payments. Once we are notified that a borrower has defaulted, we will consider internal and third-party information and models, including the status of the loan as reported by its servicer and the type of loan product to determine the likelihood that a default will reach claim status. In addition, we will project the amount that we will pay if a default becomes a claim (referred to as "claim severity"). Based on this information, at each reporting date we determine our best estimate of loss reserves at a given point in time. Included in loss reserves are reserves for incurred but not reported ("IBNR") claims. IBNR reserves represent our estimated unpaid losses on loans that are in default, but have not yet been reported to us as delinquent by our customers. We will also establish reserves for associated loss adjustment expenses, consisting of the estimated cost of the claims administration process, including legal and other fees and expenses associated with administering the claims process. Establishing reserves is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Our estimates of claim rates and claim sizes will be strongly influenced by prevailing economic conditions, such as the overall state of the economy, current rates or trends in unemployment, changes in housing values and/or interest rates, and our best judgments as to the future values or trends of these macroeconomic factors. Losses incurred are also generally affected by the characteristics of our insured loans, such as the loan amount, loan-to-value ratio, the percentage of coverage on the insured loan and the credit quality of the borrower.

***Income Taxes***

Deferred income tax assets and liabilities are determined using the asset and liability (or balance sheet) method. Under this method, we determine the net deferred tax asset or liability based on the tax effects of the temporary differences between the book and tax bases of the various assets and liabilities and give current recognition to changes in tax rates and laws. Changes in tax laws, rates, regulations and policies, or the final determination of tax audits or examinations, could materially affect our tax estimates. We evaluate the realizability of the deferred tax asset and recognize a valuation allowance if, based on the weight of all available positive and negative evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. When evaluating the realizability of the deferred tax asset, we consider estimates of expected future taxable income, existing and projected book/tax differences, carryback and carryforward periods, tax planning strategies available, and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires management to forecast changes in the mortgage market, as well as the related impact on mortgage insurance, and the competitive and general economic environment in future periods. Changes in the estimate of deferred tax asset realizability, if applicable, are included in income tax expense on the consolidated statements of comprehensive income (loss). ASC No. 740 provides a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Accordingly, we did not record a benefit associated with the losses incurred in the prior periods or for other income tax benefits. The income

tax provision or benefit recognized in prior periods related to changes in our valuation allowance associated with changes in deferred tax liabilities for the increase or decrease in the unrealized gain on our investment portfolio.

In accordance with ASC No. 740, before a tax benefit can be recognized, a tax position is evaluated using a threshold that it is more likely than not that the tax position will be sustained upon examination. When evaluating the more-likely-than-not recognition threshold, ASC No. 740 provides that a company should presume the tax position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. If the tax position meets the more-likely-than-not recognition threshold, it is initially and subsequently measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. This analysis is inherently subjective, as it requires management to forecast the outcome of future tax examinations and the amount of tax benefits that will ultimately be realized given the facts, circumstances, and information available at the reporting date. New information may become available in future periods that could cause the actual amount of tax benefits to vary from management's estimates.

***Investments Available for Sale***

Our entire investment portfolio is classified as available for sale and is reported at fair value. The related unrealized gains or losses are, after considering the related tax expense or benefit, recognized as a component of accumulated other comprehensive income in stockholders' equity. Realized investment gains and losses are reported in income based upon specific identification of securities sold. Each quarter we perform reviews of all of our investments in order to determine whether declines in fair value below amortized cost were considered other-than-temporary in accordance with applicable guidance. In evaluating whether a decline in fair value is other-than-temporary, we consider several factors including, but not limited to:

- our intent to sell the security or whether it is more likely than not that we will be required to sell the security before recovery;
- extent and duration of the decline;
- failure of the issuer to make scheduled interest or principal payments;
- credit ratings from third-party rating agencies and changes in these credit ratings below investment grade;
- current credit spreads, downgrade trends, industry and asset sector trends, and issuer disclosures and financial reports to determine if credit ratings from third-party credit agencies are reasonable; and
- adverse conditions specifically related to the security, an industry, or a geographic area.

Under the current guidance a debt security impairment is deemed other-than-temporary if we either intend to sell the security, or it is more likely than not that we will be required to sell the security before recovery or we do not expect to collect cash flows sufficient to recover the amortized cost basis of the security. During the years ended December 31, 2014, 2013 and 2012, the unrealized losses recorded in the investment portfolio resulted from fluctuations in market interest rates. Each issuer is current on its scheduled interest and principal payments. Accordingly, we recognized no other-than-temporary impairment losses in earnings associated with our investment portfolio.

For information on our material holdings in an unrealized loss position, see "—Financial Condition—Investments."

***Recently Issued Accounting Pronouncements***

There are no recently issued accounting standards that are expected to have a material effect on our financial condition, results of operations or cash flows. See Note 2 of our consolidated financial statements.

## ITEM 7A. 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 a 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 December 31, 2014, the effective duration of our investment portfolio, including cash, 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 investment portfolio. Excluding cash, our investment portfolio effective duration was 3.9 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 3.9% in fair value of our investment portfolio.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**INDEX TO FINANCIAL STATEMENTS**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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Essent Group Ltd.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Essent Group Ltd. and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our audits (which was an integrated audit in 2014). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
February 27, 2015

**Essent Group Ltd. and Subsidiaries**

**Consolidated Balance Sheets**

| (In thousands, except per share amounts) | December 31, 2014 | December 31, 2013 |
|---|---|---|
| ***Assets*** | | |
| Investments available for sale, at fair value | | |
| Fixed maturities (amortized cost: 2014—$840,213; 2013—$320,703) | $ 846,925 | $ 318,476 |
| Short-term investments (amortized cost: 2014—$210,688; 2013—$14,079) | 210,688 | 14,079 |
| Total investments | 1,057,613 | 332,555 |
| Cash | 24,411 | 477,655 |
| Accrued investment income | 5,748 | 1,978 |
| Accounts receivable | 15,810 | 10,006 |
| Deferred policy acquisition costs | 9,597 | 6,173 |
| Property and equipment (at cost, less accumulated depreciation of $39,260 in 2014 and $36,796 in 2013) | 5,841 | 4,411 |
| Prepaid federal income tax | 59,673 | 8,000 |
| Net deferred tax asset | — | 10,346 |
| Other assets | 2,768 | 2,846 |
| **Total assets** | $ 1,181,461 | $ 853,970 |
| ***Liabilities and Stockholders' Equity*** | | |
| Liabilities | | |
| Reserve for losses and LAE | $ 8,427 | $ 3,070 |
| Unearned premium reserve | 156,948 | 103,399 |
| Amounts due under Asset Purchase Agreement | — | 4,949 |
| Accrued payroll and bonuses | 14,585 | 13,076 |
| Net deferred tax liability | 37,092 | — |
| Other accrued liabilities | 8,671 | 7,335 |
| Total liabilities | 225,723 | 131,829 |
| Commitments and contingencies | | |
| Stockholders' Equity | | |
| Common Shares, $0.015 par value: | | |
| Authorized—233,333 in 2014 and 2013; issued—92,546 shares in 2014 and 86,491 shares in 2013 | 1,388 | 1,297 |
| Additional paid-in capital | 893,285 | 754,390 |
| Accumulated other comprehensive income (loss) | 4,667 | (1,447) |
| Retained earnings (accumulated deficit) | 56,398 | (32,099) |
| Total stockholders' equity | 955,738 | 722,141 |
| **Total liabilities and stockholders' equity** | $ 1,181,461 | $ 853,970 |

See accompanying notes to consolidated financial statements.

**Essent Group Ltd. and Subsidiaries**

**Consolidated Statements of Comprehensive Income (Loss)**

| (In thousands, except per share amounts) | Year Ended December 31, 2014 | 2013 | 2012 |
|---|---|---|---|
| **Revenues:** | | | |
| Net premiums written | $ 276,778 | $ 186,200 | $ 72,668 |
| Increase in unearned premiums | (53,549) | (62,829) | (30,875) |
| Net premiums earned | 223,229 | 123,371 | 41,793 |
| Net investment income | 12,285 | 4,110 | 2,269 |
| Realized investment gains, net | 925 | 116 | 143 |
| Other income | 3,028 | 3,806 | 4,511 |
| **Total revenues** | 239,467 | 131,403 | 48,716 |
| **Losses and expenses:** | | | |
| Provision for losses and LAE | 6,308 | 2,321 | 1,466 |
| Other underwriting and operating expenses | 97,232 | 71,055 | 61,126 |
| **Total losses and expenses** | 103,540 | 73,376 | 62,592 |
| Income (loss) before income taxes | 135,927 | 58,027 | (13,876) |
| Income tax expense (benefit) | 47,430 | (7,386) | (333) |
| **Net income (loss)** | $ 88,497 | $ 65,413 | $ (13,543) |
| **Earnings (loss) per share:** | | | |
| Basic: | | | |
| Common Shares | $ 1.05 | $ 0.90 | N/A |
| Class A common shares | N/A | N/A | $ (0.49) |
| Class B-2 common shares | N/A | N/A | (0.01) |
| Diluted: | | | |
| Common Shares | $ 1.03 | $ 0.70 | N/A |
| Class A common shares | N/A | N/A | $ (0.49) |
| Class B-2 common shares | N/A | N/A | (0.01) |
| **Weighted average common shares outstanding:** | | | |
| Basic: | | | |
| Common Shares | 83,986 | 14,044 | N/A |
| Class A common shares | N/A | N/A | 27,445 |
| Class B-2 common shares | N/A | N/A | 393 |
| Diluted: | | | |
| Common Shares | 85,602 | 18,103 | N/A |
| Class A common shares | N/A | N/A | 27,445 |
| Class B-2 common shares | N/A | N/A | 393 |
| | | | |
| **Net income (loss)** | $ 88,497 | $ 65,413 | $ (13,543) |
| **Other comprehensive income (loss)** | | | |
| Change in unrealized appreciation (depreciation) of investments, net of tax expense (benefit) of $2,825 in 2014, ($2,080) in 2013 and $333 in 2012 | 6,114 | (3,861) | 618 |
| Total other comprehensive income (loss) | 6,114 | (3,861) | 618 |
| **Comprehensive income (loss)** | $ 94,611 | $ 61,552 | $ (12,925) |

See accompanying notes to consolidated financial statements.

## Essent Group Ltd. and Subsidiaries

## Consolidated Statements of Changes in Stockholders' Equity

| (In thousands) | Common Shares | Class A Common Shares | Class B-2 Common Shares | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Accumulated Deficit | Treasury Stock | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2012 | $ — | $ 291 | $ 89 | $ 291,080 | $ 1,796 | $ (83,969) | $ (33,226) | $ 176,061 |
| Net loss | | | | | | (13,543) | | (13,543) |
| Other comprehensive income | | | | | 618 | | | 618 |
| Issuance of common shares net of issuance cost of $503 | | 54 | | 54,443 | | | | 54,497 |
| Issuance of management incentive shares | | 3 | 3 | 474 | | | | 480 |
| Forfeiture of management incentive shares | | | (1) | 1 | | | | — |
| Stock-based compensation expense | | | | 1,926 | | | | 1,926 |
| Treasury stock acquired | | | | | | | (916) | (916) |
| **Balance at December 31, 2012** | **$ —** | **$ 348** | **$ 91** | **$ 347,924** | **$ 2,414** | **$ (97,512)** | **$ (34,142)** | **$ 219,123** |
| | | | | | | | | |
| Net income | | | | | | 65,413 | | 65,413 |
| Other comprehensive loss | | | | | (3,861) | | | (3,861) |
| Issuance of Class A and Class B-2 common shares net of issuance cost of $1,143 | | 123 | | 123,729 | | | | 123,852 |
| Conversion of Class A and Class B-2 shares into Common Shares | 1,004 | (474) | (54) | (476) | | | | — |
| Issuance of Common Shares net of issuance cost of $25,546 | 299 | | | 313,414 | | | | 313,713 |
| Issuance of management incentive shares | 28 | 3 | 2 | 582 | | | | 615 |
| Forfeiture of management incentive shares | | | (39) | 39 | | | | — |
| Stock-based compensation expense | | | | 3,597 | | | | 3,597 |
| Treasury stock acquired | | | | | | | (311) | (311) |
| Cancellation of treasury stock | (34) | | | (34,419) | | | 34,453 | — |
| **Balance at December 31, 2013** | **$ 1,297** | **$ —** | **$ —** | **$ 754,390** | **$ (1,447)** | **$ (32,099)** | **$ —** | **$ 722,141** |
| | | | | | | | | |
| Net income | | | | | | 88,497 | | 88,497 |
| Other comprehensive income | | | | | 6,114 | | | 6,114 |
| Issuance of Common Shares net of issuance cost of $6,761 | 90 | | | 126,649 | | | | 126,739 |
| Issuance of management incentive shares | 2 | | | 414 | | | | 416 |
| Forfeiture of management incentive shares | | | | | | | | — |
| Stock-based compensation expense | | | | 12,520 | | | | 12,520 |
| Excess tax benefits from stock-based compensation expense | | | | 1,809 | | | | 1,809 |
| Treasury stock acquired | | | | | | | (2,498) | (2,498) |
| Cancellation of treasury stock | (1) | | | (2,497) | | | 2,498 | — |
| **Balance at December 31, 2014** | **$ 1,388** | **$ —** | **$ —** | **$ 893,285** | **$ 4,667** | **$ 56,398** | **$ —** | **$ 955,738** |

See accompanying notes to consolidated financial statements.

**Essent Group Ltd. and Subsidiaries**

**Consolidated Statements of Cash Flows**

| (In thousands) | Year Ended December 31, 2014 | 2013 | 2012 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net income (loss) | $ 88,497 | $ 65,413 | $ (13,543) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Gain on the sale of investments, net | (925) | (116) | (143) |
| Depreciation and amortization | 2,464 | 2,252 | 15,156 |
| Amortization of discount on payments due under Asset Purchase Agreement | 51 | 108 | 138 |
| Stock-based compensation expense | 12,520 | 3,597 | 1,926 |
| Amortization of premium on investment securities | 6,840 | 3,129 | 1,801 |
| Deferred income tax provision | 44,614 | (8,267) | (333) |
| Excess tax benefits from stock-based compensation | (1,809) | — | — |
| Change in: | | | |
| Accrued investment income | (3,770) | (687) | (464) |
| Accounts receivable | (3,803) | (5,112) | (3,300) |
| Deferred policy acquisition costs | (3,424) | (3,970) | (1,784) |
| Prepaid federal income tax | (51,673) | (8,000) | — |
| Other assets | 78 | (1,628) | (38) |
| Reserve for losses and LAE | 5,357 | 1,571 | 1,442 |
| Unearned premium reserve | 53,549 | 62,829 | 30,875 |
| Accounts payable and accrued expenses | 5,138 | 7,889 | 4,906 |
| Net cash provided by operating activities | 153,704 | 119,008 | 36,639 |
| **Investing Activities** | | | |
| Net change in short-term investments | (196,609) | (6,982) | 7,363 |
| Purchase of investments available for sale | (699,324) | (136,094) | (137,481) |
| Proceeds from maturity of investments available for sale | 27,382 | 12,400 | 3,650 |
| Proceeds from sales of investments available for sale | 144,744 | 36,582 | 49,438 |
| Purchase of property and equipment, net | (3,893) | (2,666) | (2,699) |
| Net cash used in investing activities | (727,700) | (96,760) | (79,729) |
| **Financing Activities** | | | |
| Issuance of common shares net of costs | 126,441 | 438,403 | 54,497 |
| Treasury stock acquired | (2,498) | (311) | (916) |
| Excess tax benefits from stock-based compensation | 1,809 | — | — |
| Payments under Asset Purchase Agreement | (5,000) | (5,000) | (5,000) |
| Investor fee payment | — | — | (1,677) |
| Net cash provided by financing activities | 120,752 | 433,092 | 46,904 |
| Net (decrease) increase in cash | (453,244) | 455,340 | 3,814 |
| Cash at beginning of year | 477,655 | 22,315 | 18,501 |
| **Cash at end of year** | $ 24,411 | $ 477,655 | $ 22,315 |
| **Supplemental Disclosure of Cash Flow Information** | | | |
| Income tax (payments) refunds | $ (1,000) | $ (1,076) | $ — |
| | | | |
| **Noncash Transactions** | | | |
| Issuance of management incentive shares (see Note 10) | $ 416 | $ 615 | $ 480 |

See accompanying notes to consolidated financial statements.

In these notes to 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 the government sponsored enterprises ("GSEs"), Fannie Mae and Freddie Mac. Essent Group was incorporated in Bermuda in July 2008. In March 2014, Essent Group formed Essent Irish Intermediate Holdings Limited ("Essent Irish Intermediate") as a wholly-owned subsidiary. In April 2014, Essent Group contributed all of the outstanding stock of Essent US Holdings, Inc. ("Essent Holdings") to Essent Irish Intermediate. The primary mortgage insurance operations are conducted through Essent Holdings' regulated and licensed wholly-owned subsidiaries, Essent Guaranty, Inc. ("Essent Guaranty") and Essent Guaranty of PA, Inc. ("Essent PA"). Essent Group also has a wholly-owned Bermuda-domiciled Class 3A Insurer licensed pursuant to Section 4 of the Bermuda Insurance Act 1978, Essent Reinsurance Ltd. ("Essent Re"), which offers mortgage-related insurance and reinsurance.

Essent Guaranty was formed in November 2008 and received its certificate of authority from the Pennsylvania Insurance Department on July 6, 2009. It commenced operations in 2010, issuing its first mortgage insurance policy in May 2010. Essent Guaranty is headquartered in Radnor, Pennsylvania and maintains operations centers in Winston-Salem, North Carolina and Irvine, California. 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 PA received its certificate of authority from the Pennsylvania Insurance Department on March 15, 2010. Essent PA assumes that portion of the risk retained by Essent Guaranty that is in excess 25% of the balance of any mortgage loan insured by Essent Guaranty after consideration of other reinsurance agreements at Essent Guaranty, in accordance with certain state law requirements.

In June 2010, we formed Essent Solutions, LLC ("Essent Solutions"), a wholly-owned, non-insurer subsidiary of Essent Guaranty. Essent Solutions was formed to, among other things, function as an administrative services provider. Since April 2012, Essent Solutions has had minimal business activity.

In September 2011, we formed CUW Solutions, LLC ("CUW Solutions"), a wholly-owned subsidiary of Essent Holdings. CUW Solutions is a Delaware limited liability company that provides, among other things, mortgage contract underwriting services to lenders and mortgage insurance underwriting services to affiliates. Its headquarters are in Radnor, Pennsylvania and it maintains operations centers in Winston-Salem, North Carolina and Irvine, California that are subleased from Essent Guaranty.

Essent Re provides insurance and reinsurance coverage of mortgage credit risk. In 2014, Essent Re entered into insurance and reinsurance transactions with Freddie Mac and began to reinsure 25% of Essent Guaranty's GSE-eligible new insurance written effective July 1, 2014 under an affiliate quota share reinsurance agreement.

The Company operates as a single segment for reporting purposes as substantially all business operations, assets and liabilities relate to the private mortgage insurance business and management

**Note 1. Nature of Operations and Basis of Presentation (Continued)**

reviews operating results for the Company as a whole to make operating decisions and assess performance.

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and include the accounts of Essent Group and its consolidated subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Certain amounts in prior years have been reclassified to conform to the current year presentation.

**Note 2. Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Investments Available for Sale**

Investments available for sale include securities that we sell from time to time to provide liquidity and in response to changes in the market. Debt and equity securities classified as available for sale are reported at fair value with unrealized gains and losses on these securities reported in other comprehensive income, net of deferred income taxes. See Note 16 for a description of the valuation methods for investments available for sale.

We monitor our fixed maturities for unrealized losses that appear to be other than temporary. A fixed maturity security is considered to be other-than-temporarily impaired when the security's fair value is less than its amortized cost basis and 1) we intend to sell the security, 2) it is more likely than not that we will be required to sell the security before recovery of the security's amortized cost basis, or 3) we believe we will be unable to recover the entire amortized cost basis of the security (i.e., a credit loss has occurred). When we determine that a credit loss has been incurred, but we do not intend to sell the security and it is not more likely than not that we will be required to sell the security before recovery of the security's amortized cost basis, the portion of the other-than-temporary impairment that is credit related is recorded as a realized loss in the consolidated statements of comprehensive income (loss), and the portion of the other-than-temporary impairment that is not credit related is included in other comprehensive income (loss). For those fixed maturities for which an other-than-temporary impairment has occurred, we adjust the amortized cost basis of the security and record a realized loss in the consolidated statements of comprehensive income (loss).

We recognize purchase premiums and discounts in interest income using the interest method over the term of the securities. Gains and losses on the sales of securities are recorded on the trade date and are determined using the specific identification method.

Short-term investments are defined as short-term, highly liquid investments, both readily convertible to cash and having maturities at acquisition of twelve months or less.

**Note 2. Summary of Significant Accounting Policies (Continued)**

**Long-Lived Assets**

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance are charged to expense as incurred. Estimated useful lives are 5 years for furniture and fixtures and 2 to 3 years for equipment, computer hardware and purchased software. Certain costs associated with the acquisition or development of internal-use software are capitalized. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's expected useful life, which is generally 3 years. We amortize leasehold improvements over the shorter of the lives of the leases or estimated service lives of the leasehold improvements. The balances by type were as follows at December 31:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| (In thousands) | Cost | Accumulated Depreciation/ Amortization | Cost | Accumulated Depreciation/ Amortization |
| Furniture and fixtures | $ 1,411 | $ (713) | $ 1,055 | $ (545) |
| Office equipment | 472 | (178) | 151 | (66) |
| Computer hardware | 3,258 | (2,523) | 2,769 | (1,942) |
| Purchased software | 32,352 | (31,110) | 31,416 | (30,557) |
| Costs of internal-use software | 5,868 | (4,320) | 5,182 | (3,326) |
| Leasehold improvements | 1,740 | (416) | 634 | (360) |
| Total | $ 45,101 | $ (39,260) | $ 41,207 | $ (36,796) |

In connection with the acquisition of the proprietary mortgage insurance information technology and operating platform of Triad Guaranty, Inc. and Triad Guaranty Insurance Corporation (collectively referred to as "Triad"), we recorded identifiable intangible assets associated with acquired technology and workforce-in-place. Amortization of these assets began on December 1, 2009 and was increased in April 2011 in connection with the additional purchase price recorded effective March 31, 2011. See additional discussion as to the terms of the Triad transaction and the related purchase accounting in Note 6. The amount of purchase price allocated to the acquired technology was amortized to expense on a straight-line basis over 36 months and was fully amortized as of November 30, 2012. The amount of purchase price allocated to workforce-in-place was amortized to expense on a straight-line basis over 48 months and was fully amortized as of November 30, 2013. We recognized amortization associated with the acquired technology of $12.0 million for the year ended December 31, 2012. We recognized amortization associated with the workforce-in-place of $0.4 million in each of the years ended December 31, 2013 and 2012.

The cost of the acquired technology and related accumulated depreciation is included in property and equipment in the accompanying consolidated balance sheets.

**Deferred Policy Acquisition Costs**

We defer certain personnel costs and premium tax expense directly related to the successful acquisition of new insurance policies and amortize these costs over the period the related estimated gross profits are recognized in order to match costs and revenues. We do not defer any underwriting costs associated with our contract underwriting services. Costs related to the acquisition of mortgage

**Note 2. Summary of Significant Accounting Policies (Continued)**

insurance business are initially deferred and reported as deferred policy acquisition costs. Consistent with industry accounting practice, amortization of these costs for each underwriting year book of business is recognized in proportion to estimated gross profits. Estimated gross profits are composed of earned premium, interest income, losses and loss adjustment expenses. The deferred costs are adjusted as appropriate for policy cancellations to be consistent with our revenue recognition policy. We estimate the rate of amortization to reflect actual experience and any changes to persistency or loss development. Deferred policy acquisition costs are reviewed periodically to determine that they do not exceed recoverable amounts, after considering investment income. Policy acquisition costs deferred were $6.6 million, $5.7 million and $2.2 million for the years ended December 31, 2014, 2013 and 2012, respectively. Amortization of deferred policy acquisition costs totaled $3.2 million, $1.7 million, and $0.5 million for the years ended December 31, 2014, 2013 and 2012, respectively, and is included in other underwriting and operating expenses on the consolidated statements of comprehensive income (loss).

**Insurance Premium Revenue Recognition**

Mortgage guaranty insurance policies are contracts that are generally non-cancelable by the insurer, are renewable at a fixed price, and provide for payment of premium on a monthly, annual or single basis. Upon renewal, we are not able to re-underwrite or re-price our policies. Consistent with industry accounting practices, premiums written on a monthly basis are earned as coverage is provided. Monthly policies accounted for 86% of earned premium in 2014. Premiums written on an annual basis are amortized on a pro rata basis over the year of coverage. Primary mortgage insurance written on policies covering more than one year are referred to as single premium policies. A portion of the revenue from single premium policies is recognized in earned premium in the current period, and the remaining portion is deferred as unearned premium and earned over the expected life of the policy. If single premium policies related to insured loans are cancelled due to repayment by the borrower, and the premium is non-refundable, then the remaining unearned premium related to each cancelled policy is recognized as earned premium upon notification of the cancellation. The Company recorded $8.2 million and $4.1 million of earned premium related to policy cancellations for the years ended December 31, 2014 and 2013, respectively. Unearned premium represents the portion of premium written that is applicable to the estimated unexpired risk of insured loans. Rates used to determine the earning of single premium policies are estimates based on an analysis of the expiration of risk.

A significant portion of our premium revenue relates to master policies with certain lending institutions. For the year ended December 31, 2014 one lender represented 15% of our total revenue. The loss of this customer could have a significant impact on our revenues and results of operations.

**Reserve for Losses and Loss Adjustment Expenses**

We establish reserves for losses based on our best estimate of ultimate claim costs for defaulted loans using the general principles contained in ASC No. 944, in accordance with industry practice. However, consistent with industry standards for mortgage insurers, we do not establish loss reserves for future claims on insured loans which are not currently in default. Loans are classified as in default when the borrower has missed two consecutive payments. Once we are notified that a borrower has defaulted, we will consider internal and third-party information and models, including the status of the loan as reported by its servicer and the type of loan product to determine the likelihood that a default will reach claim status. In addition, we will project the amount that we will pay if a default becomes a

**Note 2. Summary of Significant Accounting Policies (Continued)**

claim (referred to as "claim severity"). Based on this information, at each reporting date we determine our best estimate of loss reserves at a given point in time. Included in loss reserves are reserves for incurred but not reported ("IBNR") claims. IBNR reserves represent our estimated unpaid losses on loans that are in default, but have not yet been reported to us as delinquent by our customers. We will also establish reserves for associated loss adjustment expenses, consisting of the estimated cost of the claims administration process, including legal and other fees and expenses associated with administering the claims process. Establishing reserves is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Our estimates of claim rates and claim sizes will be strongly influenced by prevailing economic conditions, such as the overall state of the economy, current rates or trends in unemployment, changes in housing values and/or interest rates, and our best judgments as to the future values or trends of these macroeconomic factors. Losses incurred are also generally affected by the characteristics of our insured loans, such as the loan amount, loan-to-value ratio, the percentage of coverage on the insured loan and the credit quality of the borrower.

**Premium Deficiency Reserve**

We are required to establish a premium deficiency reserve if the net present value of the expected future losses and expenses for a particular group of policies exceeds the net present value of expected future premium, anticipated investment income and existing reserves for that specified group of policies. We reassess our expectations for premium, losses and expenses of our mortgage insurance business periodically and update our premium deficiency analysis accordingly. As of December 31, 2014 and 2013, we concluded that no premium deficiency reserve was required to be recorded in the accompanying consolidated financial statements.

**Derivative Instruments**

In 2014, Essent Re issued insurance and reinsurance policies in connection with Freddie Mac's Agency Credit Insurance Structure ("ACIS") program. These policies are accounted for as a derivative under GAAP with the fair value of these policies reported as an asset or liability and changes in the fair value of these policies reported in earnings as a component of other income.

**Stock-Based Compensation**

We measure the cost of employee services received in exchange for awards of equity instruments at the grant date of the award using a fair value based method. Prior to our initial public offering, we estimated the fair value of each nonvested share grant on the date of grant based on management's best estimate using methods further described in Note 10 of our consolidated financial statements. Subsequent to our initial public offering, fair value is determined on the date of grant based on quoted market prices. We recognize compensation expense on nonvested shares over the vesting period of the award.

**Income Taxes**

Deferred income tax assets and liabilities are determined using the asset and liability (or balance sheet) method. Under this method, we determine the net deferred tax asset or liability based on the tax effects of the temporary differences between the book and tax bases of the various assets and liabilities

**Note 2. Summary of Significant Accounting Policies (Continued)**

and give current recognition to changes in tax rates and laws. Changes in tax laws, rates, regulations and policies, or the final determination of tax audits or examinations, could materially affect our tax estimates. We evaluate the realizability of the deferred tax asset and recognize a valuation allowance if, based on the weight of all available positive and negative evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. When evaluating the realizability of the deferred tax asset, we consider estimates of expected future taxable income, existing and projected book/tax differences, carryback and carryforward periods, tax planning strategies available, and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires management to forecast changes in the mortgage market, as well as the related impact on mortgage insurance, and the competitive and general economic environment in future periods. Changes in the estimate of deferred tax asset realizability, if applicable, are included in income tax expense on the consolidated statements of comprehensive income (loss).

ASC No. 740 provides a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In accordance with ASC No. 740, before a tax benefit can be recognized, a tax position is evaluated using a threshold that it is more likely than not that the tax position will be sustained upon examination. When evaluating the more-likely-than-not recognition threshold, ASC No. 740 provides that a company should presume the tax position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. If the tax position meets the more-likely-than-not recognition threshold, it is initially and subsequently measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

As described in Note 12, we purchase non-interest-bearing United States Mortgage Guaranty Tax and Loss Bonds ("T&L Bonds") issued by the Treasury Department. These assets are carried at cost and are reported as prepaid federal income tax on the consolidated balance sheets.

It is our policy to classify interest and penalties related to unrecognized tax benefits as income tax expense.

**Earnings per Share**

Basic earnings (loss) per common share amounts are calculated based on income available to common stockholders and the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per common share amounts are calculated based on income available to common stockholders and the weighted average number of common and potential common shares outstanding during the reporting period. Potential common shares, composed of the incremental common shares issuable upon vesting of unvested common shares, are included in the earnings per share calculation to the extent that they are dilutive. Prior to the completion of our initial public offering as more fully discussed in Note 3, basic and diluted earnings (loss) per common share were calculated using the "two-class" method since the cash dividends on our Class B-2 common shares could differ from the dividends on the Class A common shares. The two-class method is an earnings allocation formula that determines earnings (loss) per share for each class of common shares according to dividends declared and participation rights in undistributed earnings or losses.

**Note 2. Summary of Significant Accounting Policies (Continued)**

**Recently Issued Accounting Standards**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update is intended to provide a consistent approach in recognizing revenue. In accordance with the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The provisions of this update are effective for interim and annual periods beginning after December 15, 2016. The Company is currently evaluating the impact the adoption of this ASU will have on the consolidated financial statements.

**Note 3. Equity Transactions**

Prior to its initial public offering ("IPO"), Essent Group's initial investors executed several agreements which committed our initial investors, subject to certain conditions, to make equity contributions in the amount of approximately $600 million in return for Class A common shares of Essent Group. As of January 1, 2012, $258.3 million had been contributed by the investors to Essent Group in return for approximately 25.5 million Class A common shares. In 2012, investors made additional capital contributions to Essent Group totaling $55 million in return for approximately 5.4 million Class A shares and in 2013, investors made additional capital contributions to Essent Group totaling $125 million in return for approximately 12.3 million Class A shares. In total, $438.3 million of capital contributions were made by investors from inception through Essent Group's initial public offering.

In November 2013, Essent Group completed an initial public offering ("IPO") in which we issued and sold approximately 20.0 million Common Shares at a public offering price of $17.00 per share and certain selling shareholders sold approximately 2.7 million Common Shares. We did not receive any proceeds from the sale of shares by the selling shareholders. The total net proceeds from the IPO were $313.7 million after deducting underwriting discounts commissions and other offering expenses.

Upon the closing of our IPO, all shares of our then-outstanding Class A common shares and Class B-2 common shares, issued under the Company's 2009 Restricted Share Plan as more fully discussed in Note 10, automatically converted into an aggregate of approximately 64.7 million Common Shares. Under the terms of the Amended and Restated Class A Common Share Subscription Agreement (the "Amended Subscription Agreement"), the equity funding commitment terminated upon the completion of the initial public offering.

Macquarie Capital (USA) Inc. ("Macquarie") was due a fee equal to 1% of the gross proceeds from the sale of Class A common shares (not to exceed $5.2 million) issued to certain shareholders who were party to the Class A Common Share Subscription Agreement for services rendered in connection with the equity funding for Essent Group. As of December 31, 2013, a total of $4 million was earned by Macquarie and charged to additional paid-in capital. As a result of the termination of the Amended Subscription Agreement, no additional fees are due Macquarie related to the sale of Class A shares.

**Note 3. Equity Transactions (Continued)**

In November 2014, Essent Group completed the sale of 6.0 million Common Shares in a public offering at a price of $22.25 per share and certain selling shareholders sold 7.8 million Common Shares. We did not receive any proceeds from the sale of shares by the selling shareholders. The total net proceeds from this offering were approximately $126.7 million after deducting underwriting discounts, commissions and other offering expenses.

**Note 4. Investments Available for Sale**

Investments available for sale consist of the following:

| December 31, 2014 (In thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| U.S. Treasury securities | $ 73,432 | $ 927 | $ (143) | $ 74,216 |
| U.S. agency securities | 4,491 | 29 | — | 4,520 |
| U.S. agency mortgage-backed securities | 82,190 | 1,564 | (214) | 83,540 |
| Municipal debt securities(1) | 191,723 | 4,147 | (324) | 195,546 |
| Corporate debt securities | 295,507 | 2,123 | (801) | 296,829 |
| Mortgage-backed securities | 66,396 | 574 | (884) | 66,086 |
| Asset-backed securities | 126,474 | 136 | (422) | 126,188 |
| Money market funds | 210,688 | — | — | 210,688 |
| Total investments available for sale | $ 1,050,901 | $ 9,500 | $ (2,788) | $ 1,057,613 |

| December 31, 2013 (In thousands) | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| U.S. Treasury securities | $ 59,100 | $ 977 | $ (890) | $ 59,187 |
| U.S. agency securities | 14,763 | 76 | — | 14,839 |
| U.S. agency mortgage-backed securities | 23,023 | 53 | (835) | 22,241 |
| Municipal debt securities(1) | 57,947 | 155 | (452) | 57,650 |
| Corporate debt securities | 126,311 | 378 | (1,096) | 125,593 |
| Mortgage-backed securities | 19,219 | — | (638) | 18,581 |
| Asset-backed securities | 20,340 | 81 | (36) | 20,385 |
| Money market funds | 14,079 | — | — | 14,079 |
| Total investments available for sale | $ 334,782 | $ 1,720 | $ (3,947) | $ 332,555 |

(1) At December 31, 2014, approximately 59.7% of municipal debt securities were special revenue bonds, 37.5% were general obligation bonds, 1.5% were tax allocation bonds, 0.8% were certification of participation bonds and 0.5% were special assessment bonds. At December 31, 2013, all municipal debt securities were general obligation bonds.

The amortized cost and fair value of available for sale securities at December 31, 2014, 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

**Note 4. Investments Available for Sale (Continued)**

penalties. Because most mortgage-backed 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 | $ 2,082 | $ 2,088 |
| Due after 1 but within 5 years | 17,706 | 17,741 |
| Due after 5 but within 10 years | 53,644 | 54,387 |
| Subtotal | 73,432 | 74,216 |
| U.S. agency securities: | | |
| Due in 1 year | 2,050 | 2,061 |
| Due after 1 but within 5 years | 2,441 | 2,459 |
| Subtotal | 4,491 | 4,520 |
| Municipal debt securities | | |
| Due in 1 year | — | — |
| Due after 1 but within 5 years | 72,127 | 72,230 |
| Due after 5 but within 10 years | 62,704 | 64,906 |
| Due after 10 years | 56,892 | 58,410 |
| Subtotal | 191,723 | 195,546 |
| Corporate debt securities: | | |
| Due in 1 year | 13,504 | 13,536 |
| Due after 1 but within 5 years | 185,063 | 184,964 |
| Due after 5 but within 10 years | 95,490 | 96,861 |
| Due after 10 years | 1,450 | 1,468 |
| Subtotal | 295,507 | 296,829 |
| U.S. agency mortgage-backed securities | 82,190 | 83,540 |
| Mortgage-backed securities | 66,396 | 66,086 |
| Asset-backed securities | 126,474 | 126,188 |
| Money market funds | 210,688 | 210,688 |
| Total investments available for sale | $ 1,050,901 | $ 1,057,613 |

Essent Group realized gross gains and losses on the sale of investments available for sale as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| (In thousands) | 2014 | 2013 | 2012 |
| Realized gross gains | $ 1,368 | $ 116 | $ 145 |
| Realized gross losses | 443 | — | 2 |

**Note 4. Investments Available for Sale (Continued)**

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

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| (In thousands) | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| ***At December 31, 2014*** | | | | | | |
| U.S. Treasury securities | $ 16,543 | $ (34) | $ 5,155 | $ (109) | $ 21,698 | $ (143) |
| U.S. agency mortgage-backed securities | 2,334 | — | 8,566 | (214) | 10,900 | (214) |
| Municipal debt securities | 39,902 | (229) | 8,684 | (95) | 48,586 | (324) |
| Corporate debt securities | 113,717 | (701) | 12,659 | (100) | 126,376 | (801) |
| Mortgage-backed securities | 28,091 | (264) | 16,092 | (620) | 44,183 | (884) |
| Asset-backed securities | 100,248 | (405) | 2,201 | (17) | 102,449 | (422) |
| Total | $ 300,835 | $ (1,633) | $ 53,357 | $ (1,155) | $ 354,192 | $ (2,788) |

| | Less than 12 months | | 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| (In thousands) | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| ***At December 31, 2013*** | | | | | | |
| U.S. Treasury securities | $ 16,474 | $ (890) | $ — | $ — | $ 16,474 | $ (890) |
| U.S. agency mortgage-backed securities | 13,484 | (452) | 3,685 | (383) | 17,169 | (835) |
| Municipal debt securities | 21,573 | (267) | 13,074 | (185) | 34,647 | (452) |
| Corporate debt securities | 75,364 | (1,038) | 3,148 | (58) | 78,512 | (1,096) |
| Mortgage-backed securities | 13,249 | (347) | 5,333 | (291) | 18,582 | (638) |
| Asset-backed securities | 6,024 | (36) | — | — | 6,024 | (36) |
| Total | $ 146,168 | $ (3,030) | $ 25,240 | $ (917) | $ 171,408 | $ (3,947) |

The gross unrealized losses on these investment securities are principally associated with the changes in the interest rate environment subsequent to their purchase. Each issuer is current on its scheduled interest and principal payments. We assess our intent to sell these securities and whether we will be required to sell these securities before the recovery of their amortized cost basis when determining whether an impairment is other than temporary. There were no other-than-temporary impairments of investments in the years ended December 31, 2014, 2013 or 2012.

The fair value of investments deposited with insurance regulatory authorities to meet statutory requirements was $8.5 million at December 31, 2014 and $8.6 million at December 31, 2013. 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 required investments on deposit in these trusts was $51.2 million at December 31, 2014.

**Note 4. Investments Available for Sale (Continued)**

Net investment income consists of:

| (In thousands) | Year Ended December 31, 2014 | 2013 | 2012 |
|---|---|---|---|
| Fixed maturities | $ 13,356 | $ 4,671 | $ 2,632 |
| Short-term investments | 56 | 26 | 14 |
| Gross investment income | 13,412 | 4,697 | 2,646 |
| Investment expenses | (1,127) | (587) | (377) |
| Net investment income | $ 12,285 | $ 4,110 | $ 2,269 |

**Note 5. Accounts Receivable**

Accounts receivable consist of the following at December 31:

| (In thousands) | 2014 | 2013 |
|---|---|---|
| Premiums receivable | $ 13,210 | $ 9,488 |
| Other receivables | 2,600 | 518 |
| Total accounts receivable | 15,810 | 10,006 |
| Less: Allowance for doubtful accounts | — | — |
| Accounts receivable, net | $ 15,810 | $ 10,006 |

Premiums receivable consist of premiums due on our mortgage insurance policies. If mortgage insurance premiums are unpaid for more than 90 days, the receivable is written off against earned premium and the related insurance policy is cancelled. For all periods presented, no provision or allowance for doubtful accounts was required.

**Note 6. Triad Transaction**

On December 1, 2009, under the terms of an asset purchase agreement dated October 7, 2009 between Essent Guaranty and Triad (the "Asset Purchase Agreement"), we acquired all of Triad's proprietary mortgage insurance information technology and operating platform, certain software and substantially all of the supporting hardware, as well as furniture and fixtures, in exchange for payments of up to $30 million in cash, subject to certain conditions outlined in the Asset Purchase Agreement, and the assumption of certain contractual obligations. In addition, pursuant to this transaction, 39 employees of Triad's information technology, operations and compliance departments were offered, and accepted, employment with Essent Guaranty. Effective with the completion of the transaction, Essent Guaranty began providing information systems maintenance and development services, customer service and policy administration support to Triad under the terms of a services agreement dated December 1, 2009 (the "Services Agreement"). Triad retains the obligation for all risks insured under its existing insurance contracts and will continue to directly manage loss mitigation and claim activity on its insured business.

As the assets acquired and liabilities assumed did not constitute a business, the transaction was accounted for as an acquisition of assets. Under the Asset Purchase Agreement, fixed payments of $15 million were due and paid as follows: $10 million on the Closing Date of December 1, 2009, and

**Note 6. Triad Transaction (Continued)**

$2.5 million each on the first and second anniversaries of the Closing Date. Contingent payments totaling $15 million are due commencing 30 months after the closing date, or June 1, 2012, in six equal semi-annual installments if Essent Guaranty or any affiliate US domestic insurance company have written mortgage insurance policies (other than mortgage reinsurance or other types of credit enhancement) on mortgage loans having an aggregate unpaid principal balance of not less than $500 million in the six months preceding such contingent payment. On December 1, 2009, $15.5 million was recorded as purchase price for these acquired assets, which included the net present value of the fixed payments. The depreciation for the fixed assets was recorded over three years from December 1, 2009 to November 30, 2012. In March 2011, based on Essent Guaranty's level of written mortgage insurance policies, management concluded that it was probable that the $15 million of contingent payments would be made. Accordingly, a liability was accrued effective March 31, 2011 for the net present value of the additional contingent payments due Triad, with an offsetting increase in the purchase price of the acquired assets allocated pro rata based on their relative fair value at the acquisition date. The depreciation of the fixed assets associated with the purchase for the contingent payments was recorded over the period from April 1, 2011 to November 30, 2012. Contingent payments totaling $5 million were made in each of the years ended December 31, 2014, 2013 and 2012. No further amounts are due to Triad under the Asset Purchase Agreement.

The components of the purchase price for the assets acquired reflected in the accompanying consolidated balance sheets are as follows:

| (In thousands) | |
|---|---|
| Cash payment | $ 9,123 |
| Triad's liabilities assumed at closing | 877 |
| Transaction costs | 484 |
| Net present value of fixed payments | 4,995 |
| Net present value of contingent payments | 14,595 |
| Total | $ 30,074 |

The cost of the assets acquired was allocated based on their relative fair value as of the Closing Date (December 1, 2009) as follows:

| (In thousands) | | 2009 | 2011 | Total |
|---|---|---|---|---|
| Acquired technology | 94.2% | $ 14,573 | $ 13,741 | $ 28,314 |
| Workforce-in-place | 4.3 | 671 | 633 | 1,304 |
| Software | 0.7 | 110 | 103 | 213 |
| Hardware | 0.5 | 71 | 67 | 138 |
| Other assets | 0.3 | 54 | 51 | 105 |
| Total | 100.0% | $ 15,479 | $ 14,595 | $ 30,074 |

We recorded interest expense associated with the liability due Triad of $0.1 million in each of the years ended December 31, 2014, 2013 and 2012.

**Note 6. Triad Transaction (Continued)**

Under the terms of the Services Agreement, we provide the following services to Triad in exchange for fees: (i) maintain and support the licensed technology and equipment and provide to Triad certain information and technology services; (ii) access to the Triad technology platform in order to support Triad's business pursuant to the license grant outlined in the Services Agreement; (iii) customer support-related services; and (iv) technology development services. The fee earned by Essent Group during the first contract year from December 1, 2009 to November 30, 2010 was a fixed amount. Effective December 1, 2010, the fee is based principally on the number of Triad's insurance policies in force on a monthly basis. Accordingly, this fee is reduced as Triad's policies in force decline. We earned fees under the Services Agreement of $2.3 million, $3.0 million and $3.8 million for the years ended December 31, 2014, 2013 and 2012, respectively, which are included in other income in the accompanying consolidated statements of comprehensive income (loss).

**Note 7. 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 years ended December 31:

| ($ in thousands) | 2014 | 2013 |
|---|---|---|
| Reserve for losses and LAE at beginning of year | $ 3,070 | $ 1,499 |
| Less: Reinsurance recoverables | — | — |
| Net reserve for losses and LAE at beginning of year | 3,070 | 1,499 |
| Add provision for losses and LAE, net of reinsurance, occurring in: | | |
| Current year | 6,877 | 2,986 |
| Prior years | (569) | (665) |
| Net incurred losses during the current year | 6,308 | 2,321 |
| Deduct payments for losses and LAE, net of reinsurance, occurring in: | | |
| Current year | 138 | 239 |
| Prior years | 813 | 511 |
| Net loss and LAE payments during the current year | 951 | 750 |
| Net reserve for losses and LAE at end of year | 8,427 | 3,070 |
| Plus: Reinsurance recoverables | — | — |
| Reserve for losses and LAE at end of year | $ 8,427 | $ 3,070 |
| Loans in default at end of year | 457 | 159 |

For the year ended December 31, 2014, $0.8 million was paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. There has been a $0.6 million favorable prior-year development during the year ended December 31, 2014. Reserves remaining as of December 31, 2014 for prior years are $1.7 million as a result of re-estimation of unpaid losses and loss adjustment expenses. For the year ended December 31, 2013, $0.5 million was paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. There was a $0.7 million favorable prior year development during the year ended December 31, 2013. Reserves remaining as of December 31, 2013 for prior years are $0.3 million as a result of re estimation of unpaid losses and loss

**Note 7. Reserve for Losses and Loss Adjustment Expenses (Continued)**

adjustment expenses. The decreases in both years are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

**Note 8. 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 the lender 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. For the years ended December 31, 2014 and 2013, we paid $12,420 and $5,359, respectively, related to remedies. As of December 31, 2014, management believes any potential claims for indemnifications related to contract underwriting services through December 31, 2014 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 December 31, 2014, 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 consolidated balance sheets related to indemnifications.

**Commitments**

We lease office space for use in our operations under leases accounted for as operating leases. In May 2014, we amended our existing lease agreement for our office space in North Carolina and extended the lease term to 2025. Total rent expense was $1.6 million, $1.5 million and $1.0 million for

**Note 8. Commitments and Contingencies (Continued)**

the years ended December 31, 2014, 2013 and 2012, respectively. The future minimum lease payments of non-cancelable operating leases are as follows at December 31, 2014:

| Year Ended December 31, (In thousands) | |
|---|---|
| 2015 | $ 1,486 |
| 2016 | 2,117 |
| 2017 | 2,022 |
| 2018 | 1,940 |
| 2019 | 1,984 |
| 2020 and thereafter | 10,358 |
| Total minimum payments required | $ 19,907 |

Minimum lease payments shown above have not been reduced by minimum sublease rental income of $0.1 million due in 2015 under the non-cancelable sublease.

**Note 9. Capital Stock**

Upon the closing of our IPO, our authorized share capital consists of 233.3 million shares of a single class of common shares (the "Common Shares"). All of our outstanding Class A common shares and Class B-2 common shares that were eligible for vesting under the 2009 Restricted Share Plan were converted into the Common Shares and the Common Shares were split 2 for 3. All of the remaining Class B-2 common shares that were not eligible for vesting under the 2009 Restricted Share Plan were forfeited. The Common Shares have no pre-emptive 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.

The Class A common shares ranked senior to the Class B-1 common shares and the Class B-2 common shares in all respects as to rights of payment and distribution. The Class B-1 common shares and the Class B-2 common shares ranked junior to the Class A common shares and pari passu with one another in all respects as to rights of payment and distribution. The holders of Class A common shares were entitled to receive cumulative compounding dividends prior and in preference to any declaration or payment of any dividend on any other class of shares in the capital of Essent Group, at the rate of 10% of the Original Class A Issue Price per annum, compounded annually, on each outstanding Class A common share. Any dividend or other distribution declared or paid on any Class B common shares shall have been ratably declared and paid on all of the outstanding Class A common shares (based on "as-if-converted" to Class B-1 common share amounts) at the same time as such dividend is paid on such Class B common shares.

**Note 10. Stock-Based Compensation**

On February 6, 2009, Essent Group adopted the 2009 Restricted Share Plan. In connection with the IPO in 2013, Essent Group's Board of Directors amended and restated the 2009 Restricted Share Plan, effective immediately prior to the initial public offering. In addition, 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 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. The 2013 Plan authorized a total of 14.7 million Common Shares, which will be increased on the first day of each of the Company's fiscal years beginning with fiscal year 2014, in an amount equal to the lesser of (i) 1.5 million Common Shares, (ii) 2% of the Company's outstanding Common Shares on the last day of the immediately preceding fiscal year, or (iii) such number of Common Shares as determined by the Company's Board of Directors. The maximum number of common shares that may be issued in respect of incentive share options is 14.7 million. As of December 31, 2014, there were 13.5 million Common Shares available for future grant under the 2013 Plan.

Class B-2 common share and per share data in all periods presented has been restated for the 2 for 3 share split and the 1 for 1 conversion rate to Common Shares that was effective immediately prior to the closing of the initial public offering. Class A common share and per share data has not been restated because the conversion to Common Shares in connection with the initial public offering was considered a value-for-value exchange of equity interests at the point of the transaction that resulted in a change in shareholder rights and rank before and after the transaction. There were no changes to the terms of these share grants.

In September 2013 and February 2014, 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 September 2013 vest in four equal installments on January 1, 2015, 2016, 2017 and 2018. The time-based share awards granted in February 2014 vest in three equal installments on March 1, 2015, 2016 and 2017. The performance-based share awards vest based upon our compounded annual book value per share growth percentage during a three-year performance period that commenced on January 1, 2014. The September 2013 performance-based share awards vest on the one-year anniversary of the completion of the performance period, and the February 2014 performance-based share awards vest on March 1, 2017. The portion of the nonvested

**Note 10. Stock-Based Compensation (Continued)**

Common Shares that will be earned based upon the achievement of compounded annual book value per share growth is as follows:

| Performance level | Compounded Annual Book Value Per Share Growth | Nonvested Common Shares Earned |
|---|---|---|
| | < 11% | 0% |
| **Threshold** | 11% | 10% |
| | 12% | 36% |
| | 13% | 61% |
| | 14% | 87% |
| **Maximum** | [3] 15% | 100% |

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

Certain of the Company's employees who were not granted nonvested Common Shares were granted nonvested share units in November 2013 that will be settled with Common Shares, subject to time-based vesting, and will vest and settle in equal annual installments during the three-year period commencing January 1, 2014. In connection with our incentive program covering bonus awards for performance year 2013, in February 2014 time-based share awards and share units were issued to certain employees that vest in three equal installments on January 1, 2015, 2016 and 2017.

In May 2014, time-based share units were issued to non-employee directors. The portion of the grant that relates to director compensation for the period from our initial public offering through April 2014 vested on November 1, 2014 and the portion of the grant that relates to director compensation from May 2014 through April 2015 vests one year from the date of grant.

The following tables summarize nonvested Common Share and nonvested Common Share unit activity for the year ended December 31:

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Time and Performance-Based Share Awards | | Time-Based Share Awards | | Share Units | |
| (Shares in thousands) | Number of Shares | Weighted Average Grant Date Fair Value | Number of Shares | Weighted Average Grant Date Fair Value | Number of Share Units | Weighted Average Grant Date Fair Value |
| Outstanding at beginning of year | 1,238 | $ 14.50 | 2,839 | $ 4.82 | 528 | $ 17.03 |
| Granted | 52 | 22.68 | 82 | 23.47 | 188 | 21.95 |
| Vested | — | N/A | (1,434) | 1.57 | (26) | 19.00 |
| Forfeited | — | N/A | (15) | 2.70 | (26) | 17.83 |
| Outstanding at end of year | 1,290 | $ 14.83 | 1,472 | $ 9.04 | 664 | $ 18.32 |

**Note 10. Stock-Based Compensation (Continued)**

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Time and Performance-Based Share Awards | | Time-Based Share Awards | | Share Units | |
| (Shares in thousands) | Number of Shares | Weighted Average Grant Date Fair Value | Number of Shares | Weighted Average Grant Date Fair Value | Number of Share Units | Weighted Average Grant Date Fair Value |
| Outstanding at beginning of year | — | N/A | — | N/A | — | N/A |
| Exchange of Class A and Class B-2 for Common Shares(1) | — | N/A | 2,298 | $ 2.10 | — | N/A |
| Granted | 1,238 | $ 14.50 | 613 | 14.50 | 531 | $ 17.03 |
| Vested | — | N/A | (72) | 0.22 | — | N/A |
| Forfeited | — | N/A | — | N/A | (3) | 17.00 |
| Outstanding at end of year | 1,238 | $ 14.50 | 2,839 | $ 4.82 | 528 | $ 17.03 |

(1) Class A and Class B-2 shares exchanged for Common Shares reflect the 2 for 3 share split and the applicable conversion rates to Common Shares that were effective immediately prior to the closing of the initial public offering.

**Note 10. Stock-Based Compensation (Continued)**

Under the 2009 Restricted Share Plan, certain members of management were granted nonvested Class B-2 common shares upon their employment. The shares vest based on a formula that considers the amount of capital funded under the Amended Subscription Agreement and the period of employment of the respective employee. One-third of Class B-2 shares vest on the third, fourth and fifth anniversary of the employee's date of hire multiplied by the "Investment Percentage." The Investment Percentage is defined as the percentage equal to (i) the aggregate amount of equity capital actually invested in Essent Group pursuant to the Amended Subscription Agreement as of any applicable vesting date, divided by (ii) $750,000. The vesting period starts upon the respective employee's date of hire.

The following table summarizes nonvested Class B-2 common share activity for the years ended December 31:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| (Shares in thousands) | Number of Shares | Weighted Average Grant Date Fair Value | Number of Shares | Weighted Average Grant Date Fair Value |
| Outstanding at beginning of year | 5,461 | $ 0.11 | 5,973 | $ 0.11 |
| Granted | 96 | 1.80 | 195 | 0.26 |
| Vested | (1,209) | 0.10 | (645) | 0.09 |
| Forfeited | (2,614) | 0.13 | (62) | 0.19 |
| Converted to Common Shares | (1,734) | 0.17 | — | N/A |
| Outstanding at end of year | — | N/A | 5,461 | 0.11 |

Under the terms of certain employment contracts and other agreements, a portion of certain employees' annual incentive bonus were paid in Class A common shares which vest over periods of up to 3 years.

The following table summarizes nonvested Class A common share activity for the years ended December 31:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| (Shares in thousands) | Number of Shares | Weighted Average Grant Date Fair Value | Number of Shares | Weighted Average Grant Date Fair Value |
| Outstanding at beginning of year | 199 | $ 10.08 | 257 | $ 10.00 |
| Granted | 239 | 10.92 | 215 | 10.11 |
| Vested | — | N/A | (271) | 10.03 |
| Forfeited | (9) | 10.59 | (2) | 10.00 |
| Converted to Common Shares | (429) | 8.01 | — | N/A |
| Outstanding at end of year | — | N/A | 199 | 10.08 |

In addition to the nonvested share activity above, 17,158 Common Shares were issued in 2014 under the 2013 Plan that vested upon issuance with a weighted average fair market value at date of grant of $24.71 per share. In 2013, 57,349 Class A common shares were issued that vested upon

**Note 10. Stock-Based Compensation (Continued)**

issuance with an estimated fair market value of $10.92 per share and in 2012, 47,500 Class A common shares were issued that vested upon issuance with an estimated fair market value of $10.11.

Prior to our IPO, independent appraisals were obtained in connection with the valuation of Class A and Class B-2 common shares. For nonvested Common Shares granted in September 2013, the valuation estimate was based on analysis provided by the underwriters regarding the estimated fair value of Essent and the estimated IPO price range. Factors considered in determining the IPO price range and Common Share valuation included prevailing market conditions, estimates of the Company's business potential and earnings prospects, the Company's historical operating results, market valuations of companies deemed comparable to the Company and an assessment of risks and opportunities. For nonvested Common Share units granted in October 2013, the initial public offering price of Common Shares was used. Subsequent to our initial public offering, quoted market prices were used for the valuation of Common Shares.

The total fair value of nonvested shares that vested was $32.7 million, $4.0 million and $3.1 million for the years ended December 31, 2014, 2013 and 2012, respectively. As of December 31, 2014, there was $28.1 million of total unrecognized compensation expense related to nonvested shares outstanding at December 31, 2014 and we expect to recognize the expense over a weighted average period of 2.7 years.

In connection with our incentive program covering bonus awards for performance year 2014, in February 2015, 58,389 nonvested Common Shares and 70,670 nonvested Common Share units were issued to certain employees and are subject to time-based vesting. In February 2015, 60,818 nonvested Common Shares were granted to certain members of senior management and are subject to time-based and performance-based vesting.

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 105,317 and 3,846 in 2014 and 2013, respectively. Class A common shares tendered by employees to pay employee withholding taxes totaled 17,644 and 86,014 in 2013 and 2012, respectively. Class B-2 shares tendered by employees to pay employee withholding taxes totaled 1,714 in 2013. There were no Class B-2 common shares tendered in 2012. The tendered shares were recorded at cost and included in treasury stock.

In 2013, Essent Group exercised its right to purchase 1,135 vested Class A common shares at fair value of $10.92 per share and 4,990 vested Class B-2 common shares at fair value of $1.80 per share from former employees. In 2012, Essent Group exercised its right to purchase 710 vested Class A common shares from a former employee at fair value of $10.11 per share. The repurchased shares were recorded at cost and included in treasury stock. All treasury stock has been cancelled as of December 31, 2014 and 2013.

Compensation expense, net of forfeitures, and related tax effects recognized in connection with nonvested shares were as follows for the years ended December 31:

| (In thousands) | 2014 | 2013 | 2012 |
|---|---|---|---|
| Compensation expense | $ 12,520 | $ 3,597 | $ 1,926 |
| Income tax benefit | 4,382 | 1,259 | 674 |

**Note 11. 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. Essent Guaranty currently has negative unassigned surplus and, therefore, would require prior approval by the Pennsylvania Insurance Commissioner to make any dividend payment or other distributions in 2015. Essent PA would be able to pay a dividend of $3.7 million in 2015. Essent Guaranty paid no dividends to Essent Group or any intermediate holding companies in the years ended December 31, 2014, 2013 or 2012. In March 2014, Essent PA paid a $200,000 dividend to its parent company, Essent Holdings and in December 2013, Essent PA paid a $5,000 dividend to Essent Holdings.

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 had agreed to maintain a minimum total equity of $100 million. As of December 31, 2014, Essent Re had total equity of $155.1 million.

At December 31, 2014, our insurance subsidiaries were in compliance with these rules, regulations and agreements.

**Note 12. Income Taxes**

As of December 31, 2014, the statutory income tax rates of the countries where the Company does business are 35% in the United States and 0.0% in Bermuda. The statutory income tax rate of each country is applied against the taxable income from each country to calculate the income tax expense (benefit).

Income tax expense (benefit) consists of the following components for the years ended December 31:

| (In thousands) | 2014 | 2013 | 2012 |
|---|---|---|---|
| Current | $ 2,816 | $ 881 | $ — |
| Deferred | 44,614 | (8,267) | (333) |
| Total income tax expense (benefit) | $ 47,430 | $ (7,386) | $ (333) |

Income tax expense (benefit) is different from that which would be obtained by applying the applicable statutory income tax rates to income before taxes by jurisdiction (i.e. U.S. 35%;

**Note 12. Income Taxes (Continued)**

Bermuda 0.0%). The reconciliation of the difference between income tax expense (benefit) and the expected tax provision at the weighted average tax rate is as follows for the years ended December 31:

| (In thousands) | 2014 | % of pretax income | 2013 | % of pretax income | 2012 | % of pretax loss |
|---|---|---|---|---|---|---|
| Tax provision (benefit) at weighted average statutory rates | $ 47,930 | 35.3% | $ 21,405 | 36.9% | $ (4,394) | 31.7% |
| Non-deductible expenses | 398 | 0.3% | 276 | 0.5% | 199 | (1.4)% |
| Tax exempt interest, net of proration | (961) | (0.7)% | (159) | (0.3)% | — | — |
| Change in valuation allowance | — | — | (28,886) | (49.8)% | 3,933 | (28.3)% |
| Other | 63 | 0.0% | (22) | 0.0% | (71) | 0.4% |
| Total income tax provision (benefit) | $ 47,430 | 34.9% | $ (7,386) | (12.7)% | $ (333) | 2.4% |

We provide deferred taxes to reflect the estimated future tax effects of the differences between the financial statement and tax bases of assets and liabilities using currently enacted tax laws. The net deferred tax (liability) asset is comprised of the following at December 31:

| (In thousands) | 2014 | 2013 |
|---|---|---|
| Deferred tax assets | $ 31,729 | $ 27,043 |
| Deferred tax liabilities | (68,821) | (16,697) |
| Net deferred tax (liability) asset | $ (37,092) | $ 10,346 |

The components of the net deferred tax (liability) asset were as follows at December 31:

| (In thousands) | 2014 | 2013 |
|---|---|---|
| Contingency reserves | $ (63,103) | $ (14,420) |
| Unearned premium reserve | 16,099 | 11,637 |
| Fixed assets | 6,274 | 7,646 |
| Start-up expenditures, net | 4,611 | 5,064 |
| Nonvested shares | 4,140 | 965 |
| Deferred policy acquisition costs | (3,359) | (2,160) |
| Unrealized (gain) loss on investments | (2,045) | 779 |
| Alternative minimum tax credit carryforward | 490 | 877 |
| Prepaid expenses | (159) | (53) |
| Accrued expenses | (155) | (64) |
| Loss reserves | 86 | 43 |
| Organizational expenditures | 29 | 32 |
| Net deferred tax (liability) asset | $ (37,092) | $ 10,346 |

As a mortgage guaranty insurer, we are eligible for a tax deduction, subject to certain limitations, under Section 832(e) of the IRC for amounts required by state law or regulation to be set aside in statutory contingency reserves. The deduction is allowed only to the extent that we purchase non-interest-bearing United States Mortgage Guaranty Tax and Loss Bonds ("T&L Bonds") issued by the Treasury Department in an amount equal to the tax benefit derived from deducting any portion of

**Note 12. Income Taxes (Continued)**

our statutory contingency reserves. During the years ended December 31, 2014 and 2013, we had net purchases of T&L Bonds in the amount of $51.7 million and $8.0 million, respectively, and held $59.7 million of T&L Bonds as of December 31, 2014.

Alternative minimum tax carryforwards do not expire.

In evaluating our ability to realize the benefit of our deferred tax assets, we consider the relevant impact of all available positive and negative evidence including our past operating results and our forecasts of future taxable income. As of December 31, 2012, Essent had generated a cumulative net operating loss from inception through each annual reporting period. ASC No. 740 states that forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years. Accordingly, we concluded that a valuation allowance was required in each reporting period from inception through December 31, 2012. As of December 31, 2012, the valuation allowance was $28.9 million. In the second quarter of 2013, based on actual results through June 30, 2013 as well as forecasted full year 2013 results, management anticipated that Essent would be in a cumulative GAAP net income position for the most recent three year period and expected that Essent would utilize our net operating loss carryforwards and would be in a cumulative net taxable income position since inception. At June 30, 2013, December 31, 2013 and December 31, 2014, after weighing all the evidence, management concluded that it was more likely than not that our deferred tax assets would be realized. In 2013, we released the valuation allowance on our deferred tax assets, and recognized a net deferred tax benefit of $8.3 million in the year ended December 31, 2013.

Under current Bermuda law, the parent company, Essent Group, and its Bermuda subsidiary, Essent Re, are not required to pay any taxes on income and capital gains. In the event that there is a change such that these taxes are imposed, these companies would be exempted from any such tax until March of 2035 pursuant to the Bermuda Exempt Undertakings Tax Protection Act of 1966, and the Exempt Undertakings Tax Protection Amendment Act of 2011.

Essent Holdings and its subsidiaries are subject to income taxes imposed by U.S. authorities and file a U.S. Consolidated Income Tax Return. Each subsidiary has executed a tax sharing agreement with its parent company, which provides that taxes are settled in cash between parent and subsidiary on a quarterly basis based on separate company pro-forma calculations. Should Essent Holdings pay a dividend to Essent Irish Intermediate, withholding taxes at a rate of 5% under the U.S./Ireland tax treaty would likely apply assuming the Company avails itself of Treaty benefits under the U.S./Ireland tax treaty. Absent treaty benefits, the withholding rate on outbound dividends would be 30%. Currently, however, no withholding taxes are accrued with respect to such un-remitted earnings as management has no intention of remitting these earnings. Similarly, no taxes have been provided on the un-remitted earnings of the Company's U.S. subsidiaries as management has no intention of remitting these earnings, and any Ireland tax would be expected to be fully offset by credit for taxes paid in the U.S. An estimate of the cumulative amount of U.S. earnings that would be subject to withholding tax, if distributed outside of the U.S., is approximately $105 million. The associated withholding tax liability under the U.S./Ireland tax treaty would be approximately $5 million.

Essent is not subject to income taxation other than as stated above. There can be no assurance that there will not be changes in applicable laws, regulations, or treaties which might require Essent to change the way it operates or becomes subject to taxation.

At December 31, 2014 and 2013, we had no unrecognized tax benefits. As of December 31, 2014, our U.S. federal income tax returns for the tax years 2009 through 2013 remain subject to examination. The Company has not recorded any uncertain tax positions as of December 31, 2014 or December 31, 2013.

**Note 13. Related Party Transactions**

The Company is a party to an investment advisory agreement with Goldman Sachs Asset Management, L.P., a subsidiary of The Goldman Sachs Group, Inc. ("Goldman Sachs"), one of Essent Group's investors. Through the date of our IPO, Goldman Sachs beneficially owned 11.35% of our outstanding shares. Subsequent to the IPO, Goldman Sachs directly held less than 10% of our outstanding shares. Investment expense incurred under the investment advisory agreement totaled $0.5, $0.4, and $0.2 million for the years ended December 31, 2014, 2013 and 2012, respectively. The Company was also a party to underwriting agreements with Goldman Sachs in connection with the IPO and secondary offering of Common Shares. Amounts paid to Goldman Sachs in connection with the underwriting agreements totaled $3.5 million in 2014 and $6.9 million in 2013.

**Note 14. Earnings (Loss) per Share (EPS)**

The following table reconciles the net income (loss) and the weighted average common shares outstanding used in the computations of basic and diluted loss per common share for the years ended December 31:

| (In thousands, except per share amounts) | 2014 | 2013 | 2012 |
|---|---|---|---|
| **Net income (loss)** | $ 88,497 | $ 65,413 | $ (13,543) |
| Less: Common Shares dividends declared | — | — | — |
| Less: Class A dividends declared | — | — | — |
| Less: Class B-2 dividends declared | — | — | — |
| Undistributed net income (loss) | $ 88,497 | $ 65,413 | $ (13,543) |
| Net income (loss) allocable to Common | $ 88,497 | $ 12,706 | N/A |
| Net income (loss) allocable to Class A | N/A | 52,707 | $ (13,541) |
| Net income (loss) allocable to Class B-2 | N/A | N/A | (2) |
| **Basic earnings (loss) per share:** | | | |
| Common | $ 1.05 | $ 0.90 | N/A |
| Class A | N/A | N/A | $ (0.49) |
| Class B-2 | N/A | N/A | (0.01) |
| **Diluted earnings (loss) per share:** | | | |
| Common | $ 1.03 | $ 0.70 | N/A |
| Class A | N/A | N/A | $ (0.49) |
| Class B-2 | N/A | N/A | (0.01) |
| **Basic weighted average common shares outstanding:** | | | |
| Common | 83,986 | 14,044 | N/A |
| Class A | N/A | N/A | 27,445 |
| Class B-2 | N/A | N/A | 393 |
| **Dilutive effect of nonvested shares:** | | | |
| Common | 1,616 | 4,059 | N/A |
| Class A | N/A | N/A | — |
| Class B-2 | N/A | N/A | — |
| **Diluted weighted average common shares outstanding:** | | | |
| Common | 85,602 | 18,103 | N/A |
| Class A | N/A | N/A | 27,445 |
| Class B-2 | N/A | N/A | 393 |

**Note 14. Earnings (Loss) per Share (EPS) (Continued)**

For the year ended December 31, 2014, 141,503 nonvested shares were antidilutive. Prior to the conversion to Common Shares upon completion of the IPO, all of the Class A shares were contingently issuable potential Common Shares, but they were antidilutive to the diluted earnings per Common Share calculation in 2013. There were no other antidilutive shares for 2013. For the year ended December 31, 2012, 343,448 nonvested Class A shares were antidilutive and 5,663,300 nonvested Class B-2 shares were antidilutive.

The nonvested performance-based share awards are considered contingently issuable for purposes of the EPS calculation. Based on the compounded annual book value per share growth as of December 31, 2014, 100% of the performance-based share awards would be issuable under the terms of the arrangements if December 31, 2014 was the end of the contingency period.

As indicated in Note 9, Class A common shares were entitled to receive cumulative compounding dividends prior and in preference to any declaration or payment of any dividend on the Class B-2 common shares. In periods of income, the undistributed net income was allocated to the Class A common shares to satisfy this requirement. In periods of loss, the undistributed net loss has been allocated pro rata to the Class A and Class B-2 shares in proportion to their percentage of vested equity capital.

**Note 15. Accumulated Other Comprehensive Income**

The following table shows the rollforward of accumulated other comprehensive income (loss) for the year ended December 31:

| | 2014 | | |
|---|---|---|---|
| (In thousands) | Before Tax | Tax Effect | Net of Tax |
| Balance at beginning of period | $ (2,227) | $ 780 | $ (1,447) |
| Other comprehensive income: | | | |
| Unrealized holding gains arising during the period | 9,864 | (3,073) | 6,791 |
| Less: Reclassification adjustment for gains included in net income(1) | (925) | 248 | (677) |
| Net unrealized gains on investments | 8,939 | (2,825) | 6,114 |
| Other comprehensive income | 8,939 | (2,825) | 6,114 |
| Balance at end of period | $ 6,712 | $ (2,045) | $ 4,667 |

**Note 15. Accumulated Other Comprehensive Income (Continued)**

| (In thousands) | 2013 | | |
|---|---|---|---|
| | Before Tax | Tax Effect | Net of Tax |
| Balance at beginning of period | $ 3,714 | $ (1,300) | $ 2,414 |
| Other comprehensive loss: | | | |
| Unrealized holding losses arising during the period | (5,825) | 2,039 | (3,786) |
| Less: Reclassification adjustment for gains included in net income(1) | (116) | 41 | (75) |
| Net unrealized losses on investments | (5,941) | 2,080 | (3,861) |
| Other comprehensive loss | (5,941) | 2,080 | (3,861) |
| Balance at end of period | $ (2,227) | $ 780 | $ (1,447) |

(1) Included in net realized investments gains on our consolidated statement of operations

**Note 16. Fair Value of Financial Instruments**

The estimated fair values and related carrying amounts of our financial instruments were as follows:

| December 31, 2014 (In thousands) | Carrying Amount | Fair Value |
|---|---|---|
| Financial Assets: | | |
| U.S. Treasury securities | $ 74,216 | $ 74,216 |
| U.S. agency securities | 4,520 | 4,520 |
| U.S. agency mortgage-backed securities | 83,540 | 83,540 |
| Municipal debt securities | 195,546 | 195,546 |
| Corporate debt securities | 296,829 | 296,829 |
| Mortgage-backed securities | 66,086 | 66,086 |
| Asset-backed securities | 126,188 | 126,188 |
| Money market funds | 210,688 | 210,688 |
| Total Investments | $ 1,057,613 | $ 1,057,613 |
| Financial Liabilities: | | |
| Derivative liabilities | $ 661 | $ 661 |

**Note 16. Fair Value of Financial Instruments (Continued)**

| December 31, 2013 (In thousands) | Carrying Amount | Fair Value |
|---|---|---|
| Financial Assets: | | |
| U.S. Treasury securities | $ 59,187 | $ 59,187 |
| U.S. agency securities | 14,839 | 14,839 |
| U.S. agency mortgage-backed securities | 22,241 | 22,241 |
| Municipal debt securities | 57,650 | 57,650 |
| Corporate debt securities | 125,593 | 125,593 |
| Mortgage-backed securities | 18,581 | 18,581 |
| Asset-backed securities | 20,385 | 20,385 |
| Money market funds | 14,079 | 14,079 |
| Total Investments | $ 332,555 | $ 332,555 |
| Financial Liabilities: | | |
| Amounts due under Asset Purchase Agreement | $ 4,949 | $ 4,997 |

**Fair Value Hierarchy**

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

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

**Determination of Fair Value**

When available, we generally use quoted market prices to determine fair value and classify the financial instrument in Level 1. In cases where quoted market prices for similar financial instruments are available, we utilize these inputs for valuation techniques and classify the financial instrument in Level 2. In cases where quoted market prices are not available, fair values are based on estimates using discounted cash flows, present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rates and estimates of future cash flows and we classify the financial instrument in Level 3. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. No financial instruments were classified as Level 3 at December 31, 2013.

**Note 16. Fair Value of Financial Instruments (Continued)**

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, U.S. agency securities, U.S. agency mortgage-backed securities, mortgage-backed 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. Municipal securities, corporate debt 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. 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.

- Amounts due under Asset Purchase Agreement—The fair value of amounts due under Asset Purchase Agreement is estimated using discounted cash flow analyses based on current risk-free interest rates of securities with similar maturities. The fair value estimates of amounts due under Asset Purchase Agreement are classified as Level 2 since quoted market prices are not available, but observable inputs are used in the valuation.

- Derivative liabilities—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. In determining an exit market, we consider the fact that there is not a principal market for these contracts. In the absence of a principal market, we value our ACIS contracts in a hypothetical market where market participants, and potential counterparties, include other mortgage guaranty insurers or reinsurers with similar credit quality to us. We believe that in the absence of a principal market, this hypothetical market provides the most relevant information with respect to fair value estimates.

  We determine the fair value of our derivative instruments primarily using internally-generated models. We utilize market observable inputs, such as the performance of the underlying pool of mortgages, mortgage prepayment speeds and pricing spreads on the reference STACR notes, whenever they are available. There is a high degree of uncertainty about our fair value estimates since our contracts are not traded or exchanged, which makes external validation and corroboration of our estimates difficult. Considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates may not be indicative of amounts we could realize in a current market exchange or negotiated termination. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

**Note 16. Fair Value of Financial Instruments (Continued)**

**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.

**December 31, 2014**

| (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** | | | | |
| Assets | | | | |
| U.S. Treasury securities | $ 74,216 | $ — | $ — | $ 74,216 |
| U.S. agency securities | 4,520 | — | — | 4,520 |
| U.S. agency mortgage-backed securities | 83,540 | — | — | 83,540 |
| Municipal debt securities | — | 195,546 | — | 195,546 |
| Corporate debt securities | — | 296,829 | — | 296,829 |
| Mortgage-backed securities | 4,882 | 61,204 | — | 66,086 |
| Asset-backed securities | — | 126,188 | — | 126,188 |
| Money market funds | 210,688 | — | — | 210,688 |
| Total assets at fair value | $ 377,846 | $ 679,767 | $ — | $ 1,057,613 |
| Liabilities | | | | |
| Derivative liabilities | — | — | 661 | 661 |
| Total liabilities at fair value | $ — | $ — | $ 661 | $ 661 |

**Note 16. Fair Value of Financial Instruments (Continued)**

**December 31, 2013**

| (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** | | | | |
| Assets | | | | |
| U.S. Treasury securities | $ 59,187 | $ — | $ — | $ 59,187 |
| U.S. agency securities | 14,839 | — | — | 14,839 |
| U.S. agency mortgage-backed securities | 22,241 | — | — | 22,241 |
| Municipal debt securities | — | 57,650 | — | 57,650 |
| Corporate debt securities | — | 125,593 | — | 125,593 |
| Mortgage-backed securities | 5,333 | 13,248 | — | 18,581 |
| Asset-backed securities | — | 20,385 | — | 20,385 |
| Money market funds | 14,079 | — | — | 14,079 |
| Total assets at fair value | $ 115,679 | $ 216,876 | $ — | $ 332,555 |

**Changes in Level 3 Recurring Fair Value Measurements**

The following table presents changes during the year ended December 31, 2014 in Level 3 liabilities measured at fair value on a recurring basis, and the realized and unrealized gains (losses) related to the Level 3 liabilities in the Consolidated Balance Sheets at December 31, 2014. We had no Level 3 assets in the year ended December 31, 2014 and no Level 3 assets or liabilities in the year ended December 31, 2013.

| (In thousands) | Fair Value Beginning of Year | Net Realized and Unrealized Gains (Losses) Included in Income | Other Comprehensive Income (Loss) | Purchases, Sales, Issues and Settlements, Net | Gross Transfers In | Gross Transfers Out | Fair Value End of Year | Changes in Unrealized Gains (Losses) Included in Income on Instruments Held at End of Year |
|---|---|---|---|---|---|---|---|---|
| Derivative liabilities | $ — | $ 78 | $ — | $ 739 | $ — | $ — | $ 661 | $ 78 |
| Total Level 3 Liabilities | $ — | $ 78 | $ — | $ 739 | $ — | $ — | $ 661 | $ 78 |

The following table summarizes the significant unobservable inputs used in our recurring Level 3 fair value measurements as of December 31, 2014:

| ($ in thousands) | Fair Value | Valuation Technique | Unobservable Input | Weighted Average |
|---|---|---|---|---|
| Derivative liabilities | $ 661 | Discounted cash flows | Constant prepayment rate | 5.40% |
| | | | Default rate | 1.85% |
| | | | Reference STACR credit spread | 3.72% |

**Note 16. Fair Value of Financial Instruments (Continued)**

The significant unobservable inputs used for derivative liabilities are constant prepayment rates ("CPR") and default rates on the reference pool of mortgages and the credit spreads on the reference STACR notes. An increase in the default rate and reference STACR credit spread will increase the fair value of the liability. An increase in the CPR will decrease the fair value measurement of the liability.

**Note 17. Statutory Accounting**

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

| (In thousands) | 2014 | 2013 | 2012 |
|---|---|---|---|
| Essent Guaranty | | | |
| Statutory net income (loss) | $ 118,204 | $ 49,838 | $ (16,278) |
| Statutory surplus | 465,226 | 346,406 | 163,790 |
| Contingency reserve liability | 179,221 | 79,921 | 23,313 |
| Essent PA | | | |
| Statutory net income | $ 13,299 | $ 5,926 | $ 749 |
| Statutory surplus | 42,672 | 34,528 | 14,159 |
| Contingency reserve liability | 16,909 | 6,857 | 1,780 |

Net income determined in accordance with statutory accounting practices differs from GAAP. In 2014, 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. As discussed in Note 12, 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 T&L Bonds. 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 December 31, 2014 and 2013, the statutory capital of our U.S. insurance subsidiaries, which is defined as the total of statutory surplus and contingency reserves, was well in excess of the statutory capital necessary to satisfy their regulatory requirements.

On July 10, 2014, the Federal Housing Finance Agency ("FHFA") released for public input Private Mortgage Insurer Eligibility Requirement ("PMIERs"). If implemented, the PMIERs represent revised standards by which private mortgage insurers would be eligible to provide mortgage insurance on loans owned or guaranteed by Fannie Mae and Freddie Mac. The PMIERs would replace the current eligibility requirements separately established by each of Fannie Mae and Freddie Mac prior to the financial crisis. As proposed, the PMIERs include new financial strength requirements incorporating a

**Note 17. Statutory Accounting (Continued)**

risk-based framework that would require approved insurers to have a sufficient level of liquid assets from which to pay claims. These new requirements would impact the amount of capital a mortgage insurer must hold. The draft requirements also include enhanced operational performance expectations and define remedial actions that would apply should an approved insurer fail to comply with the new requirements. The public input period with respect to the PMIERs closed on September 8, 2014. The FHFA has advised us that it does not expect to release the final PMIERs until at least late in the first quarter of 2015.

Statement of Statutory Accounting Principles No. 58, *Mortgage Guaranty Insurance*, requires mortgage insurers to establish a special contingency reserve for statutory accounting purposes included in total liabilities equal to 50% of earned premium for that year. During 2014, Essent Guaranty increased its contingency reserve by $99.3 million and Essent PA increased its contingency reserve by $10.1 million. This reserve is required to be maintained for a period of 120 months to protect against the effects of adverse economic cycles. After 120 months, the reserve is released to unassigned funds. In the event an insurer's loss ratio in any calendar year exceeds 35%, however, the insurer may, after regulatory approval, release from its contingency reserves an amount equal to the excess portion of such losses. Essent Guaranty and Essent PA did not release any amounts from their contingency reserves in 2014, 2013 or 2012.

**Note 18. Capital Maintenance Agreement**

Essent Guaranty has a capital maintenance agreement with Essent PA under which Essent Guaranty agreed to contribute funds, under specified conditions, to maintain Essent PA's risk to capital ratio at or below 25.0 to 1 in return for a surplus note. As of December 31, 2014, Essent PA's risk to capital ratio was 14.6 to 1 and there were no amounts outstanding related to this agreement.

**Note 19. Quarterly Financial Data (Unaudited)**

The following table summarizes the unaudited results of operations for each quarter of 2014 and 2013. We have prepared the consolidated quarterly information on a basis consistent with the audited consolidated financial statements. In the opinion of management, the financial information reflects all adjustments (which include normal recurring adjustments) required for a fair presentation of the financial information for the quarters presented. This information should be read in conjunction with

**Note 19. Quarterly Financial Data (Unaudited) (Continued)**

our audited financial statements and the related notes. The results of interim periods are not necessarily indicative of the results for the full year.

| | 2014 | | | |
|---|---|---|---|---|
| (In thousands, except per share amounts) | December 31 | September 30 | June 30 | March 31 |
| Net premiums earned | $ 67,814 | $ 60,323 | $ 50,342 | $ 44,750 |
| Other revenues | 4,928 | 4,298 | 3,941 | 3,071 |
| Provision for losses and LAE | 3,049 | 1,391 | 966 | 902 |
| Other underwriting and operating expenses | 25,656 | 24,469 | 23,648 | 23,459 |
| Income before income taxes | 44,037 | 38,761 | 29,669 | 23,460 |
| Net income | 28,866 | 25,070 | 19,555 | 15,006 |
| Basic earnings per Common Share | $ 0.34 | $ 0.30 | $ 0.23 | $ 0.18 |
| Diluted earnings per Common Share | $ 0.33 | $ 0.29 | $ 0.23 | $ 0.18 |
| Basic weighted average Common Shares outstanding | 86,134 | 83,640 | 83,276 | 82,864 |
| Diluted weighted average Common Shares outstanding | 87,950 | 85,028 | 84,706 | 84,696 |

| | 2013 | | | |
|---|---|---|---|---|
| | December 31 | September 30 | June 30 | March 31 |
| Net premiums earned | $ 40,344 | $ 34,282 | $ 27,481 | $ 21,264 |
| Other revenues | 2,009 | 2,173 | 2,083 | 1,767 |
| Provision for losses and LAE | 692 | 319 | 580 | 730 |
| Other underwriting and operating expenses | 22,299 | 18,237 | 15,557 | 14,962 |
| Income (loss) before income taxes | 19,362 | 17,899 | 13,427 | 7,339 |
| Net income (loss) | 19,017 | 15,619 | 23,577 | 7,200 |
| Net income (loss) allocable to Common | 12,037 | N/A | N/A | N/A |
| Net income (loss) allocable to Class A | N/A | 15,490 | 23,037 | 7,200 |
| Net income (loss) allocable to Class B-2 | N/A | 129 | 540 | — |
| Basic earnings (loss) per share | | | | |
| Common Shares | $ 0.23 | N/A | N/A | N/A |
| Class A common shares | N/A | $ 0.36 | $ 0.63 | $ 0.23 |
| Class B-2 common shares | N/A | 0.07 | 0.40 | — |
| Diluted earnings (loss) per share | | | | |
| Common Shares | $ 0.22 | N/A | N/A | N/A |
| Class A common shares | N/A | $ 0.35 | $ 0.62 | $ 0.23 |
| Class B-2 common shares | N/A | 0.02 | 0.09 | — |
| Basic weighted average shares outstanding | | | | |
| Common Shares | 51,741 | N/A | N/A | N/A |
| Class A common shares | N/A | 43,616 | 36,793 | 31,805 |
| Class B-2 common shares | N/A | 1,822 | 1,334 | 853 |
| Diluted weighted average shares outstanding | | | | |
| Common Shares | 55,130 | N/A | N/A | N/A |
| Class A common shares | N/A | 43,788 | 36,901 | 31,864 |
| Class B-2 common shares | N/A | 6,054 | 5,994 | 6,009 |

**Essent Group Ltd. and Subsidiaries**

**Schedule I—Summary of Investments—Other Than Investments in Related Parties**

**December 31, 2014**

| Type of Investment (In thousands) | Amortized Cost | Fair Value | Amount at which shown in the Balance Sheet |
|---|---|---|---|
| Fixed maturities: | | | |
| Bonds: | | | |
| United States Government and government agencies and authorities | $ 160,113 | $ 162,276 | $ 162,276 |
| States, municipalities and political subdivisions | 191,723 | 195,546 | 195,546 |
| Mortgage-backed securities | 66,396 | 66,086 | 66,086 |
| Asset-backed securities | 126,474 | 126,188 | 126,188 |
| All other corporate bonds | 295,507 | 296,829 | 296,829 |
| Total fixed maturities | 840,213 | 846,925 | 846,925 |
| Short-term investments | 210,688 | 210,688 | 210,688 |
| Total investments | $ 1,050,901 | 1,057,613 | $ 1,057,613 |

**Essent Group Ltd. and Subsidiaries**

**Schedule II—Financial Information of Registrant**

**Balance Sheets**

**Parent Company Only**

| (In thousands) | December 31, 2014 | 2013 |
|---|---|---|
| ***Assets*** | | |
| Fixed maturities | $ 1,197 | $ — |
| Short-term investments | 116,630 | 2,002 |
| Cash | 8,500 | 244,218 |
| Due from affiliates | 1,179 | 528 |
| Investment in consolidated subsidiaries | 828,482 | 476,066 |
| Other assets | 668 | 961 |
| **Total Assets** | $ 956,656 | $ 723,775 |
| ***Liabilities and stockholders' equity*** | | |
| Liabilities | | |
| Other accrued liabilities | $ 918 | $ 1,634 |
| Total liabilities | 918 | 1,634 |
| Commitments and contingencies | | |
| Stockholders' Equity | | |
| Common shares | 1,388 | 1,297 |
| Additional paid-in capital | 893,285 | 754,390 |
| Accumulated other comprehensive income (loss) | 4,667 | (1,447) |
| Retained earnings (accumulated deficit) | 56,398 | (32,099) |
| Total stockholders' equity | 955,738 | 722,141 |
| **Total liabilities and stockholders' equity** | $ 956,656 | $ 723,775 |

See accompanying supplementary notes to Parent Company condensed financial information and the consolidated financial statements and notes thereto.

**Essent Group Ltd. and Subsidiaries**

**Schedule II—Condensed Financial Information of Registrant**

**Condensed Statements of Comprehensive Income (Loss)**

**Parent Company Only**

| (In thousands) | Year Ended December 31, 2014 | 2013 | 2012 |
|---|---|---|---|
| ***Revenues:*** | | | |
| Investment income | $ 1,019 | $ 4 | $ 3 |
| Realized gains, net | 218 | — | — |
| Administrative service fees from subsidiaries | 1,020 | — | — |
| Total revenues | 2,257 | 4 | 3 |
| ***Expenses:*** | | | |
| Administrative service fees to subsidiaries | 826 | 90 | 46 |
| Other operating expenses | 4,085 | 1,567 | 250 |
| Total expenses | 4,911 | 1,657 | 296 |
| Loss before income taxes and equity in undistributed net income in subsidiaries | (2,654) | (1,653) | (293) |
| Loss before equity in undistributed net income (loss) of subsidiaries | (2,654) | (1,653) | (293) |
| Equity in undistributed net income (loss) of subsidiaries | 91,151 | 67,066 | (13,250) |
| **Net income (loss)** | $ 88,497 | $ 65,413 | $ (13,543) |
| **Other comprehensive (loss) income:** | | | |
| Change in unrealized appreciation (depreciation) of investments, net of tax expense (benefit) of $2,825 in 2014, ($2,080) in 2013 and $333 in 2012 | 6,114 | (3,861) | 618 |
| Total other comprehensive income (loss) | 6,114 | (3,861) | 618 |
| Comprehensive income (loss) | $ 94,611 | $ 61,552 | $ (12,925) |

See accompanying supplementary notes to Parent Company condensed financial information and the consolidated financial statements and notes thereto.

**Essent Group Ltd. and Subsidiaries**

**Schedule II—Condensed Financial Information of Registrant**

**Condensed Statements of Cash Flows**

**Parent Company Only**

| (In thousands) | Year Ended December 31, 2014 | 2013 | 2012 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net income (loss) | $ 88,497 | $ 65,413 | $ (13,543) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Equity in net income of subsidiaries | (91,151) | (67,066) | 13,250 |
| Gain on the sale of investments, net | (218) | — | — |
| Stock-based compensation expense | 1,076 | — | — |
| Amortization of premium on investment securities | 502 | — | — |
| Excess tax benefits from stock-based compensation | (1,809) | — | — |
| Changes in assets and liabilities: | | | |
| Other assets | (358) | (1,450) | 121 |
| Other accrued liabilities | 13,252 | 4,196 | 2,373 |
| Net cash provided by operating activities | 9,791 | 1,093 | 2,201 |
| **Investing Activities** | | | |
| Net change in short term investments | (114,628) | 999 | (2,001) |
| Investments in subsidiaries | (255,155) | (197,000) | (54,567) |
| Purchase of investments available for sale | (95,128) | — | — |
| Proceeds from sales of investments available for sale | 93,650 | — | — |
| Net cash used in investing activities | (371,261) | (196,001) | (56,568) |
| **Financing Activities** | | | |
| Issuance of common shares net of costs | 126,441 | 438,403 | 54,497 |
| Treasury stock acquired | (2,498) | (311) | (916) |
| Excess tax benefits from stock-based compensation | 1,809 | — | — |
| Investor fee payment | — | — | (1,677) |
| Net cash provided by financing activities | 125,752 | 438,092 | 51,904 |
| Net (decrease) increase in cash | (235,718) | 243,184 | (2,463) |
| Cash at beginning of period | 244,218 | 1,034 | 3,497 |
| **Cash at end of period** | $ 8,500 | $ 244,218 | $ 1,034 |

See accompanying supplementary notes to Parent Company condensed financial information and the consolidated financial statements and notes thereto.

**Essent Group Ltd. and Subsidiaries**

**Schedule II—Condensed Financial Information of Registrant**

**Parent Company Only**

**Supplementary Notes**

**Note A**

The accompanying Parent Company financial statements should be read in conjunction with the consolidated financial statements and notes to consolidated financial statements. These financial statements have been prepared on the same basis and using the same accounting policies as described in the consolidated financial statements included herein, except that the Parent Company uses the equity-method of accounting for its majority-owned subsidiaries.

**Note B**

Under the insurance laws of the Commonwealth of Pennsylvania, the insurance subsidiaries 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 requires that dividends and other distributions be paid out of positive unassigned surplus without prior approval. Essent Guaranty currently has negative unassigned surplus and therefore, would require prior approval by the Pennsylvania Insurance Commissioner to make any dividend payment or other distributions in 2015. Essent PA would be able to pay a dividend of $3.7 million in 2015.

During the three years ending December 31, 2014, the Parent Company did not receive any dividends from its subsidiaries.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. 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 Annual Report. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2014, the end of the period covered by this Annual Report.

### Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management, including our chief executive officer and chief financial officer, assessed the effectiveness of internal control over financial reporting as of December 31, 2014. Management based this assessment on criteria for effective internal control over financial reporting described in "Internal Control—Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management determined that, as of December 31, 2014, the Company maintained effective internal control over financial reporting 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.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included in this Annual Report on Form 10-K.

### 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.

## ITEM 9B. OTHER INFORMATION

Not applicable.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated herein by reference to our definitive proxy statement to be filed with respect to our 2015 Annual General Meeting of Shareholders.

### ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference to our definitive proxy statement to be filed with respect to our 2015 Annual General Meeting of Shareholders.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated herein by reference to our definitive proxy statement to be filed with respect to our 2015 Annual General Meeting of Shareholders.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated herein by reference to our definitive proxy statement to be filed with respect to our 2015 Annual General Meeting of Shareholders.

### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated herein by reference to our definitive proxy statement to be filed with respect to our 2015 Annual General Meeting of Shareholders.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report:

1. Financial Statements. See the "Index to Consolidated Financial Statements" included in Item 8 of Part II of this Annual Report for a list of the financial statements filed as a part of this Annual Report.

2. Financial Statements Schedules. See the "Index to Financial Statement Schedules" included in Item 8 of Part II of this Annual Report for a list of the financial statements filed as a part of this Annual Report.

3. Exhibits. See the "Exhibit Index" immediately following the signature page to this Annual Report.

**SIGNATURES**

Under the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report was signed on behalf of the Registrant by the authorized person named below in Radnor, Pennsylvania on the 27th day of February, 2015.

ESSENT GROUP LTD.

By: /s/ MARK A. CASALE

Name: Mark A. Casale
Title: *Chairman of the Board of Directors, Chief Executive Officer and President*

Under the requirements of the Securities Exchange Act of 1934, this report was signed by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ MARK A. CASALE<br>Mark A. Casale | Chairman of the Board of Directors, Chief Executive Officer and President | February 27, 2015 |
| /s/ LAWRENCE E. MCALEE<br>Lawrence E. McAlee | Senior Vice President, Chief Financial Officer | February 27, 2015 |
| /s/ DAVID B. WEINSTOCK<br>David Weinstock | Vice President, Chief Accounting Officer | February 27, 2015 |
| /s/ ADITYA DUTT<br>Aditya Dutt | Director | February 27, 2015 |
| /s/ ROBERT GLANVILLE<br>Robert Glanville | Director | February 27, 2015 |
| /s/ ROY J. KASMAR<br>Roy J. Kasmar | Director | February 27, 2015 |
| /s/ ALLAN LEVINE<br>Allan Levine | Director | February 27, 2015 |

| Signature | Title | Date |
|---|---|---|
| /s/ DOUGLAS J. PAULS<br>Douglas J. Pauls | Director | February 27, 2015 |
| /s/ WILLIAM SPIEGEL<br>William Spiegel | Director | February 27, 2015 |
| /s/ VIPUL TANDON<br>Vipul Tandon | Director | February 27, 2015 |
| /s/ ANDREW TURNBULL<br>Andrew Turnbull | Director | February 27, 2015 |

## EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|
| 3.1 | Memorandum of Association (incorporated herein by reference to Exhibit 3.1 of the Registration Statement on Form S-1 (File No. 333-191193) filed on September 16, 2013) |
| 3.2 | Certificate of Deposit of Memorandum of Increase of Share Capital, dated as of February 18, 2009 (incorporated herein by reference to Exhibit 3.2 of the Registration Statement on Form S-1 (File No. 333-191193) filed on September 16, 2013) |
| 3.2.1 | Certificate of Deposit of Memorandum of Increase of Share Capital, dated as of October 3, 2013 (incorporated herein by reference to Exhibit 3.2.1 of Amendment No.3 to the Registration Statement on Form S-1 (File No. 333-191193) filed on October 21, 2013) |
| 3.3 | Amended and Restated Bye-laws (incorporated herein by reference to Exhibit 3.3 of the Form 10-K (File No. 001-36157) filed on March 10, 2014) |
| 4.1 | Form of Common Share Certificate (incorporated herein by reference to Exhibit 4.1 of Amendment No.3 to the Registration Statement on Form S-1 (File No. 333-191193) filed on October 21, 2013) |
| 4.2 | Shareholders Agreement, dated as of February 6, 2009, among Essent Group Ltd. and the shareholders party thereto (incorporated herein by reference to Exhibit 4.2 of the Registration Statement on Form S-1 (File No. 333-191193) filed on September 16, 2013) |
| 4.3 | Amendment No. 1 to Shareholders Agreement, dated as of March 25, 2010, among Essent Group Ltd. and the shareholders party thereto (incorporated herein by reference to Exhibit 4.3 of the Registration Statement on Form S-1 (File No. 333-191193) filed on September 16, 2013) |
| 4.4 | Amendment No. 2 to Shareholders Agreement, effective as of June 24, 2013, among Essent Group Ltd. and the shareholders party thereto (incorporated herein by reference to Exhibit 4.4 of the Registration Statement on Form S-1 (File No. 333-191193) filed on September 16, 2013) |
| 4.5 | Third Amended and Restated Registration Rights Agreement, dated as of November 11, 2014, among Essent Group Ltd. and the shareholders party thereto (incorporated herein by reference to Exhibit 4.1 of the Form 10-Q (File No. 001-36157) filed on November 14, 2014) |
| 4.6 | Shareholders Agreement by and among Essent Group Ltd. and Essent Intermediate, L.P. and Pine Brook Essent Co-Invest, L.P. (incorporated herein by reference to Exhibit 4.6 of the Form 10-K (File No. 001-36157) filed on March 10, 2014) |
| 10.1 | Amended and Restated Class A Common Share Subscription Agreement, dated as of March 25, 2010, among Essent Group Ltd. and the investors party thereto (incorporated herein by reference to Exhibit 10.1 of the Registration Statement on Form S-1 (File No. 333-191193) filed on September 16, 2013) |
| 10.2 | Fee Agreement, dated as of February 6, 2009, among Essent Group Ltd. and the Investors party thereto (incorporated herein by reference to Exhibit 10.2 of the Registration Statement on Form S-1 (File No. 333-191193) filed on September 16, 2013) |
| 10.3 | Amendment and Waiver to Fee Agreement, dated as of December 18, 2012, among Essent Group Ltd. and the Investors party thereto (incorporated herein by reference to Exhibit 10.3 of the Registration Statement on Form S-1 (File No. 333-191193) filed on September 16, 2013) |

| Exhibit No. | Description |
|---|---|
| 10.4 | Asset Purchase Agreement, dated as of October 7, 2009, between Essent Guaranty, Inc. and Triad Guaranty Insurance Corporation (incorporated herein by reference to Exhibit 10.4 of the Registration Statement on Form S-1 (File No. 333-191193) filed on September 16, 2013) |
| 10.5† | Amended and Restated 2009 Restricted Share Plan (incorporated herein by reference to Exhibit 10.5 of Amendment No.1 to the Registration Statement on Form S-1 (File No. 333-191193) filed on September 26, 2013) |
| 10.6† | Form of Class B-2 Restricted Share Award Agreement (incorporated herein by reference to Exhibit 10.6 of Amendment No.1 to the Registration Statement on Form S-1 (File No. 333-191193) filed on September 26, 2013) |
| 10.7† | Fiscal Year 2014 Annual Leadership Bonus Program (incorporated herein by reference to Exhibit 10.9 of the Form 10-K (File No. 001-36157) filed on March 10, 2014) |
| 10.8† | Form of Class A Restricted Share Bonus Award Agreement (incorporated herein by reference to Exhibit 10.9 of Amendment No.1 to the Registration Statement on Form S-1 (File No. 333-191193) filed on September 26, 2013) |
| 10.9† | 2013 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.10 of Amendment No.1 to the Registration Statement on Form S-1 (File No. 333-191193) filed on September 26, 2013) |
| 10.10† | Form of Time-Based Restricted Share Agreement (incorporated herein by reference to Exhibit 10.11 of Amendment No.1 to the Registration Statement on Form S-1 (File No. 333-191193) filed on September 26, 2013) |
| 10.11† | Form of Performance-Based Restricted Share Agreement (filed herewith) |
| 10.12† | Annual Incentive Plan (incorporated herein by reference to Exhibit 10.13 of Amendment No.1 to the Registration Statement on Form S-1 (File No. 333-191193) filed on September 26, 2013) |
| 10.13† | Employment Agreement, dated as of September 25, 2013, by and between Essent US Holdings, Inc. and Mark Casale (incorporated herein by reference to Exhibit 10.14 of Amendment No.2 to the Registration Statement on Form S-1 (File No. 333-191193) filed on October 4, 2013) |
| 10.14† | Employment Agreement, dated as of September 30, 2013, by and between Essent US Holdings, Inc. and Adolfo Marzol (incorporated herein by reference to Exhibit 10.15 of Amendment No.2 to the Registration Statement on Form S-1 (File No. 333-191193) filed on October 4, 2013) |
| 10.15† | Employment Agreement, dated as of September 26, 2013, by and between Essent US Holdings, Inc. and Vijay Bhasin (incorporated herein by reference to Exhibit 10.16 of Amendment No.2 to the Registration Statement on Form S-1 (File No. 333-191193) filed on October 4, 2013) |
| 10.16† | Employment Agreement, dated as of September 26, 2013, by and between Essent US Holdings, Inc. and Lawrence E. McAlee (filed herewith) |
| 10.17† | Employment Agreement, dated as of September 26, 2013, by and between Essent US Holdings, Inc. and Mary Lourdes Gibbons (filed herewith) |

| Exhibit No. | Description |
|---|---|
| 10.18 | Form of Director and Officer Indemnification Agreement (incorporated herein by reference to Exhibit 10.17 of the Registration Statement on Form S-1 (File No. 333-191193) filed on September 16, 2013) |
| 10.19† | Section 409A Specified Employee Policy (incorporated herein by reference to Exhibit 10.18 of Amendment No.2 to the Registration Statement on Form S-1 (File No. 333-191193) filed on October 4, 2013) |
| 10.20 | Letter Agreement, dated as of October 2, 2013, by and between Essent Group Ltd. and The Goldman Sachs Group, Inc. (incorporated herein by reference to Exhibit 10.19 of Amendment No.2 to the Registration Statement on Form S-1 (File No. 333-191193) filed on October 4, 2013) |
| 21.1 | List of Subsidiaries (filed herewith) |
| 23.1 | Consent of PricewaterhouseCoopers LLP (filed herewith) |
| 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 (filed herewith) |
| 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 (filed herewith) |
| 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 (filed herewith) |
| 101* | The following financial information from this Annual Report on Form 10-K for the year ended December 31, 2014, formatted in XBRL (Extensible Business Reporting Language) and filed electronically herewith: (i) the Condensed Consolidated Balance Sheets as of December 31, 2014 and December 31, 2013; (ii) the Condensed Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012; (iii) the Condensed Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2014, 2013 and 2012; (iv) the Condensed Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012; and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text. |

† Management contract or compensatory plan or arrangement.

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

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ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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**RESTRICTED STOCK AGREEMENT**

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

**ARTICLE I.**

**GENERAL**

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

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

**ARTICLE II.**

**ISSUANCE OF SHARES**

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

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

**ARTICLE III.**

**FORFEITURE AND TRANSFER RESTRICTIONS**

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



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or until such time as this Agreement is no longer in effect. Participant hereby authorizes and directs the Company (or such person designated by the Committee), to transfer any Unreleased Shares that are forfeited pursuant to this Section 3.1 from Participant to the Company.

3.2 Release of Shares from Forfeiture Restriction.

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

(b) Notwithstanding the foregoing, (i) if a Change in Control occurs on or following the completion of the Performance Period, one hundred percent (100%) of the then-unvested Earned Shares shall vest, or (ii) if a Change in Control occurs prior to the expiration of the Performance Period, the date of a Change in Control shall be the last day of the Performance Period, the number of Shares which become Earned Shares shall be determined based on the BVPS Vesting Percentage through such date, the number of Earned Shares that become vested as of the date of the Change in Control shall be determined by multiplying the number of Earned Shares by a fraction, the numerator of which is the number of days in the shortened Performance Period and the denominator of which is 1,095, and any other unvested Shares (including unvested Earned Shares) as of such date shall immediately be forfeited for no consideration, and Participant's rights in any such unvested Shares (or unvested Earned Shares) shall lapse and expire.

(c) In the event Participant incurs a Termination as a result of (i) death, (ii) Disability, (iii) a Termination by the Service Recipient without Cause, (iv) a Termination by Participant for Good Reason (as defined in and subject to the applicable provisions governing a termination of employment for Good Reason set forth in Participant's employment agreement with the Service Recipient in effect as of the date of this Agreement, as may be amended, restated or otherwise modified from time to time, or (v) a voluntary Termination by Participant that follows (x) satisfaction for late, normal or early retirement under the tax-qualified defined contribution plan in which Participant is eligible to participate, as defined in such plan or (y) the date after which Participant

has attained the age of sixty-two (62) and completed at least ten (10) years of continuous service with the Company or its Affiliates, (A) if such Termination occurs on or following the completion of the Performance Period, one hundred percent (100%) of the then outstanding Earned Shares shall vest, or (B) if such Termination occurs prior to the expiration of the Performance Period, the Shares shall remain outstanding through the last day of the Performance Period, without regard to the Termination, the number of Shares which become Earned Shares, if any, shall be determined based on the BVPS Vesting Percentage during the Performance Period, and the number of Earned Shares that become vested shall be determined by multiplying the number of Earned Shares by a fraction, the numerator of which is the number of days which elapsed from the commencement of the Performance Period through the date of the Termination and the denominator of which is 1,095, and any other unvested Shares (including unvested Earned Shares) as of such date shall immediately be forfeited for no consideration, and Participant's rights in any such unvested Shares (or unvested Earned Shares) shall immediately lapse and expire.

(d) The Shares shall be released from the Forfeiture Restriction in accordance with the vesting schedule set forth in the Grant Notice. Any of the Shares which, from time to time, have not yet been released from the Forfeiture Restriction are referred to herein as "Unreleased Shares." In the event any of the Unreleased Shares are released from the Forfeiture Restriction, any Retained Distributions (as

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defined below) paid on such Unreleased Shares shall be promptly paid by the Company to Participant. As soon as administratively practicable following the release of any Shares from the Forfeiture Restriction, the Company shall, as applicable, either deliver to Participant the certificate or certificates representing such Shares in the Company's possession belonging to Participant, or, if the Shares are held in book-entry form, then the Company shall remove the notations indicating that the Shares are subject to the restrictions of this Agreement. Participant (or the beneficiary or personal representative of Participant in the event of Participant's death or incapacity, as the case may be) shall deliver to the Company any representations or other documents or assurances as the Company or its representatives deem necessary or advisable in connection with any such delivery.

3.3 Escrow.

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

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

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

**ARTICLE IV.**

**TAXATION AND TAX WITHHOLDING**

4.1 Representation. Participant represents to the Company that Participant has reviewed with his or her own tax advisors the federal, state, local and foreign tax consequences of this investment and

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

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

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

(a) The Company and its Affiliates have the authority to deduct or withhold, or require Participant to remit to the Company or the applicable Affiliate, an amount sufficient to satisfy applicable federal, state, local and foreign taxes (including the employee portion of any FICA obligation)

required by law to be withheld with respect to any taxable event arising pursuant to this Agreement. The Company and its Affiliates may withhold or Participant may make such payment in one or more of the forms specified below:

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

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

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

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

(v) with respect to any withholding taxes arising in connection with the vesting of the Shares, through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to those Shares that are then becoming vested and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company or the Affiliate with respect to which the withholding obligation arises in satisfaction of such withholding taxes; *provided* that payment of such proceeds is then made to the Company or the applicable Affiliate at

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such time as may be required by the Committee, but in any event not later than the settlement of such sale; or

(vi) in any combination of the foregoing.

(b) With respect to any withholding taxes arising in connection with the Shares, in the event Participant fails to provide timely payment of all sums required pursuant to Section 4.3(a), the Company shall have the right and option, but not the obligation, to treat such failure as an election by Participant to satisfy all or any portion of Participant's required payment obligation pursuant to Section 4.3(a)(ii) or Section 4.3(a)(iii) above, or any combination of the foregoing as the Company may determine to be appropriate. The Company shall not be obligated to deliver any certificate representing the Shares to Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Participant resulting from the vesting of the Shares or any other taxable event related to the Shares.

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

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

## ARTICLE V.

## RESTRICTIVE LEGENDS AND STOP-TRANSFER ORDERS

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

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

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

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

**ARTICLE VI.**

**OTHER PROVISIONS**

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

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

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

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

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

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

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

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

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

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

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

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

6.13 Sections 409A and 457A. This Agreement is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, "Section 409A"). However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any

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time the Committee determines that this Agreement (or any portion thereof) may be subject to Section 409A or Section 457A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, "Section 457A"), the Committee shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other

policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Committee determines are necessary or appropriate for this Agreement and the award of Shares either to be exempt from the application of Section 409A or Section 457A or to comply with the requirements of Section 409A or Section 457A.

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

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

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

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

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

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Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such 180-day period.

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

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**EXHIBIT A**

**CERTAIN DEFINED TERMS**

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

(a) "Adjusted Book Value" means, for any year, (i) the consolidated stockholder's equity of the Company computed in accordance with GAAP, as reflected in the Company's financial statements, plus or minus (ii) accumulated other comprehensive income (loss) (within the meaning of GAAP) as reflected in the Company's financial statements, plus (iii) the proceeds from the assumed exercise of all outstanding "in-the-money" stock options, warrants, or similar instruments. For purposes of determining "Adjusted Book Value" (A) the following items shall not be taken into account, (x) the cumulative effect of changes in accounting principles under GAAP, (y) the cumulative effective of changes in tax laws and/or tax rates, and (z) the impact of extraordinary, unusual and/or non-recurring items, in each case, at the discretion of the Committee and (B) there shall be adjustments to give effect to any stock dividends or stock splits.

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

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

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

| BVPS Growth Percentage (rounded to the nearest tenth of a percent) | BVPS Vesting Percentage* |
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| | |

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

(e) "Diluted Common Shares Outstanding" means, (i) the total number shares of Stock outstanding, plus all "in-the-money" stock options, warrants and similar instruments and equity

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instruments (including any Restricted Stock Units) issued to employees, officers, directors and consultants of the Company and its Affiliates.

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

(g) "Performance Period" means the period commencing on [ ] and ending on the earliest of (i) [ ], (ii) the consummation of a Change in Control, and (iii) Participant's Termination.

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**Notice of Grant of Stock**

Company Name: Essent Group Ltd.
Plan: 2013 PSA
Participant Id:
Participant Name:
Participant Address:
Grant/Award Type:
Share Amount:
Grant/Award Date:

VESTING SCHEDULE:

| Vesting Date | No. of Shares | Percent |
|---|---|---|

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**Exhibit 10.16**

**EMPLOYMENT AGREEMENT**

This **EMPLOYMENT AGREEMENT** (this "Agreement") is made and entered into as of this 30th day of September 2013, by and between Essent US Holdings, Inc., a Delaware corporation (the "Company"), and Lawrence McAlee (the "Executive").

**W I T N E S S E T H :**

**WHEREAS,** Executive is currently employed by the Company as its Senior Vice President, Chief Financial Officer; and

**WHEREAS,** Executive is a party to an employment agreement with the Company, dated June 2009 (the "Prior Agreement"); and

**WHEREAS,** the Company anticipates that Executive will make material contributions to the short and long term growth and profitability of the Company and Parent;

**WHEREAS,** the Company desires to continue to employ Executive following the Effective Date and to enter into this Agreement embodying the terms of such employment, and Executive desires to enter into this Agreement and to accept such continued employment, subject to the terms and provisions of this Agreement.

**NOW, THEREFORE,** in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the Company and Executive hereby agree as follows:

**Section 1. Definitions.**

(a) "Accrued Obligations" shall mean (i) all accrued but unpaid Base Salary through the date of termination of Executive's employment, (ii) any unpaid or unreimbursed expenses incurred in accordance with Section 7 hereof, and (iii) any benefits provided under the Company's employee benefit plans upon a termination of employment, in accordance with the terms contained therein.

(b) "Agreement" shall have the meaning set forth in the preamble hereto.

(c) "Annual Bonus" shall have the meaning set forth in Section 4(b) hereof.

(d) "Base Salary" shall mean the salary provided for in Section 4(a) hereof or any increased salary granted to Executive pursuant to Section 4(a) hereof.

(e) "Board" shall mean the Board of Directors of the Parent.

(f) "Cause" shall mean (i) Executive's act(s) of gross negligence or willful misconduct in the course of Executive's employment hereunder, (ii) willful and continued failure or refusal by Executive to perform in any material respect his duties or responsibilities, (iii) misappropriation (or attempted misappropriation) by Executive of any material assets or business opportunities of the Company or any other member of the Company Group, (iv) acts of

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embezzlement or material fraud committed (or attempted) by Executive, or at his direction, (v) Executive's conviction of or pleading "guilty" or " no contest" to, (x) a felony or (y) any other criminal charge that has, or could be reasonably expected to have, an adverse impact on the performance of Executive's duties to the Company or any other member of the Company Group or otherwise result in material injury to the reputation or business of the Company or any other member of the Company Group, (vi) any material violation by Executive of the policies of the Company, including but not limited to those relating to sexual harassment or business conduct, or (vii) Executive's material breach of this Agreement or breach of the Non-Interference Agreement. If, within ninety (90) days subsequent to Executive's termination for any reason other than by the Company for Cause, the Company determines that Executive's employment could have been terminated for Cause, Executive's employment will be deemed to have been terminated for Cause for all purposes, and Executive will be required to disgorge to the Company all amounts received pursuant to this Agreement to the extent that they would not have been paid or payable to Executive had such termination been by the Company for Cause.

(g) "Change of Control" shall mean the first of the following to occur after the Effective Date, provided that all references to the "Company" within this subsection (g) shall apply with equal force and effect to the Parent:

(i) *Acquisition of Controlling Interest*. Any person or group of persons acting in concert (other than persons who are employees at any time more than one year before a transaction) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company representing thirty-five percent (35%) or more of the combined voting power of the Company's then outstanding securities, excluding, however, the following: (A) any acquisition directly from the Company, (B) any acquisition by the Company; (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (D) any underwriter temporarily holding securities pursuant to an offering of such securities. In applying the preceding sentence, an agreement to vote securities shall be disregarded unless its ultimate purpose is to cause what would otherwise be Change of Control, as reasonably determined by the Board.

(ii) *Change in Board Control*. During any consecutive one-year period commencing after the Effective Date, individuals who constituted the Board at the beginning of the period (or their approved replacements, as defined in the next sentence) cease for any reason to constitute a majority of the Board. A new director shall be considered an "approved replacement" director if his or her election (or nomination for election) was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or were themselves approved replacement directors, but in either case excluding any director whose initial assumption of office occurred as a result of an actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board.

(iii) *Merger*. The Company consummates a merger, or consolidation of the Company with any other corporation unless: (a) the voting securities of the Company outstanding immediately before the merger or consolidation would continue to represent



(either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; and (b) no person (other than persons who are employees at any time more than one year before the transaction) becomes the beneficial owner, directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities.

(iv) *Sale of Assets*. The Company consummates a sale or disposition of all, or substantially all, of the Company's assets.

(v) *Liquidation or Dissolution*. The Company implements a plan for liquidation or dissolution of the Company**.**

Notwithstanding the foregoing, (x) a "Change of Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions and (y) with respect to the payment of any amount that constitutes a deferral of compensation subject to Section 409A of the Code payable upon a Change of Control, a "Change of Control" shall not be deemed to have occurred unless the Change of Control constitutes a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company under Section 409A(a)(2)(A)(v) of the Code.

(h) "Code" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(i) "Company" shall have the meaning set forth in the preamble hereto.

(j) "Company Group" shall mean the Parent together with any direct or indirect subsidiaries of the Parent.

(k) "Compensation Committee" shall mean the committee of the Board designated to make compensation decisions relating to senior executive officers of the Company Group.

(l) "Delay Period" shall have the meaning set forth in Section 13 hereof.

(m) "Disability" shall mean any physical or mental disability or infirmity of Executive that prevents the performance of Executive's material duties for a period of one hundred twenty (120) consecutive days during any twelve (12) month period. Any question as to the existence, extent, or potentiality of Executive's Disability upon which Executive and the Company cannot agree shall be determined by a qualified, independent physician selected and paid for by the Company and approved by Executive (which approval shall not be unreasonably withheld). The determination of any such physician shall be final and conclusive for all purposes of this Agreement.



(n) "Effective Date" means the day immediately prior to the Registration Date

(o) "Executive" shall have the meaning set forth in the preamble hereto.

(p) "Good Reason" shall mean, without Executive's consent, (i) a material diminution in Executive's, authority, duties, or responsibilities as set forth in Section 3 hereof such that Executive is no longer serving in a senior executive capacity for the Company, (ii) a material reduction in Base Salary set forth in Section 4(a) hereof or Annual Bonus opportunity set forth in Section 4(b) hereof (other than pursuant to an across-the-board reduction applicable to all similarly situated executive officers), (iii) the relocation of Executive's principal place of employment (as provided in Section 3(c) hereof) more than fifty (50) miles from its current Radnor, Pennsylvania location, or (v) any other material breach of a provision of this Agreement by the Company (other than a provision that is covered by clause (i), (ii), or (iii) above). Executive acknowledges and agrees that his exclusive remedy in the event of any breach of this Agreement shall be to assert Good Reason pursuant to the terms and conditions of Section 8(e) hereof. Notwithstanding the foregoing, during the Term, in the event that the Board reasonably believes that Executive may have engaged in conduct that could constitute Cause hereunder, the Board may, in its sole and absolute discretion, suspend Executive from performing his duties hereunder, and in no event shall any such suspension constitute an event pursuant to which Executive may terminate employment with Good Reason or otherwise constitute a breach hereunder; *provided*, that no such suspension shall alter the Company's obligations under this Agreement during such period of suspension.

(q) "Long Term Incentive Plan" shall have the meaning set forth in Section 4(b) hereof.

(r) "LTIP Award" shall have the meaning set forth in Section 4(b) hereof.

(s) "Non-Interference Agreement" shall mean the Confidentiality, Non-Interference, and Invention Assignment Agreement attached hereto as Exhibit A.

(t) "Parent" shall mean Essent Group Ltd., a Bermuda limited liability company.

(u) "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust (charitable or non-charitable), unincorporated organization, or other form of business entity.

(v) "Prior Agreement" shall have the meaning set forth in the recitals hereto.

(w) "Registration Date" means the first date (i) on which the Parent sells its common shares, par value $0.015 per share in a bona fide, firm commitment underwriting pursuant to a registration statement under the U.S. Securities Act of 1933, as amended from time to time or (b) any class of common equity securities of the Company is required to be registered under Section 12 of the U.S. Securities Exchange Act of 1934, as amended from time to time.



(x) "Release of Claims" shall mean the Release of Claims in substantially the same form attached hereto as Exhibit B (as the same may be revised from time to time by the Company upon the advice of counsel to comply with changes in applicable law).

(y) "Retirement" shall mean Executive's voluntary termination of employment without Good Reason either (i) upon satisfaction of the requirements for late, normal or early retirement under the tax-qualified defined contribution plan in which Executive is eligible to participate, as defined in such plan, or (ii) regardless of whether such plan exists, following any date after which Executive has attained the age of sixty-five (65) and completed no less than ten (10) years of continuous service with the Company Group.

(z) "Severance Benefits" shall have the meaning set forth in Section 8(h) hereof.

(aa) "Severance Multiplier" shall mean an amount equal to one and one-half (1½).

(bb) "Term" shall mean the period specified in Section 2 hereof.

(cc) "SERP" shall have the meaning set forth in Section 4(d) hereof.

**Section 2. Acceptance and Term.**

The Company agrees to continue to employ Executive, and Executive agrees to continue to serve the Company, on the terms and conditions set forth herein. The Term shall commence on the Effective Date and, unless terminated sooner as provided in Section 8 hereof, shall continue during the period ending on the close of business of the three (3) year anniversary of the Effective Date (the "Initial Term"). The term of this Agreement shall automatically be extended for successive one-year periods ("Extension Terms" and, collectively with the Initial Term, the "Term") unless either party gives written notice of non-extension to the other no later than one hundred twenty (120) days prior to the expiration of the then-applicable Term. For the avoidance of doubt, in the event that the Company provides notice of non-extension to Executive in accordance with this Section 2, such notice and non-extension of the Term shall not be treated as a termination by the Company without Cause or an event that constitutes Good Reason, and Executive shall not be entitled to any Severance Benefits upon such termination of this Agreement.

**Section 3. Position, Duties, and Responsibilities; Place of Performance.**

(a) Position, Duties, and Responsibilities. During the Term, Executive shall be employed and serve as the Senior Vice President, Chief Financial Officer of the Company and the Parent (together with such other position or positions consistent with Executive's title as the Board shall specify from time to time) and shall have such duties and responsibilities commensurate with such titles. Executive also agrees to serve as an officer and/or director of any other member of the Company Group, in each case without additional compensation. Executive shall report directly to the Chief Executive Officer of the Company.



(b) Performance. Executive shall devote his full business time, attention, skill, and best efforts to the performance of his duties under this Agreement and shall not engage in any other business or occupation during the Term, including, without limitation, any activity that (x) conflicts with the interests of the Company or any other member of the Company Group, (y) interferes with the proper and efficient performance of Executive's duties for the Company, or (z) interferes with Executive's exercise of judgment in the Company's best interests. Notwithstanding the foregoing, nothing herein shall preclude Executive from (i) serving, with the prior written consent of the Board, as a member of the boards of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of non-competing businesses and charitable organizations, (ii) engaging in charitable activities and community affairs, and (iii) managing his personal investments and affairs; *provided*, *however*, that the activities set out in clauses (i), (ii), and (iii) shall be limited by Executive so as not to materially interfere, individually or in the aggregate, with the performance of his duties and responsibilities hereunder or create a potential business or fiduciary conflict.

(c) Principal Place of Employment. Executive's principal place of employment shall be in Radnor, Pennsylvania, although Executive understands and agrees that he may be required to travel from time to time for business reasons.

**Section 4. Compensation.**

During the Term, Executive shall be entitled to the following compensation:

(a) Base Salary. Executive shall be paid an annualized Base Salary, payable in accordance with the regular payroll practices of the Company, of not less than $350,000, with increases, if any, as may be approved in writing by the Compensation Committee; *provided*, *however*, that the foregoing shall not preclude the Company from reducing Executive's Base Salary as part of an across-the-board reduction applicable to all similarly situated executive officers of the Company.

(b) Annual Bonus. Executive shall be eligible for an annual incentive bonus award determined by the Compensation Committee in respect of each fiscal year during the Term (the "Annual Bonus Plan"). The target Annual Bonus for each fiscal year, commencing with fiscal year 2014, shall be at least 100% of Base Salary, with the actual Annual Bonus payable being based upon the level of achievement of annual Company and individual performance objectives for such fiscal year, as determined by the Compensation Committee and communicated to Executive consistent with the Annual Bonus Plan. The Annual Bonus shall be paid to Executive at the same time as annual bonuses are generally payable to other senior executives of the Company subject to Executive's continuous employment through the payment date, except as otherwise provided in this Agreement.

(c) Long Term Incentive Plan. Commencing with the 2014 calendar year, Executive shall be eligible to participate in the applicable Company long-term incentive plan ("Long Term Incentive Plan"), with an annual target opportunity thereunder of at least 50% of Base Salary. The terms and conditions (*e.g.*, performance measures, vesting schedules, allocation between different forms of equity) of Executive's long-term incentive awards shall be substantially similar to the terms and conditions of the long-term incentive awards granted to



other executive officers of the Company, as determined by the Compensation Committee from time to time (the "LTIP Awards"). The terms and conditions of the grant of LTIP Awards to Executive under the applicable Company's Long Term Incentive Plan shall be set forth in the award agreement relating to the grant of such LTIP Award.

(d) Supplemental Senior Executive Retirement Plan. Executive shall be eligible to participate in the Company Supplemental Senior Executive Retirement Plan (the "SERP"), if and when established. Executive's benefits under the SERP shall be treated consistent with and in the same manner as the benefit of the other executive officers of the Company who participate in the SERP.

**Section 5. Executive Benefits.**

During the Term, Executive shall be entitled to participate in health, insurance, retirement, and other benefits provided on no less favorable terms to similarly situated executive officers of the Company. Executive shall also be eligible to participate in the Company's financial counseling program in effect from time to time. Executive shall also be entitled to the same number of holidays, vacation days, and sick days, as well as any other benefits, in each case provided on no less favorable terms to similarly situated executive officers of the Company in accordance with the Company policy as in effect from time to time. Nothing contained herein shall be construed to limit the Company's ability to amend, suspend, or terminate any employee benefit plan or policy at any time.

**Section 6. Key-Man Insurance.**

At any time during the Term, the Company shall have the right to insure the life of Executive for the sole benefit of the Company, in such amounts, and with such terms, as it may determine. All premiums payable thereon shall be the obligation of the Company. Executive shall have no interest in any such policy, but agrees to cooperate with the Company in procuring such insurance by submitting to physical examinations, supplying all information required by the insurance company, and executing all necessary documents, provided that no financial obligation is imposed on Executive by any such documents.

**Section 7. Reimbursement of Business Expenses.**

During the Term, the Company shall pay (or promptly reimburse Executive) for documented, out-of-pocket expenses reasonably incurred by Executive in the course of performing his duties and responsibilities hereunder, which are consistent with the Company's policies in effect from time to time with respect to business expenses, subject to the Company's requirements with respect to reporting of such expenses.

**Section 8. Termination of Employment.**

(a) General. The Term shall terminate earlier than as provided in Section 2 hereof upon the earliest to occur of (i) Executive's death, (ii) a termination by reason of a Disability, (iii) a termination by the Company with or without Cause, and (iv) a termination by Executive with or without Good Reason (including due to Retirement). Upon any termination of Executive's employment for any reason, except as may otherwise be requested by the Company



in writing and agreed upon in writing by Executive, Executive shall resign from any and all directorships, committee memberships, and any other positions Executive holds with the Company or any other member of the Company Group. Notwithstanding anything herein to the contrary, the payment (or commencement of a series of payments) hereunder of any nonqualified deferred compensation (within the meaning of Section 409A of the Code) upon a termination of employment shall be delayed until such time as Executive has also undergone a "separation from service" as defined in Treas. Reg. 1.409A-1(h), at which time such nonqualified deferred compensation (calculated as of the date of Executive's termination of employment hereunder) shall be paid (or commence to be paid) to Executive on the schedule set forth in this Section 8 as if Executive had undergone such termination of employment (under the same circumstances) on the date of his ultimate "separation from service."

(b) Termination Due to Death, Disability or Retirement. Executive's employment shall terminate automatically upon his death. The Company may terminate Executive's employment immediately upon the occurrence of a Disability, such termination to be effective upon Executive's receipt of written notice of such termination. Employment shall terminate upon Executive's Retirement. Upon Executive's death or in the event that Executive's employment is terminated due to his Disability or Retirement, Executive or his estate or his beneficiaries, as the case may be, shall be entitled to:

(i) The Accrued Obligations; and

(ii) Any unpaid Annual Bonus in respect of any completed fiscal year that has ended prior to the date of such termination, which amount shall be paid at such time annual bonuses are paid to other senior executives of the Company, but in no event later than the date that is 2½ months following the last day of the fiscal year in which such termination occurred; and

(iii) Any service-based vesting or service requirements with respect to any equity grant and other long-term incentive award previously granted to Executive and then outstanding shall become vested and non-forfeitable as of the date of termination of Executive's employment and any performance-based equity grant and other long-term incentive award previously granted to Executive and then outstanding that has not been earned as of the date of termination of Executive's employment, shall remain outstanding through the last day of the applicable performance period, without regard for the termination of employment, and shall be earned at a pro-rata amount (based on the period from the commencement of the applicable performance period through the date of termination of Executive's employment), based on the actual performance

for the applicable performance period, and, in other respects, such awards shall be governed by the plans, programs, agreements, or other documents, as applicable, pursuant to which such awards were granted.

Notwithstanding the foregoing, the payments and benefits described in clauses (ii) and (iii) above shall immediately terminate, and the Company shall have no further obligations to Executive with respect thereto, in the event that Executive breaches any provision of the Non-Interference Agreement. Following Executive's death or a termination of Executive's employment by reason



of a Disability or Retirement, except as set forth in this Section 8(b), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(c) Termination by the Company with Cause.

(i) The Company may terminate Executive's employment at any time with Cause, effective upon Executive's receipt of written notice of such termination; *provided*, *however*, that with respect to any Cause termination relying on clause (ii) or (vi) of the definition of Cause set forth in Section 1(f) hereof, to the extent that such act or acts or failure or failures to act are curable, Executive shall be given not less than thirty (30) days' written notice by the Board of the Company's intention to terminate him with Cause, such notice to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination with Cause is based, and such termination shall be effective at the expiration of such thirty (30) day notice period unless Executive has fully cured such act or acts or failure or failures to act that give rise to Cause during such period.

(ii) In the event that the Company terminates Executive's employment with Cause, he shall be entitled only to the Accrued Obligations. Following such termination of Executive's employment with Cause, except as set forth in this Section 8(c)(ii)). Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(d) Termination by the Company without Cause. The Company may terminate Executive's employment at any time without Cause, effective upon Executive's receipt of written notice of such termination. In the event that Executive's employment is terminated by the Company without Cause (other than due to death or Disability), Executive shall be entitled to:

(i) The Accrued Obligations; and

(ii) Any unpaid Annual Bonus in respect of any completed fiscal year that has ended prior to the date of such termination, which amount shall be paid at such time annual bonuses are paid to other senior executives of the Company, but in no event later than the date that is 2½ months following the last day of the fiscal year in which such termination occurred; and

(iii) Subject to achievement of the applicable performance conditions for the fiscal year of the Company in which Executive's termination occurs, as determined by the Compensation Committee, payment of the Annual Bonus that would otherwise have been earned in respect of the fiscal year in which such termination occurred, pro-rated to reflect the number of days Executive was employed during such fiscal year, which amount shall be paid at such time annual bonuses are paid to other senior executive officers of the Company, but in no event later than the date that is 2½ months following the last day of the fiscal year in which such termination occurred; and

(iv) A lump sum payment equal to the Severance Multiplier multiplied by the sum of (x) Executive's then-current Base Salary and (y) Executive's target Annual



Bonus for the fiscal year in which the date of termination occurs (or if such target Annual Bonus has not yet been established for such fiscal year, the target Annual Bonus for the fiscal year prior to the year in which the date of termination occurs), payable as soon as reasonably practicable following the date of termination, but in no event later than the date that is 2½ months following the last day of the fiscal year in which such termination occurred; and

(v) To the extent permitted by applicable law without any tax or penalty to Executive or any member of the Company Group and subject to Executive's election of COBRA continuation coverage under the Company's group health plan, for a period of eighteen (18) months following the date of termination of Executive's employment, on the first regularly scheduled payroll date of each month during such eighteen (18) month period, the Company will pay Executive an amount equal to the monthly COBRA premium cost for current coverage and ; *provided*, that the payments pursuant to this clause (iv) shall cease earlier than the expiration of the eighteen (18) month period in the event that Executive becomes eligible to receive comparable health benefits through a new employer. In the event that the provision of the continued coverage described herein is legally prohibited, or could subject either the Company or Executive to any tax or penalty, after consulting with Executive, the Company shall be permitted to modify such coverage so as to comply with applicable law and avoid any such tax or penalty;

(vi) Any service-based vesting or service requirements with respect to any equity grant and other long-term incentive award previously granted to Executive and then outstanding that would have vested during a number of months following the date of termination of Executive's employment equal to the Severance Multiplier multiplied by twelve (12) shall become vested and non-forfeitable as of the date of termination of Executive's employment; *provided*, that in the event the termination of Executive's employment follows a Change of Control, any service-based vesting or service requirements with respect to any equity grant and other long-term incentive award previously granted to Executive and then outstanding shall become fully vested and non-forfeitable as of the date of termination of Executive's employment;

(vii) Any performance-based equity grant and other long-term incentive award previously granted to Executive and then outstanding that has not been earned as of the date of termination of Executive's employment, shall remain outstanding through the last day of the applicable performance period, without regard for the termination of employment, and shall be earned at a pro-rata amount (based on the period from the commencement of the applicable performance period through the date of termination of Executive's employment), based on the actual

performance for the applicable performance period , and, in other respects, such awards shall be governed by the plans, programs, agreements, or other documents, as applicable, pursuant to which such awards were granted; and

(viii) Outplacement services at a level commensurate with Executive's position in accordance with the Company's practices as in effect from time to time.



Notwithstanding the foregoing, the payments and benefits described in clauses (ii), (iii), (iv), (v) (vi), (vii) and (viii) above shall immediately terminate, and the Company shall have no further obligations to Executive with respect thereto, in the event that Executive breaches any provision of the Non-Interference Agreement. Following such termination of Executive's employment by the Company without Cause, except as set forth in this Section 8(d), Executive shall have no further rights to any compensation or any other benefits under this Agreement. For the avoidance of doubt, Executive's sole and exclusive remedy upon a termination of employment by the Company without Cause shall be receipt of the Severance Benefits.

(e) Termination by Executive with Good Reason. Executive may terminate his employment with Good Reason by providing the Company thirty (30) days' written notice setting forth in reasonable specificity the event that constitutes Good Reason, which written notice, to be effective, must be provided to the Company within ninety (90) days of Executives knowledge of occurrence of such event. During such thirty (30) day notice period, the Company shall have a cure right, and if not cured within such period, Executive's termination will be effective upon the expiration of such cure period, and Executive shall be entitled to the same payments and benefits as provided in Section 8(d) hereof for a termination by the Company without Cause, subject to the same conditions on payment and benefits as described in Section 8(d) hereof. Following such termination of Executive's employment by Executive with Good Reason, except as set forth in this Section 8(e), Executive shall have no further rights to any compensation or any other benefits under this Agreement. For the avoidance of doubt, Executive's sole and exclusive remedy upon a termination of employment with Good Reason shall be receipt of the Severance Benefits.

(f) Termination by Executive without Good Reason. Executive may terminate his employment without Good Reason by providing the Company thirty (30) days' written notice of such termination. In the event of a termination of employment by Executive under this Section 8(f), Executive shall be entitled only to the Accrued Obligations. In the event of termination of Executive's employment under this Section 8(f), the Company may, in its sole and absolute discretion, by written notice accelerate such date of termination without changing the characterization of such termination as a termination by Executive without Good Reason. Following such termination of Executive's employment by Executive without Good Reason, except as set forth in this Section 8(f), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(g) Employment following Expiration of the Term. If Executive's employment with the Company continues beyond the expiration of the Term, Executive shall be considered an "at-will" employee and shall not be entitled to any payments or benefits under this Agreement upon any subsequent termination of employment for any reason whatsoever.

(h) Release. Notwithstanding any provision herein to the contrary, the payment of any amount or provision of any benefit pursuant to subsection (b), (d), or (e) of this Section 8 (other than the Accrued Obligations) (collectively, the "Severance Benefits") shall be conditioned upon Executive's execution, delivery to the Company, and non-revocation of the Release of Claims (and the expiration of any revocation period contained in such Release of Claims) within sixty (60) days following the date of Executive's termination of employment hereunder. If Executive fails to execute the Release of Claims in such a timely manner so as to



permit any revocation period to expire prior to the end of such sixty (60) day period, or timely revokes his acceptance of such release following its execution, Executive shall not be entitled to any of the Severance Benefits. Further, to the extent that any of the Severance Benefits constitutes "nonqualified deferred compensation" for purposes of Section 409A of the Code, any payment of any amount or provision of any benefit otherwise scheduled to occur prior to the sixtieth ($60^{th}$) day following the date of Executive's termination of employment hereunder, but for the condition on executing the Release of Claims as set forth herein, shall not be made until the first regularly scheduled payroll date following such sixtieth ($60^{th}$) day, after which any remaining Severance Benefits shall thereafter be provided to Executive according to the applicable schedule set forth herein. For the avoidance of doubt, in the event of a termination due to Executive's death or Disability, Executive's obligations herein to execute and not revoke the Release of Claims may be satisfied on his behalf by his estate or a person having legal power of attorney over his affairs.

**Section 9. Non-Interference Agreement.**

As a condition of, and prior to commencement of, Executive's employment with the Company, Executive shall have executed and delivered to the Company the Non-Interference Agreement. The parties hereto acknowledge and agree that this Agreement and the Non-Interference Agreement shall be considered separate contracts, and the Non-Interference Agreement will survive the termination of this Agreement for any reason.

**Section 10. Representations and Warranties of Executive.**

Executive represents and warrants to the Company that—

(a) Executive is entering into this Agreement voluntarily and that his employment hereunder and compliance with the terms and conditions hereof will not conflict with or result in the breach by him of any agreement to which he is a party or by which he may be bound;

(b) Executive has not violated, and in connection with his employment with the Company will not violate, any non-solicitation, non-competition, or other similar covenant or agreement of a prior employer by which he is or may be bound; and

(c) in connection with his employment with the Company, Executive will not use any confidential or proprietary information he may have obtained in connection with employment with any prior employer.

**Section 11. Taxes.**

The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment, and social insurance taxes, as shall be required by law. Executive acknowledges and represents that the Company has not provided any tax advice to him in connection with this Agreement and that he has been advised by the Company to seek tax advice from his own tax advisors regarding this Agreement and payments that may be made to him pursuant to this Agreement, including specifically, the application of the provisions of Section 409A of the Code to such payments.



**Section 12. Set Off; Mitigation.**

The Company's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set-off, counterclaim, or recoupment of amounts owed by Executive to the Company or its affiliates; *provided*, *however*, that to the extent any amount so subject to set-off, counterclaim, or recoupment is payable in installments hereunder, such set-off, counterclaim, or recoupment shall not modify the applicable payment date of any installment, and to the extent an obligation cannot be satisfied by reduction of a single installment payment, any portion not satisfied shall remain an outstanding obligation of Executive and shall be applied to the next installment only at such time the installment is otherwise payable pursuant to the specified payment schedule. Executive shall not be required to mitigate the amount of any payment or benefit provided pursuant to this Agreement by seeking other employment or otherwise, and except as provided in Section 8(d)(iv) hereof, the amount of any payment or benefit provided for pursuant to this Agreement shall not be reduced by any compensation earned as a result of Executive's other employment or otherwise.

**Section 13. Additional Section 409A Provisions.**

Notwithstanding any provision in this Agreement to the contrary—

(a) Any payment otherwise required to be made hereunder to Executive at any date as a result of the termination of Executive's employment shall be delayed for such period of time as may be necessary to meet the requirements of Section 409A(a)(2)(B)(i) of the Code (the "Delay Period"). On the first business day following the expiration of the Delay Period, Executive shall be paid, in a single cash lump sum, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence, and any remaining payments not so delayed shall continue to be paid pursuant to the payment schedule set forth herein.

(b) Each payment in a series of payments hereunder shall be deemed to be a separate payment for purposes of Section 409A of the Code.

(c) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A of the Code), (i) any such expense reimbursement shall be made by the Company no later than the last day of the taxable year following the taxable year in which such expense was incurred by Executive, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect.

(d) While the payments and benefits provided hereunder are intended to be structured in a manner to avoid the implication of any penalty taxes under Section 409A of the Code, in no event whatsoever shall the Parent or any of its affiliates (including, without limitation, the Company) be liable for any additional tax, interest, or penalties that may be



imposed on Executive as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code (other than for withholding obligations or other obligations applicable to employers, if any, under Section 409A of the Code).

**Section 14. Golden Parachute Tax Provisions**

If there is a change in ownership or control of the Company that would cause any payment or distribution by the Company or any other Person or entity to Executive or for Executive's benefit (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") to be subject to the excise tax imposed by Section 4999 of the Code (such excise tax, together with any interest or penalties incurred by Executive with respect to such excise tax, the "Excise Tax"), then Executive will receive the greatest of the following, whichever gives Executive the highest net after-tax amount (after taking into account federal, state, local and social security taxes): (a) the Payments or (b) one dollar ($1) less than the amount of the Payments that would subject Executive to the Excise Tax (the "Safe Harbor Amount"). If a reduction in the Payments is necessary so that the Payments equal the Safe Harbor Amount and none of the Payments constitutes nonqualified deferred compensation (within the meaning of Section 409A of the Code), then the reduction shall occur in the manner Executive elects in writing prior to the date of payment. If any Payment constitutes nonqualified deferred compensation or if Executive fails to elect an order, then the Payments to be reduced will be determined in a manner which has the least economic cost to Executive and, to the extent the economic cost is equivalent, will be reduced in the inverse order of when payment would have been made to Executive, until the reduction is achieved. All determinations required to be made under this Section 14, including whether and when the Safe Harbor Amount is required and the amount of the reduction of the Payments and the assumptions to be utilized in arriving at such determination, shall be made by an independent certified public accounting firm selected by or acceptable to the Company and Executive (the "Accounting Firm"). All fees and expenses of the Accounting Firm shall be borne solely by the Company.

**Section 15. Successors and Assigns; No Third-Party Beneficiaries.**

(a) The Company. This Agreement shall inure to the benefit of the Company and its respective successors and assigns. Neither this Agreement nor any of the rights, obligations, or interests arising hereunder may be assigned by the Company to a Person (other than another member of the Company Group, or its or their respective successors) without Executive's prior written consent (which shall not be unreasonably withheld, delayed, or conditioned); *provided*, *however*, that in the event of a sale of all or substantially all of the assets of the Company or any direct or indirect division or

subsidiary thereof to which Executive's employment primarily relates, the Company may provide that this Agreement will be assigned to, and assumed by, the acquiror of such assets, it being agreed that in such circumstances, Executive's consent will not be required in connection therewith.

(b) Executive. Executive's rights and obligations under this Agreement shall not be transferable by Executive by assignment or otherwise, without the prior written consent of the Company; *provided*, *however*, that if Executive shall die, all amounts then payable to Executive hereunder shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee, or if there be no such designee, to Executive's estate.



(c) No Third-Party Beneficiaries. Except as otherwise set forth in Section 8(b) or Section 15(b) hereof, nothing expressed or referred to in this Agreement will be construed to give any Person other than the Company, the other members of the Company Group, and Executive any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement.

**Section 16. Waiver and Amendments.**

Any waiver, alteration, amendment, or modification of any of the terms of this Agreement shall be valid only if made in writing and signed by each of the parties hereto; *provided*, *however*, that any such waiver, alteration, amendment, or modification must be consented to on the Company's behalf by the Board. No waiver by either of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

**Section 17. Severability.**

If any covenants or such other provisions of this Agreement are found to be invalid or unenforceable by a final determination of a court of competent jurisdiction, (a) the remaining terms and provisions hereof shall be unimpaired, and (b) the invalid or unenforceable term or provision hereof shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision hereof.

**Section 18. Governing Law and Jurisdiction.**

EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THE VALIDITY, INTERPRETATION, CONSTRUCTION, AND PERFORMANCE OF THIS AGREEMENT IS GOVERNED BY AND IS TO BE CONSTRUED UNDER THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD TO CONFLICT OF LAWS RULES. ANY DISPUTE OR CLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR CLAIM OF BREACH HEREOF SHALL BE BROUGHT EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, TO THE EXTENT FEDERAL JURISDICTION EXISTS, AND IN ANY COURT SITTING IN DELAWARE, BUT ONLY IN THE EVENT FEDERAL JURISDICTION DOES NOT EXIST, AND ANY APPLICABLE APPELLATE COURTS. BY EXECUTION OF THIS AGREEMENT, THE PARTIES HERETO, AND THEIR RESPECTIVE AFFILIATES, CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, AND WAIVE ANY RIGHT TO CHALLENGE JURISDICTION OR VENUE IN SUCH COURT WITH REGARD TO ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY TO THIS AGREEMENT ALSO HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS AGREEMENT.



**Section 19. Notices.**

(a) Place of Delivery. Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom or which it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided; *provided*, that unless and until some other address be so designated, all notices and communications by Executive to the Company shall be mailed or delivered to the Company at its principal executive office, and all notices and communications by the Company to Executive may be given to Executive personally or may be mailed to Executive at Executive's last known address, as reflected in the Company's records.

(b) Date of Delivery. Any notice so addressed shall be deemed to be given or received (i) if delivered by hand, on the date of such delivery, (ii) if mailed by courier or by overnight mail, on the first business day following the date of such mailing, and (iii) if mailed by registered or certified mail, on the third business day after the date of such mailing.

**Section 20. Section Headings.**

The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part thereof or affect the meaning or interpretation of this Agreement or of any term or provision hereof.

**Section 21. Entire Agreement.**

This Agreement, together with any exhibits attached hereto, constitutes the entire understanding and agreement of the parties hereto regarding the employment of Executive. This Agreement supersedes all prior negotiations, discussions, correspondence, communications, understandings, and agreements between the parties relating to the subject matter of this Agreement, including, without limitation, the Prior Agreement.

**Section 22. Indemnification.**

The Company shall extend to Executive (i) the same indemnification arrangements that are generally provided to other similarly situated executive officers of the Company, including after termination of employment, and (ii) the maximum indemnification rights that are allowable under applicable law as well as under the Company's memorandum of association or bye-laws.

**Section 23. Clawback.**

All payments made pursuant to this Agreement are subject to the "clawback" obligations of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Act, as may be amended from time to time, and any other "clawback" obligations pursuant to applicable law, rules, and regulations.

**Section 24. Legal Fees**

The Company shall pay or reimburse Executive for reasonable and documented legal fees incurred by Executive in connection with the preparation and negotiation of this Agreement.



**Section 25. Survival of Operative Sections.**

Upon any termination of Executive's employment, the provisions of Section 8 through Section 24 of this Agreement (together with any related definitions set forth in Section 1 hereof) shall survive to the extent necessary to give effect to the provisions thereof.

**Section 26. Counterparts.**

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual signature or by signature delivered by facsimile or by e-mail as a portable data format (.pdf) file or image file attachment.

* * *

*[Signatures to appear on the following page.]*



IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

ESSENT US HOLDINGS, INC.

/s/ Mary Lourdes Gibbons
By: Mary Lourdes Gibbons
Title: SVP, Chief Legal Officer

EXECUTIVE

/s/ Lawrence McAlee
Lawrence McAlee

For purposes of Section 3(a) and 4(c) (and any related provisions of this Agreement relating to LTIP Awards):

ESSENT GROUP LTD.

/s/ Mary Lourdes Gibbons
By: Mary Lourdes Gibbons
Title: SVP, Chief Legal Officer

*[Signature Page to Lawrence McAlee Employment Agreement]*

**Exhibit A**

**CONFIDENTIALITY, NON-INTERFERENCE, AND INVENTION ASSIGNMENT AGREEMENT**

As a condition of my becoming employed by, or continuing employment with, Essent US Holdings, Inc., a Delaware corporation (the "Company"), and in consideration of my employment with the Company and my receipt of the compensation now and hereafter paid to me by the Company, I agree to the following:

**Section 1. Confidential Information.**

(a) Company Group Information. I acknowledge that, during the course of my employment, I will have access to information about the Company and its direct and indirect subsidiaries and affiliates (collectively, the "Company Group") and that my employment with the Company shall bring me into close contact with confidential and proprietary information of the Company Group. In recognition of the foregoing, I agree, at all times during the term of my employment with the Company and thereafter, to hold in confidence, and not to use, except for the benefit of the Company Group, or to disclose to any person, firm, corporation, or other entity without written authorization of the Company, any Confidential Information that I obtain or create. I further agree not to make copies of such Confidential Information except as authorized by the Company. I understand that "Confidential Information" means information that the Company Group has developed, acquired, created, compiled, discovered, or owned or will develop, acquire, create, compile, discover, or own, that has value in or to the business of the Company Group that is not generally known and that the Company wishes to maintain as confidential. I understand that Confidential Information includes, but is not limited to, any and all non-public information that relates to the actual or anticipated business and/or products, research, or development of the Company, or to the Company's technical data, trade secrets, or know-how, including, but not limited to, research, product plans, or other information regarding the Company's products or services and markets, customer lists, and customers (including, but not limited to, customers of the Company on whom I called or with whom I may become acquainted during the term of my employment), software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, finances, and other business information disclosed by the Company either directly or indirectly in writing, orally, or by drawings or inspection of premises, parts, equipment, or other Company property. Notwithstanding the foregoing, Confidential Information shall not include (i) any of the foregoing items that have become publicly known through no unauthorized disclosure by me or others who were known to me to be under confidentiality obligations as to the item or items involved or (ii) any information that I am required to disclose to, or by, any governmental or judicial authority; *provided, however*, that in such event, to the extent permitted by law, I will give the Company prompt written notice thereof so that the Company Group may seek an appropriate protective order and/or waive in writing compliance with the confidentiality provisions of this Confidentiality, Non-Interference, and Invention Assignment Agreement (this "Non-Interference Agreement").

(b) Former Employer Information. I represent that my performance of all of the terms of this Non-Interference Agreement as an employee of the Company has not breached and will not breach any agreement to keep in confidence proprietary information, knowledge, or data acquired by me in confidence or trust prior or subsequent to the commencement of my

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employment with the Company, and I will not disclose to any member of the Company Group, or induce any member of the Company Group to use, any developments, or confidential or proprietary information or material I may have obtained in connection with employment with any prior employer in violation of a confidentiality agreement, nondisclosure agreement, or similar agreement with such prior employer.

**Section 2. Developments.**

(a) Developments Retained and Licensed. I have attached hereto, as Schedule A, a list describing with particularity all developments, original works of authorship, improvements, and trade secrets that I can demonstrate were created or owned by me prior to the commencement of my employment (collectively referred to as "Prior Developments"), which belong solely to me or belong to me jointly with another, that relate in any way to any of the actual or proposed businesses, products, or research and development of any member of the Company Group, and that are not assigned to the Company hereunder, or if no such list is attached, I represent that there are no such Prior Developments. If, during any period during which I perform or performed services for the Company Group both before or after the date hereof (the "Assignment Period"), whether as an officer, employee, director, independent contractor, consultant, or agent, or in any other capacity, I incorporate (or have incorporated) into a Company Group product or process a Prior Development owned by me or in which I have an interest, I hereby grant each member of the Company Group, and each member of the Company Group shall have, a non-exclusive, royalty-free, irrevocable, perpetual, transferable worldwide license (with the right to sublicense) to make, have made, copy, modify, make derivative works of, use, sell, and otherwise distribute such Prior Development as part of or in connection with such product or process.

(b) Assignment of Developments. I agree that I will, without additional compensation, promptly make full written disclosure to the Company, and will hold in trust for the sole right and benefit of the Company all developments, original works of authorship, inventions, concepts, know-how, improvements, trade secrets, and similar proprietary rights, whether or not patentable or registrable under copyright or similar laws, which I may solely or jointly conceive or develop or reduce to practice, or have solely or jointly conceived or developed or reduced to practice, or have caused or may cause to be conceived or developed or reduced to practice, during the Assignment Period, whether or not during regular working hours, provided they either (i) relate at the time of conception, development or reduction to practice to the business of any member of the Company Group, or the actual or anticipated research or development of any member of the Company Group; (ii) result from or relate to any work performed for any member of the Company Group; or (iii) are developed through the use of equipment, supplies, or facilities of any member of the Company Group, or any Confidential Information, or in consultation with personnel of any member of the Company Group (collectively referred to as "Developments"). I further acknowledge that all Developments made by me (solely or jointly with others) within the scope of and during the Assignment Period are "works made for hire" (to the greatest extent permitted by applicable law) for which I am, in part, compensated by my salary, unless regulated otherwise by law, but that, in the event any such Development is deemed not to be a work made for hire, I hereby assign to the Company, or its designee, all my right, title, and interest throughout the world in and to any such Development. If any Developments cannot be assigned, I hereby grant to the Company Group



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an exclusive, assignable, irrevocable, perpetual, worldwide, sublicenseable (through one or multiple tiers), royalty-free, unlimited license to use, make, modify, sell, offer for sale, reproduce, distribute, create derivative works of, publicly perform, publicly display and digitally perform and display such work in any media now known or hereafter known. Outside the scope of my service, whether during or after my employment with any member of the Company Group, I agree not to (i) modify, adapt, alter, translate, or create derivative works from any such work of authorship or (ii) merge any such work of authorship with other Developments. To the extent rights related to paternity, integrity, disclosure and withdrawal (collectively, "Moral Rights") may not be assignable under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, I hereby irrevocably waive such Moral Rights and consent to any action of the Company Group that would violate such Moral Rights in the absence of such consent.

(c) Maintenance of Records. I agree to keep and maintain adequate and current written records of all Developments made by me (solely or jointly with others) during the Assignment Period. The records may be in the form of notes, sketches, drawings, flow charts, electronic data or recordings, and any other format. The records will be available to and remain the sole property of the Company Group at all times. I agree not to remove such records from the Company's place of business except as expressly permitted by Company Group policy, which may, from time to time, be revised at the sole election of the Company Group for the purpose of furthering the business of the Company Group.

(d) Intellectual Property Rights. I agree to assist the Company, or its designee, at the Company's expense, in all commercially reasonable ways to secure the rights of the Company Group in the Developments and any copyrights, patents, trademarks, service marks, database rights, domain names, mask work rights, moral rights, and other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments, recordations, and all other instruments that the Company shall deem necessary in order to apply for, obtain, maintain, and transfer such rights and in order to assign and convey to the Company Group the sole and exclusive right, title, and interest in and to such Developments, and any intellectual property and other proprietary rights relating thereto. I further agree that my obligation to execute or cause to be executed, when it is in my power to do so, any such instrument or papers shall continue after the Assignment Period until the expiration of the last such intellectual property right to expire in any country of the world; *provided*, *however*, the Company shall reimburse me for my reasonable expenses incurred in connection with carrying out the foregoing obligation. If the Company is unable because of my mental or physical incapacity or unavailability for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Developments or original works of authorship assigned to the Company as above, then I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact to act for and in my behalf and stead to execute and file any such applications or records and to do all other lawfully permitted acts to further the application for, prosecution, issuance, maintenance, and transfer of letters patent or registrations thereon with the same legal force and effect as if originally executed by me. I hereby waive and irrevocably quitclaim to the Company any and all claims, of any nature whatsoever, that I now or



hereafter have for past, present, or future infringement of any and all proprietary rights assigned to the Company.

**Section 3. Returning Company Group Documents.**

I agree that, at the time of termination of my employment with the Company for any reason, I will deliver to the Company (and will not keep in my possession, recreate, or deliver to anyone else) any and all Confidential Information and all other documents, materials, information, and property developed by me pursuant to my employment or otherwise belonging to the Company. I agree further that any property situated on the Company's premises and owned by the Company (or any other member of the Company Group), including disks and other storage media, filing cabinets, and other work areas, is subject to inspection by personnel of any member of the Company Group at any time with or without notice.

**Section 4. Disclosure of Agreement.**

As long as it remains in effect, I will disclose the existence of this Non-Interference Agreement to any prospective employer, partner, co-venturer, investor, or lender prior to entering into an employment, partnership, or other business relationship with such person or entity.

**Section 5. Restrictions on Interfering.**

(a) Non-Competition. During the period of my employment with the Company (the "Employment Period") and the Post-Termination Non-Compete Period, I shall not, directly or indirectly, individually or on behalf of any person, company, enterprise, or entity, or as a sole proprietor, partner, stockholder, director, officer, principal, agent, or executive, or in any other capacity or relationship, engage in any Competitive Activities, within the United States or any other jurisdiction in which the Company Group is actively engaged in business; provided that I shall be permitted to own securities of a public company not in excess of one percent (1%) of any class of such securities and such ownership shall not, by itself, violate the terms of this Section 5(a).

(b) Non-Interference. During the Employment Period and the Post-Termination Non-Interference Period, I shall not, directly or indirectly for my own account or for the account of any other individual or entity, engage in Interfering Activities.

(c) Definitions. For purposes of this Non-Interference Agreement:

(i) "Business Relation" shall mean any current or prospective client, customer, licensee, or other business relation of the Company Group, or any such relation that was a client, customer, licensee, supplier, or other business relation within the six (6) month period prior to the expiration of the Employment Period, in each case, to whom I provided services, or with whom I transacted business, or whose identity became known to me in connection with my relationship with or employment by the Company.



(ii) "Competitive Activities" shall mean mortgage insurance or reinsurance or any business activities in which any member of the Company Group is engaged (or has committed plans to engage) during the Employment Period.

(iii) "Interfering Activities" shall mean (A) encouraging, soliciting, or inducing, or in any manner attempting to encourage, solicit, or induce, any Person employed by, or providing consulting services to, any member of the Company Group to terminate such Person's employment or services (or in the case of a consultant, materially reducing such services) with the Company Group; (B) hiring any individual who was employed by the Company Group within the six (6) month period prior to the date of such hiring; or (C) encouraging, soliciting, or inducing, or in any manner attempting to encourage, solicit, or induce, any Business Relation to cease doing business with or reduce the amount of business conducted with the Company Group, or in any way interfering with the relationship between any such Business Relation and the Company Group.

(iv) "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust (charitable or non-charitable), unincorporated organization, or other form of business entity.

(v) "Post-Termination Non-Compete Period" shall mean the period commencing on the date of the termination of the Employment Period for any reason and ending on the eighteen (18) month anniversary of such date of termination.

(vi) "Post-Termination Non-Interference Period" shall mean the period commencing on the date of the termination of the Employment Period for any reason and ending on the eighteen (18) month anniversary of such date of termination.

(d) Non-Disparagement. I agree that during the Employment Period, and at all times thereafter, I will not make any disparaging or defamatory comments regarding any member of the Company Group or its respective current or former directors, officers, employees or shareholders in any respect or make any comments concerning any aspect of my relationship with any member of the Company Group or any conduct or events which precipitated any termination of my employment from any member of the Company Group. However, my obligations under this subparagraph (d) shall not apply to disclosures required by applicable law, regulation, or order of a court or governmental agency.

**Section 6. Reasonableness of Restrictions.**

I acknowledge and recognize the highly competitive nature of the Company's business, that access to Confidential Information renders me special and unique within the Company's industry, and that I will have the opportunity to develop substantial relationships with existing and prospective clients, accounts, customers, consultants, contractors, investors, and strategic partners of the Company Group during the course of and as a result of my employment with the Company. In light of the foregoing, I recognize and acknowledge that the restrictions and limitations set forth in this Non-Interference Agreement are reasonable and valid in geographical



and temporal scope and in all other respects and are essential to protect the value of the business and assets of the Company Group. I acknowledge further that the restrictions and limitations set forth in this Non-Interference Agreement will not materially interfere with my ability to earn a living following the termination of my employment with the Company and that my ability to earn a livelihood without violating such restrictions is a material condition to my employment with the Company.

**Section 7. Independence; Severability; Blue Pencil.**

Each of the rights enumerated in this Non-Interference Agreement shall be independent of the others and shall be in addition to and not in lieu of any other rights and remedies available to the Company Group at law or in equity. If any of the provisions of this Non-Interference Agreement or any part of any of them is hereafter construed or adjudicated to be invalid or unenforceable, the same shall not affect the remainder of this Non-Interference Agreement, which shall be given full effect without regard to the invalid portions. If any of the covenants contained herein are held to be invalid or unenforceable because of the duration of such provisions or the area or scope covered thereby, I agree that the court making such determination shall have the power to reduce the duration, scope, and/or area of such provision to the maximum and/or broadest duration, scope, and/or area permissible by law, and in its reduced form said provision shall then be enforceable.

**Section 8. Injunctive Relief.**

I expressly acknowledge that any breach or threatened breach of any of the terms and/or conditions set forth in this Non-Interference Agreement may result in substantial, continuing, and irreparable injury to the members of the Company Group. Therefore, I hereby agree that, in addition to any other remedy that may be available to the Company, any member of the Company Group shall be entitled to injunctive relief, specific performance, or other equitable relief by a court of appropriate jurisdiction in the event of any breach or threatened breach of the terms of this Non-Interference Agreement without the necessity of proving irreparable harm or injury as a result of such breach or threatened breach. Notwithstanding any other provision to the contrary, I acknowledge and agree that the Post-Termination Non-Compete Period, or Post-Termination Non-Interference Period, as applicable, shall be tolled during any period of violation of any of the covenants in Section 5 hereof and during any other period required for litigation during which the Company or any other member of the Company Group seeks to enforce such covenants against me if it is ultimately determined that I was in breach of such covenants.

**Section 9. Cooperation.**

I agree that, following any termination of my employment, I will continue to provide reasonable cooperation to the Company and/or any other member of the Company Group and its or their respective counsel in connection with any investigation, administrative proceeding, or litigation relating to any matter that occurred during my employment in which I was involved or of which I have knowledge. As a condition of such cooperation, the Company shall reimburse me for reasonable out-of-pocket expenses incurred at the request of the Company with respect to my compliance with this paragraph. I also agree that, in the event that I am subpoenaed by any person or entity (including, but not limited to, any government agency) to give testimony or



provide documents (in a deposition, court proceeding, or otherwise) that in any way relates to my employment by the Company and/or any other member of the Company Group, to the extent permitted by law, I will give prompt notice of such request to the Company and will make no disclosure until the Company and/or the other member of the Company Group has had a reasonable opportunity to contest the right of the requesting person or entity to such disclosure.

**Section 10. General Provisions.**

(a) Governing Law and Jurisdiction. EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THE VALIDITY, INTERPRETATION, CONSTRUCTION, AND PERFORMANCE OF THIS NON-INTERFERENCE AGREEMENT IS GOVERNED BY AND IS TO BE CONSTRUED UNDER THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD TO CONFLICT OF LAWS RULES. FURTHER, I HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS NON-INTERFERENCE AGREEMENT.

(b) Entire Agreement. This Non-Interference Agreement sets forth the entire agreement and understanding between the Company and me relating to the subject matter herein and merges all prior discussions between us. No modification or amendment to this Non-Interference Agreement, nor any waiver of any rights under this Non-Interference Agreement, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in my duties, obligations, rights, or compensation will not affect the validity or scope of this Non-Interference Agreement.

(c) No Right of Continued Employment. I acknowledge and agree that nothing contained herein shall be construed as granting me any right to continued employment by the Company, and the right of the Company to terminate my employment at any time and for any reason, with or without

cause, is specifically reserved.

(d) Successors and Assigns. This Non-Interference Agreement will be binding upon my heirs, executors, administrators, and other legal representatives and will be for the benefit of the Company, its successors, and its assigns. I expressly acknowledge and agree that this Non-Interference Agreement may be assigned by the Company without my consent to any other member of the Company Group as well as any purchaser of all or substantially all of the assets or stock of the Company or of any business or division of the Company for which I provide services, whether by purchase, merger, or other similar corporate transaction, provided that the license granted pursuant to Section 2(a) may be assigned to any third party by the Company without my consent.

(e) Survival. The provisions of this Non-Interference Agreement shall survive the termination of my employment with the Company and/or the assignment of this Non-Interference Agreement by the Company to any successor in interest or other assignee.

* * *



I, Lawrence McAlee, have executed this Confidentiality, Non-Interference, and Invention Assignment Agreement on the respective date set forth below:

Date: September 30, 2013

/s/ Lawrence McAlee
(Signature)

Lawrence McAlee

**SCHEDULE A**

**LIST OF PRIOR DEVELOPMENTS**
**AND ORIGINAL WORKS OF AUTHORSHIP**
**EXCLUDED FROM SECTION 2**

| Title | Date | Identifying Number or Brief Description |
|---|---|---|
| | | |
| | | |

x No Developments or improvements

o Additional Sheets Attached

Signature of Executive: /s/ Lawrence McAlee

Print Name of Executive: Lawrence McAlee

Date: September 30, 2013

**Exhibit B**

**RELEASE OF CLAIMS**

As used in this Release of Claims (this "Release"), the term "claims" will include all claims, covenants, warranties, promises, undertakings, actions, suits, causes of action, obligations, debts, accounts, attorneys' fees, judgments, losses, and liabilities, of whatsoever kind or nature, in law, in equity, or otherwise.

For and in consideration of the Severance Benefits (as defined in my Employment Agreement, dated September 30, 2013, with Essent US Holdings, Inc. (my "Employment Agreement")), and other good and valuable consideration, I, Lawrence McAlee, for and on behalf of myself and my heirs, administrators, executors, and assigns, effective as of the date on which this release becomes effective pursuant to its terms, do fully and forever release, remise, and discharge each of the Company, the Parent, and each of their respective direct and indirect subsidiaries and affiliates, and their respective successors and assigns, together with their respective officers, directors, partners, shareholders, employees, and agents (collectively, the "Group"), from any and all claims whatsoever up to the date hereof that I had, may have had, or now have against the Group, whether known or unknown, for or by reason of any matter, cause, or thing whatsoever, including any claim arising out of or attributable to my employment or the termination of my employment with the Company, whether for tort, breach of express or implied employment contract, intentional infliction of emotional distress, wrongful termination, unjust dismissal, defamation, libel, or slander, or under any federal, state, or local law dealing with discrimination based on age, race, sex, national origin, handicap, religion, disability, or sexual orientation. This release of claims includes, but is not limited to, all claims arising under the Age Discrimination in Employment Act ("ADEA"), Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Civil Rights Act of 1991, the Family Medical Leave Act, the

Employee Retirement Income Security Act of 1974 and the Equal Pay Act, each as may be amended from time to time, and all other federal, state, and local laws, the common law, and any other purported restriction on an employer's right to terminate the employment of employees. The release contained herein is intended to be a general release of any and all claims to the fullest extent permissible by law.

I acknowledge and agree that as of the date I execute this Release, I have no knowledge of any facts or circumstances that give rise or could give rise to any claims under any of the laws listed in the preceding paragraph.

By executing this Release, I specifically release all claims relating to my employment and its termination under ADEA, a United States federal statute that, among other things, prohibits discrimination on the basis of age in employment and employee benefit plans.

Notwithstanding any provision of this Release to the contrary, by executing this Release, I am not releasing (i) any claims relating to my rights under Section 8 of my Employment Agreement, (ii) any claims that cannot be waived by law, or (iii) my right of indemnification as provided by, and in accordance with the terms of, the Company's by-laws or a Company insurance policy providing such coverage, as any of such may be amended from time to time.

I expressly acknowledge and agree that I —

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- Am able to read the language, and understand the meaning and effect, of this Release;
- Have no physical or mental impairment of any kind that has interfered with my ability to read and understand the meaning of this Release or its terms, and that I am not acting under the influence of any medication, drug, or chemical of any type in entering into this Release;
- Am specifically agreeing to the terms of the release contained in this Release because the Company has agreed to pay me the Severance Benefits in consideration for my agreement to accept it in full settlement of all possible claims I might have or ever have had, and because of my execution of this Release;
- Acknowledge that, but for my execution of this Release, I would not be entitled to the Severance Benefits;
- Understand that, by entering into this Release, I do not waive rights or claims under ADEA that may arise after the date I execute this Release;
- Had or could have had [twenty-one (21)][forty-five (45)](1) days from the date of my termination of employment (the "Release Expiration Date") in which to review and consider this Release, and that if I execute this Release prior to the Release Expiration Date, I have voluntarily and knowingly waived the remainder of the review period;
- Have not relied upon any representation or statement not set forth in this Release or my Employment Agreement made by the Company or any of its representatives;
- Was advised to consult with my attorney regarding the terms and effect of this Release; and
- Have signed this Release knowingly and voluntarily.

I represent and warrant that I have not previously filed, and to the maximum extent permitted by law agree that I will not file, a complaint, charge, or lawsuit against any member of the Group regarding any of the claims released herein. If, notwithstanding this representation and warranty, I have filed or file such a complaint, charge, or lawsuit, I agree that I shall cause such complaint, charge, or lawsuit to be dismissed with prejudice and shall pay any and all costs required in obtaining dismissal of such complaint, charge, or lawsuit, including without limitation the attorneys' fees of any member of the Group against whom I have filed such a complaint, charge, or lawsuit. This paragraph shall not apply, however, to a claim of age

(1) To be selected based on whether applicable termination was "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967).



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discrimination under ADEA or to any non-waivable right to file a charge with the United States Equal Employment Opportunity Commission (the "EEOC"); *provided, however*, that if the EEOC were to pursue any claims relating to my employment with Company, I agree that I shall not be entitled to recover any monetary damages or any other remedies or benefits as a result and that this Release and Section 8 of my Employment Agreement will control as the exclusive remedy and full settlement of all such claims by me.

I hereby agree to waive any and all claims to re-employment with the Company or any other member of the Company Group and affirmatively agree not to seek further employment with the Company or any other member of the Company Group.

Notwithstanding anything contained herein to the contrary, this Release will not become effective or enforceable prior to the expiration of the period of seven (7) calendar days following the date of its execution by me (the "Revocation Period"), during which time I may revoke my acceptance of this Release by notifying the Company and the Board of Directors of the Company, in writing, delivered to the Company at its principal executive office, marked for the attention of its Chief Executive Officer. To be effective, such revocation must be received by the Company no later than 11:59 p.m. on the seventh ($7^{th}$) calendar day following the execution of this Release. Provided that the Release is executed and I do not revoke it during the Revocation Period, the eighth ($8^{th}$) day following the date on which this Release is executed shall be its effective date. I acknowledge and agree that if I revoke this Release during the Revocation Period, this Release will be null and void and of no effect, and neither the Company nor any other member of the Company Group will have any obligations to pay me the Severance Benefits.

The provisions of this Release shall be binding upon my heirs, executors, administrators, legal personal representatives, and assigns. If any provision of this Release shall be held by any court of competent jurisdiction to be illegal, void, or unenforceable, such provision shall be of no force or effect. The illegality or unenforceability of such provision, however, shall have no effect upon and shall not impair the enforceability of any other provision of this Release.

EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THE VALIDITY, INTERPRETATION, CONSTRUCTION, AND PERFORMANCE OF THIS RELEASE IS GOVERNED BY AND IS TO BE CONSTRUED UNDER THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD TO CONFLICT OF LAWS RULES. ANY DISPUTE OR CLAIM ARISING OUT OF OR RELATING TO THIS RELEASE OR CLAIM OF BREACH HEREOF SHALL BE BROUGHT EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, TO THE EXTENT FEDERAL JURISDICTION EXISTS, AND IN ANY COURT SITTING IN DELAWARE BUT ONLY IN THE EVENT FEDERAL JURISDICTION DOES NOT EXIST, AND ANY APPLICABLE APPELLATE COURTS. BY EXECUTION OF THIS RELEASE, I CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, AND WAIVE ANY RIGHT TO CHALLENGE JURISDICTION OR VENUE IN SUCH COURT WITH REGARD TO ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS RELEASE. FURTHER, I HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN CONNECTION



WITH ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS RELEASE.

Capitalized terms used, but not defined herein, shall have the meanings ascribed to such terms in my Employment Agreement.

Lawrence McAlee
Date:

**Exhibit 10.17**

**EMPLOYMENT AGREEMENT**

This **EMPLOYMENT AGREEMENT** (this "Agreement") is made and entered into as of this 30th day of September 2013, by and between Essent US Holdings, Inc., a Delaware corporation (the "Company"), and Mary Lourdes Gibbons (the "Executive").

**W I T N E S S E T H :**

**WHEREAS,** Executive is currently employed by the Company as its Senior Vice President, Chief Legal Officer and Assistant Secretary; and

**WHEREAS,** Executive is a party to an employment agreement with the Company, dated June 2009 (the "Prior Agreement"); and

**WHEREAS,** the Company anticipates that Executive will make material contributions to the short and long term growth and profitability of the Company and Parent;

**WHEREAS,** the Company desires to continue to employ Executive following the Effective Date and to enter into this Agreement embodying the terms of such employment, and Executive desires to enter into this Agreement and to accept such continued employment, subject to the terms and provisions of this Agreement.

**NOW, THEREFORE,** in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the Company and Executive hereby agree as follows:

**Section 1. Definitions.**

(a) "Accrued Obligations" shall mean (i) all accrued but unpaid Base Salary through the date of termination of Executive's employment, (ii) any unpaid or unreimbursed expenses incurred in accordance with Section 7 hereof, and (iii) any benefits provided under the Company's employee benefit plans upon a termination of employment, in accordance with the terms contained therein.

(b) "Agreement" shall have the meaning set forth in the preamble hereto.

(c) "Annual Bonus" shall have the meaning set forth in Section 4(b) hereof.

(d) "Base Salary" shall mean the salary provided for in Section 4(a) hereof or any increased salary granted to Executive pursuant to Section 4(a) hereof.

(e) "Board" shall mean the Board of Directors of the Parent.

(f) "Cause" shall mean (i) Executive's act(s) of gross negligence or willful misconduct in the course of Executive's employment hereunder, (ii) willful and continued failure or refusal by Executive to perform in any material respect his duties or responsibilities, (iii) misappropriation (or attempted misappropriation) by Executive of any material assets or business opportunities of the Company or any other member of the Company Group, (iv) acts of

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embezzlement or material fraud committed (or attempted) by Executive, or at his direction, (v) Executive's conviction of or pleading "guilty" or " no contest" to, (x) a felony or (y) any other criminal charge that has, or could be reasonably expected to have, an adverse impact on the performance of Executive's duties to the Company or any other member of the Company Group or otherwise result in material injury to the reputation or business of the Company or any other member of the Company Group, (vi) any material violation by Executive of the policies of the Company, including but not limited to those relating to sexual harassment or business conduct, or (vii) Executive's material breach of this Agreement or breach of the Non-Interference Agreement. If, within ninety (90) days subsequent to Executive's termination for any reason other than by the Company for Cause, the Company determines that Executive's employment could have been terminated for Cause, Executive's employment will be deemed to have been terminated for Cause for all purposes, and Executive will be required to disgorge to the Company all amounts received pursuant to this Agreement to the extent that they would not have been paid or payable to Executive had such termination been by the Company for Cause.

(g) "Change of Control" shall mean the first of the following to occur after the Effective Date, provided that all references to the "Company" within this subsection (g) shall apply with equal force and effect to the Parent:

(i) *Acquisition of Controlling Interest*. Any person or group of persons acting in concert (other than persons who are employees at any time more than one year before a transaction) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended), directly or indirectly, of securities of the Company representing thirty-five percent (35%) or more of the combined voting power of the Company's then outstanding securities, excluding, however, the following: (A) any acquisition directly from the Company, (B) any acquisition by the Company; (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (D) any underwriter temporarily holding securities pursuant to an offering of such securities. In applying the preceding sentence, an agreement to vote securities shall be disregarded unless its ultimate purpose is to cause what would otherwise be Change of Control, as reasonably determined by the Board.

(ii) *Change in Board Control*. During any consecutive one-year period commencing after the Effective Date, individuals who constituted the Board at the beginning of the period (or their approved replacements, as defined in the next sentence) cease for any reason to constitute a majority of the Board. A new director shall be considered an "approved replacement" director if his or her election (or nomination for election) was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or were themselves approved replacement directors, but in either case excluding any director whose initial assumption of office occurred as a result of an actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board.

(iii) *Merger*. The Company consummates a merger, or consolidation of the Company with any other corporation unless: (a) the voting securities of the Company outstanding immediately before the merger or consolidation would continue to represent



(either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; and (b) no person (other than persons who are employees at any time more than one year before the transaction) becomes the beneficial owner, directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities.

(iv) *Sale of Assets*. The Company consummates a sale or disposition of all, or substantially all, of the Company's assets.

(v) *Liquidation or Dissolution*. The Company implements a plan for liquidation or dissolution of the Company**.**

Notwithstanding the foregoing, (x) a "Change of Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions and (y) with respect to the payment of any amount that constitutes a deferral of compensation subject to Section 409A of the Code payable upon a Change of Control, a "Change of Control" shall not be deemed to have occurred unless the Change of Control constitutes a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company under Section 409A(a)(2)(A)(v) of the Code.

(h) "Code" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(i) "Company" shall have the meaning set forth in the preamble hereto.

(j) "Company Group" shall mean the Parent together with any direct or indirect subsidiaries of the Parent.

(k) "Compensation Committee" shall mean the committee of the Board designated to make compensation decisions relating to senior executive officers of the Company Group.

(l) "Delay Period" shall have the meaning set forth in Section 13 hereof.

(m) "Disability" shall mean any physical or mental disability or infirmity of Executive that prevents the performance of Executive's material duties for a period of one hundred twenty (120) consecutive days during any twelve (12) month period. Any question as to the existence, extent, or potentiality of Executive's Disability upon which Executive and the Company cannot agree shall be determined by a qualified, independent physician selected and paid for by the Company and approved by Executive (which approval shall not be unreasonably withheld). The determination of any such physician shall be final and conclusive for all purposes of this Agreement.



(n) "Effective Date" means the day immediately prior to the Registration Date

(o) "Executive" shall have the meaning set forth in the preamble hereto.

(p) "Good Reason" shall mean, without Executive's consent, (i) a material diminution in Executive's, authority, duties, or responsibilities as set forth in Section 3 hereof such that Executive is no longer serving in a senior executive capacity for the Company, (ii) a material reduction in Base Salary set forth in Section 4(a) hereof or Annual Bonus opportunity set forth in Section 4(b) hereof (other than pursuant to an across-the-board reduction applicable to all similarly situated executive officers), (iii) the relocation of Executive's principal place of employment (as provided in Section 3(c) hereof) more than fifty (50) miles from its current Radnor, Pennsylvania location, or (v) any other material breach of a provision of this Agreement by the Company (other than a provision that is covered by clause (i), (ii), or (iii) above). Executive acknowledges and agrees that his exclusive remedy in the event of any breach of this Agreement shall be to assert Good Reason pursuant to the terms and conditions of Section 8(e) hereof. Notwithstanding the foregoing, during the Term, in the event that the Board reasonably believes that Executive may have engaged in conduct that could constitute Cause hereunder, the Board may, in its sole and absolute discretion, suspend Executive from performing his duties hereunder, and in no event shall any such suspension constitute an event pursuant to which Executive may terminate employment with Good Reason or otherwise constitute a breach hereunder; *provided*, that no such suspension shall alter the Company's obligations under this Agreement during such period of suspension.

(q) "Long Term Incentive Plan" shall have the meaning set forth in Section 4(b) hereof.

(r) "LTIP Award" shall have the meaning set forth in Section 4(b) hereof.

(s) "Non-Interference Agreement" shall mean the Confidentiality, Non-Interference, and Invention Assignment Agreement attached hereto as Exhibit A.

(t) "Parent" shall mean Essent Group Ltd., a Bermuda limited liability company.

(u) "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust (charitable or non-charitable), unincorporated organization, or other form of business entity.

(v) "Prior Agreement" shall have the meaning set forth in the recitals hereto.

(w) "Registration Date" means the first date (i) on which the Parent sells its common shares, par value $0.015 per share in a bona fide, firm commitment underwriting pursuant to a registration statement under the U.S. Securities Act of 1933, as amended from time to time or (b) any class of common equity securities of the Company is required to be registered under Section 12 of the U.S. Securities Exchange Act of 1934, as amended from time to time.



(x) "Release of Claims" shall mean the Release of Claims in substantially the same form attached hereto as Exhibit B (as the same may be revised from time to time by the Company upon the advice of counsel to comply with changes in applicable law).

(y) "Retirement" shall mean Executive's voluntary termination of employment without Good Reason either (i) upon satisfaction of the requirements for late, normal or early retirement under the tax-qualified defined contribution plan in which Executive is eligible to participate, as defined in such plan, or (ii) regardless of whether such plan exists, following any date after which Executive has attained the age of sixty-five (65) and completed no less than ten (10) years of continuous service with the Company Group.

(z) "Severance Benefits" shall have the meaning set forth in Section 8(h) hereof.

(aa) "Severance Multiplier" shall mean an amount equal to one and one-half (1½).

(bb) "Term" shall mean the period specified in Section 2 hereof.

(cc) "SERP" shall have the meaning set forth in Section 4(d) hereof.

**Section 2. Acceptance and Term.**

The Company agrees to continue to employ Executive, and Executive agrees to continue to serve the Company, on the terms and conditions set forth herein. The Term shall commence on the Effective Date and, unless terminated sooner as provided in Section 8 hereof, shall continue during the period ending on the close of business of the three (3) year anniversary of the Effective Date (the "Initial Term"). The term of this Agreement shall automatically be extended for successive one-year periods ("Extension Terms" and, collectively with the Initial Term, the "Term") unless either party gives written notice of non-extension to the other no later than one hundred twenty (120) days prior to the expiration of the then-applicable Term. For the avoidance of doubt, in the event that the Company provides notice of non-extension to Executive in accordance with this Section 2, such notice and non-extension of the Term shall not be treated as a termination by the Company without Cause or an event that constitutes Good Reason, and Executive shall not be entitled to any Severance Benefits upon such termination of this Agreement.

**Section 3. Position, Duties, and Responsibilities; Place of Performance.**

(a) Position, Duties, and Responsibilities. During the Term, Executive shall be employed and serve as the Senior Vice President, Chief Legal Officer and Assistant Secretary of the Company and the Parent (together with such other position or positions consistent with Executive's title as the Board shall specify from time to time) and shall have such duties and responsibilities commensurate with such titles. Executive also agrees to serve as an officer and/or director of any other member of the Company Group, in each case without additional compensation. Executive shall report directly to the Chief Executive Officer of the Company.



(b) Performance. Executive shall devote his full business time, attention, skill, and best efforts to the performance of his duties under this Agreement and shall not engage in any other business or occupation during the Term, including, without limitation, any activity that (x) conflicts with the interests of the Company or any other member of the Company Group, (y) interferes with the proper and efficient performance of Executive's duties for the Company, or (z) interferes with Executive's exercise of judgment in the Company's best interests. Notwithstanding the foregoing, nothing herein shall preclude Executive from (i) serving, with the prior written consent of the Board, as a member of the boards of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of non-competing businesses and charitable organizations, (ii) engaging in charitable activities and community affairs, and (iii) managing his personal investments and affairs; *provided*, *however*, that the activities set out in clauses (i), (ii), and (iii) shall be limited by Executive so as not to materially interfere, individually or in the aggregate, with the performance of his duties and responsibilities hereunder or create a potential business or fiduciary conflict.

(c) Principal Place of Employment. Executive's principal place of employment shall be in Radnor, Pennsylvania, although Executive understands and agrees that he may be required to travel from time to time for business reasons.

**Section 4. Compensation.**

During the Term, Executive shall be entitled to the following compensation:

(a) Base Salary. Executive shall be paid an annualized Base Salary, payable in accordance with the regular payroll practices of the Company, of not less than $350,000, with increases, if any, as may be approved in writing by the Compensation Committee; *provided*, *however*, that the foregoing shall not preclude the Company from reducing Executive's Base Salary as part of an across-the-board reduction applicable to all similarly situated executive officers of the Company.

(b) Annual Bonus. Executive shall be eligible for an annual incentive bonus award determined by the Compensation Committee in respect of each fiscal year during the Term (the "Annual Bonus Plan"). The target Annual Bonus for each fiscal year, commencing with fiscal year 2014, shall be at least 100% of Base Salary, with the actual Annual Bonus payable being based upon the level of achievement of annual Company and individual performance objectives for such fiscal year, as determined by the Compensation Committee and communicated to Executive consistent with the Annual

Bonus Plan. The Annual Bonus shall be paid to Executive at the same time as annual bonuses are generally payable to other senior executives of the Company subject to Executive's continuous employment through the payment date, except as otherwise provided in this Agreement.

(c) Long Term Incentive Plan. Commencing with the 2014 calendar year, Executive shall be eligible to participate in the applicable Company long-term incentive plan ("Long Term Incentive Plan"), with an annual target opportunity thereunder of at least 50% of Base Salary. The terms and conditions (*e.g.*, performance measures, vesting schedules, allocation between different forms of equity) of Executive's long-term incentive awards shall be substantially similar to the terms and conditions of the long-term incentive awards granted to



other executive officers of the Company, as determined by the Compensation Committee from time to time (the "LTIP Awards"). The terms and conditions of the grant of LTIP Awards to Executive under the applicable Company's Long Term Incentive Plan shall be set forth in the award agreement relating to the grant of such LTIP Award.

(d) Supplemental Senior Executive Retirement Plan. Executive shall be eligible to participate in the Company Supplemental Senior Executive Retirement Plan (the "SERP"), if and when established. Executive's benefits under the SERP shall be treated consistent with and in the same manner as the benefit of the other executive officers of the Company who participate in the SERP.

**Section 5. Executive Benefits.**

During the Term, Executive shall be entitled to participate in health, insurance, retirement, and other benefits provided on no less favorable terms to similarly situated executive officers of the Company. Executive shall also be eligible to participate in the Company's financial counseling program in effect from time to time. Executive shall also be entitled to the same number of holidays, vacation days, and sick days, as well as any other benefits, in each case provided on no less favorable terms to similarly situated executive officers of the Company in accordance with the Company policy as in effect from time to time. Nothing contained herein shall be construed to limit the Company's ability to amend, suspend, or terminate any employee benefit plan or policy at any time.

**Section 6. Key-Man Insurance.**

At any time during the Term, the Company shall have the right to insure the life of Executive for the sole benefit of the Company, in such amounts, and with such terms, as it may determine. All premiums payable thereon shall be the obligation of the Company. Executive shall have no interest in any such policy, but agrees to cooperate with the Company in procuring such insurance by submitting to physical examinations, supplying all information required by the insurance company, and executing all necessary documents, provided that no financial obligation is imposed on Executive by any such documents.

**Section 7. Reimbursement of Business Expenses.**

During the Term, the Company shall pay (or promptly reimburse Executive) for documented, out-of-pocket expenses reasonably incurred by Executive in the course of performing his duties and responsibilities hereunder, which are consistent with the Company's policies in effect from time to time with respect to business expenses, subject to the Company's requirements with respect to reporting of such expenses.

**Section 8. Termination of Employment.**

(a) General. The Term shall terminate earlier than as provided in Section 2 hereof upon the earliest to occur of (i) Executive's death, (ii) a termination by reason of a Disability, (iii) a termination by the Company with or without Cause, and (iv) a termination by Executive with or without Good Reason (including due to Retirement). Upon any termination of Executive's employment for any reason, except as may otherwise be requested by the Company



in writing and agreed upon in writing by Executive, Executive shall resign from any and all directorships, committee memberships, and any other positions Executive holds with the Company or any other member of the Company Group. Notwithstanding anything herein to the contrary, the payment (or commencement of a series of payments) hereunder of any nonqualified deferred compensation (within the meaning of Section 409A of the Code) upon a termination of employment shall be delayed until such time as Executive has also undergone a "separation from service" as defined in Treas. Reg. 1.409A-1(h), at which time such nonqualified deferred compensation (calculated as of the date of Executive's termination of employment hereunder) shall be paid (or commence to be paid) to Executive on the schedule set forth in this Section 8 as if Executive had undergone such termination of employment (under the same circumstances) on the date of his ultimate "separation from service."

(b) Termination Due to Death, Disability or Retirement. Executive's employment shall terminate automatically upon his death. The Company may terminate Executive's employment immediately upon the occurrence of a Disability, such termination to be effective upon Executive's receipt of written notice of such termination. Employment shall terminate upon Executive's Retirement. Upon Executive's death or in the event that Executive's employment is terminated due to his Disability or Retirement, Executive or his estate or his beneficiaries, as the case may be, shall be entitled to:

(i) The Accrued Obligations; and

(ii) Any unpaid Annual Bonus in respect of any completed fiscal year that has ended prior to the date of such termination, which amount shall be paid at such time annual bonuses are paid to other senior executives of the Company, but in no event later than the date that is 2½ months following the last day of the fiscal year in which such termination occurred; and

(iii) Any service-based vesting or service requirements with respect to any equity grant and other long-term incentive award previously granted to Executive and then outstanding shall become vested and non-forfeitable as of the date of termination of Executive's employment and any performance-based equity grant and other long-term incentive award previously granted to Executive and then outstanding that has not been earned as of the date of termination of Executive's employment, shall remain outstanding through the last day of the applicable

performance period, without regard for the termination of employment, and shall be earned at a pro-rata amount (based on the period from the commencement of the applicable performance period through the date of termination of Executive's employment), based on the actual performance for the applicable performance period, and, in other respects, such awards shall be governed by the plans, programs, agreements, or other documents, as applicable, pursuant to which such awards were granted.

Notwithstanding the foregoing, the payments and benefits described in clauses (ii) and (iii) above shall immediately terminate, and the Company shall have no further obligations to Executive with respect thereto, in the event that Executive breaches any provision of the Non-Interference Agreement. Following Executive's death or a termination of Executive's employment by reason



of a Disability or Retirement, except as set forth in this Section 8(b), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(c) Termination by the Company with Cause.

(i) The Company may terminate Executive's employment at any time with Cause, effective upon Executive's receipt of written notice of such termination; *provided*, *however*, that with respect to any Cause termination relying on clause (ii) or (vi) of the definition of Cause set forth in Section 1(f) hereof, to the extent that such act or acts or failure or failures to act are curable, Executive shall be given not less than thirty (30) days' written notice by the Board of the Company's intention to terminate him with Cause, such notice to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination with Cause is based, and such termination shall be effective at the expiration of such thirty (30) day notice period unless Executive has fully cured such act or acts or failure or failures to act that give rise to Cause during such period.

(ii) In the event that the Company terminates Executive's employment with Cause, he shall be entitled only to the Accrued Obligations. Following such termination of Executive's employment with Cause, except as set forth in this Section 8(c)(ii)). Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(d) Termination by the Company without Cause. The Company may terminate Executive's employment at any time without Cause, effective upon Executive's receipt of written notice of such termination. In the event that Executive's employment is terminated by the Company without Cause (other than due to death or Disability), Executive shall be entitled to:

(i) The Accrued Obligations; and

(ii) Any unpaid Annual Bonus in respect of any completed fiscal year that has ended prior to the date of such termination, which amount shall be paid at such time annual bonuses are paid to other senior executives of the Company, but in no event later than the date that is 2½ months following the last day of the fiscal year in which such termination occurred; and

(iii) Subject to achievement of the applicable performance conditions for the fiscal year of the Company in which Executive's termination occurs, as determined by the Compensation Committee, payment of the Annual Bonus that would otherwise have been earned in respect of the fiscal year in which such termination occurred, pro-rated to reflect the number of days Executive was employed during such fiscal year, which amount shall be paid at such time annual bonuses are paid to other senior executive officers of the Company, but in no event later than the date that is 2½ months following the last day of the fiscal year in which such termination occurred; and

(iv) A lump sum payment equal to the Severance Multiplier multiplied by the sum of (x) Executive's then-current Base Salary and (y) Executive's target Annual



Bonus for the fiscal year in which the date of termination occurs (or if such target Annual Bonus has not yet been established for such fiscal year, the target Annual Bonus for the fiscal year prior to the year in which the date of termination occurs), payable as soon as reasonably practicable following the date of termination, but in no event later than the date that is 2½ months following the last day of the fiscal year in which such termination occurred; and

(v) To the extent permitted by applicable law without any tax or penalty to Executive or any member of the Company Group and subject to Executive's election of COBRA continuation coverage under the Company's group health plan, for a period of eighteen (18) months following the date of termination of Executive's employment, on the first regularly scheduled payroll date of each month during such eighteen (18) month period, the Company will pay Executive an amount equal to the monthly COBRA premium cost for current coverage and ; *provided*, that the payments pursuant to this clause (iv) shall cease earlier than the expiration of the eighteen (18) month period in the event that Executive becomes eligible to receive comparable health benefits through a new employer. In the event that the provision of the continued coverage described herein is legally prohibited, or could subject either the Company or Executive to any tax or penalty, after consulting with Executive, the Company shall be permitted to modify such coverage so as to comply with applicable law and avoid any such tax or penalty;

(vi) Any service-based vesting or service requirements with respect to any equity grant and other long-term incentive award previously granted to Executive and then outstanding that would have vested during a number of months following the date of termination of Executive's employment equal to the Severance Multiplier multiplied by twelve (12) shall become vested and non-forfeitable as of the date of termination of Executive's employment; *provided*, that in the event the termination of Executive's employment follows a Change of Control, any service-based vesting or service requirements with respect to any equity grant and other long-term incentive award previously granted to Executive and then outstanding shall become fully vested and non-forfeitable as of the date of termination of Executive's employment;

(vii) Any performance-based equity grant and other long-term incentive award previously granted to Executive and then outstanding that has not been earned as of the date of termination of Executive's employment, shall remain outstanding through the last day of the

applicable performance period, without regard for the termination of employment, and shall be earned at a pro-rata amount (based on the period from the commencement of the applicable performance period through the date of termination of Executive's employment), based on the actual performance for the applicable performance period , and, in other respects, such awards shall be governed by the plans, programs, agreements, or other documents, as applicable, pursuant to which such awards were granted; and

(viii) Outplacement services at a level commensurate with Executive's position in accordance with the Company's practices as in effect from time to time.



Notwithstanding the foregoing, the payments and benefits described in clauses (ii), (iii), (iv), (v) (vi), (vii) and (viii) above shall immediately terminate, and the Company shall have no further obligations to Executive with respect thereto, in the event that Executive breaches any provision of the Non-Interference Agreement. Following such termination of Executive's employment by the Company without Cause, except as set forth in this Section 8(d), Executive shall have no further rights to any compensation or any other benefits under this Agreement. For the avoidance of doubt, Executive's sole and exclusive remedy upon a termination of employment by the Company without Cause shall be receipt of the Severance Benefits.

(e) Termination by Executive with Good Reason. Executive may terminate his employment with Good Reason by providing the Company thirty (30) days' written notice setting forth in reasonable specificity the event that constitutes Good Reason, which written notice, to be effective, must be provided to the Company within ninety (90) days of Executives knowledge of occurrence of such event. During such thirty (30) day notice period, the Company shall have a cure right, and if not cured within such period, Executive's termination will be effective upon the expiration of such cure period, and Executive shall be entitled to the same payments and benefits as provided in Section 8(d) hereof for a termination by the Company without Cause, subject to the same conditions on payment and benefits as described in Section 8(d) hereof. Following such termination of Executive's employment by Executive with Good Reason, except as set forth in this Section 8(e), Executive shall have no further rights to any compensation or any other benefits under this Agreement. For the avoidance of doubt, Executive's sole and exclusive remedy upon a termination of employment with Good Reason shall be receipt of the Severance Benefits.

(f) Termination by Executive without Good Reason. Executive may terminate his employment without Good Reason by providing the Company thirty (30) days' written notice of such termination. In the event of a termination of employment by Executive under this Section 8(f), Executive shall be entitled only to the Accrued Obligations. In the event of termination of Executive's employment under this Section 8(f), the Company may, in its sole and absolute discretion, by written notice accelerate such date of termination without changing the characterization of such termination as a termination by Executive without Good Reason. Following such termination of Executive's employment by Executive without Good Reason, except as set forth in this Section 8(f), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

(g) Employment following Expiration of the Term. If Executive's employment with the Company continues beyond the expiration of the Term, Executive shall be considered an "at-will" employee and shall not be entitled to any payments or benefits under this Agreement upon any subsequent termination of employment for any reason whatsoever.

(h) Release. Notwithstanding any provision herein to the contrary, the payment of any amount or provision of any benefit pursuant to subsection (b), (d), or (e) of this Section 8 (other than the Accrued Obligations) (collectively, the "Severance Benefits") shall be conditioned upon Executive's execution, delivery to the Company, and non-revocation of the Release of Claims (and the expiration of any revocation period contained in such Release of Claims) within sixty (60) days following the date of Executive's termination of employment hereunder. If Executive fails to execute the Release of Claims in such a timely manner so as to



permit any revocation period to expire prior to the end of such sixty (60) day period, or timely revokes his acceptance of such release following its execution, Executive shall not be entitled to any of the Severance Benefits. Further, to the extent that any of the Severance Benefits constitutes "nonqualified deferred compensation" for purposes of Section 409A of the Code, any payment of any amount or provision of any benefit otherwise scheduled to occur prior to the sixtieth ($60^{th}$) day following the date of Executive's termination of employment hereunder, but for the condition on executing the Release of Claims as set forth herein, shall not be made until the first regularly scheduled payroll date following such sixtieth ($60^{th}$) day, after which any remaining Severance Benefits shall thereafter be provided to Executive according to the applicable schedule set forth herein. For the avoidance of doubt, in the event of a termination due to Executive's death or Disability, Executive's obligations herein to execute and not revoke the Release of Claims may be satisfied on his behalf by his estate or a person having legal power of attorney over his affairs.

**Section 9. Non-Interference Agreement.**

As a condition of, and prior to commencement of, Executive's employment with the Company, Executive shall have executed and delivered to the Company the Non-Interference Agreement. The parties hereto acknowledge and agree that this Agreement and the Non-Interference Agreement shall be considered separate contracts, and the Non-Interference Agreement will survive the termination of this Agreement for any reason.

**Section 10. Representations and Warranties of Executive.**

Executive represents and warrants to the Company that—

(a) Executive is entering into this Agreement voluntarily and that his employment hereunder and compliance with the terms and conditions hereof will not conflict with or result in the breach by him of any agreement to which he is a party or by which he may be bound;

(b) Executive has not violated, and in connection with his employment with the Company will not violate, any non-solicitation, non-competition, or other similar covenant or agreement of a prior employer by which he is or may be bound; and

(c) in connection with his employment with the Company, Executive will not use any confidential or proprietary information he may have obtained in connection with employment with any prior employer.

**Section 11. Taxes.**

The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment, and social insurance taxes, as shall be required by law. Executive acknowledges and represents that the Company has not provided any tax advice to him in connection with this Agreement and that he has been advised by the Company to seek tax advice from his own tax advisors regarding this Agreement and payments that may be made to him pursuant to this Agreement, including specifically, the application of the provisions of Section 409A of the Code to such payments.



**Section 12. Set Off; Mitigation.**

The Company's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set-off, counterclaim, or recoupment of amounts owed by Executive to the Company or its affiliates; *provided*, *however*, that to the extent any amount so subject to set-off, counterclaim, or recoupment is payable in installments hereunder, such set-off, counterclaim, or recoupment shall not modify the applicable payment date of any installment, and to the extent an obligation cannot be satisfied by reduction of a single installment payment, any portion not satisfied shall remain an outstanding obligation of Executive and shall be applied to the next installment only at such time the installment is otherwise payable pursuant to the specified payment schedule. Executive shall not be required to mitigate the amount of any payment or benefit provided pursuant to this Agreement by seeking other employment or otherwise, and except as provided in Section 8(d)(iv) hereof, the amount of any payment or benefit provided for pursuant to this Agreement shall not be reduced by any compensation earned as a result of Executive's other employment or otherwise.

**Section 13. Additional Section 409A Provisions.**

Notwithstanding any provision in this Agreement to the contrary—

(a) Any payment otherwise required to be made hereunder to Executive at any date as a result of the termination of Executive's employment shall be delayed for such period of time as may be necessary to meet the requirements of Section 409A(a)(2)(B)(i) of the Code (the "Delay Period"). On the first business day following the expiration of the Delay Period, Executive shall be paid, in a single cash lump sum, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence, and any remaining payments not so delayed shall continue to be paid pursuant to the payment schedule set forth herein.

(b) Each payment in a series of payments hereunder shall be deemed to be a separate payment for purposes of Section 409A of the Code.

(c) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A of the Code), (i) any such expense reimbursement shall be made by the Company no later than the last day of the taxable year following the taxable year in which such expense was incurred by Executive, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect.

(d) While the payments and benefits provided hereunder are intended to be structured in a manner to avoid the implication of any penalty taxes under Section 409A of the Code, in no event whatsoever shall the Parent or any of its affiliates (including, without limitation, the Company) be liable for any additional tax, interest, or penalties that may be



imposed on Executive as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code (other than for withholding obligations or other obligations applicable to employers, if any, under Section 409A of the Code).

**Section 14. Golden Parachute Tax Provisions**

If there is a change in ownership or control of the Company that would cause any payment or distribution by the Company or any other Person or entity to Executive or for Executive's benefit (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") to be subject to the excise tax imposed by Section 4999 of the Code (such excise tax, together with any interest or penalties incurred by Executive with respect to such excise tax, the "Excise Tax"), then Executive will receive the greatest of the following, whichever gives Executive the highest net after-tax amount (after taking into account federal, state, local and social security taxes): (a) the Payments or (b) one dollar ($1) less than the amount of the Payments that would subject Executive to the Excise Tax (the "Safe Harbor Amount"). If a reduction in the Payments is necessary so that the Payments equal the Safe Harbor Amount and none of the Payments constitutes nonqualified deferred compensation (within the meaning of Section 409A of the Code), then the reduction shall occur in the manner Executive elects in writing prior to the date of payment. If any Payment constitutes nonqualified deferred compensation or if Executive fails to elect an order, then the Payments to be reduced will be determined in a manner which has the least economic cost to Executive and, to the extent the economic cost is equivalent, will be reduced in the inverse order of when payment would have been made to Executive, until the reduction is achieved. All determinations required to be made under this Section 14, including whether and when the Safe Harbor Amount is required and the amount of the reduction of the Payments and the assumptions to be utilized in arriving at such determination, shall be made by an independent certified public accounting firm selected by or acceptable to the Company and Executive (the "Accounting Firm"). All fees and expenses of the Accounting Firm shall be borne solely by the Company.

**Section 15. Successors and Assigns; No Third-Party Beneficiaries.**

(a) The Company. This Agreement shall inure to the benefit of the Company and its respective successors and assigns. Neither this Agreement nor any of the rights, obligations, or interests arising hereunder may be assigned by the Company to a Person (other than another member of the

Company Group, or its or their respective successors) without Executive's prior written consent (which shall not be unreasonably withheld, delayed, or conditioned); *provided*, *however*, that in the event of a sale of all or substantially all of the assets of the Company or any direct or indirect division or subsidiary thereof to which Executive's employment primarily relates, the Company may provide that this Agreement will be assigned to, and assumed by, the acquiror of such assets, it being agreed that in such circumstances, Executive's consent will not be required in connection therewith.

(b) Executive. Executive's rights and obligations under this Agreement shall not be transferable by Executive by assignment or otherwise, without the prior written consent of the Company; *provided*, *however*, that if Executive shall die, all amounts then payable to Executive hereunder shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee, or if there be no such designee, to Executive's estate.



(c) No Third-Party Beneficiaries. Except as otherwise set forth in Section 8(b) or Section 15(b) hereof, nothing expressed or referred to in this Agreement will be construed to give any Person other than the Company, the other members of the Company Group, and Executive any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement.

**Section 16. Waiver and Amendments.**

Any waiver, alteration, amendment, or modification of any of the terms of this Agreement shall be valid only if made in writing and signed by each of the parties hereto; *provided*, *however*, that any such waiver, alteration, amendment, or modification must be consented to on the Company's behalf by the Board. No waiver by either of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

**Section 17. Severability.**

If any covenants or such other provisions of this Agreement are found to be invalid or unenforceable by a final determination of a court of competent jurisdiction, (a) the remaining terms and provisions hereof shall be unimpaired, and (b) the invalid or unenforceable term or provision hereof shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision hereof.

**Section 18. Governing Law and Jurisdiction.**

EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THE VALIDITY, INTERPRETATION, CONSTRUCTION, AND PERFORMANCE OF THIS AGREEMENT IS GOVERNED BY AND IS TO BE CONSTRUED UNDER THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD TO CONFLICT OF LAWS RULES. ANY DISPUTE OR CLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR CLAIM OF BREACH HEREOF SHALL BE BROUGHT EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, TO THE EXTENT FEDERAL JURISDICTION EXISTS, AND IN ANY COURT SITTING IN DELAWARE, BUT ONLY IN THE EVENT FEDERAL JURISDICTION DOES NOT EXIST, AND ANY APPLICABLE APPELLATE COURTS. BY EXECUTION OF THIS AGREEMENT, THE PARTIES HERETO, AND THEIR RESPECTIVE AFFILIATES, CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, AND WAIVE ANY RIGHT TO CHALLENGE JURISDICTION OR VENUE IN SUCH COURT WITH REGARD TO ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY TO THIS AGREEMENT ALSO HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS AGREEMENT.



**Section 19. Notices.**

(a) Place of Delivery. Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom or which it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided; *provided*, that unless and until some other address be so designated, all notices and communications by Executive to the Company shall be mailed or delivered to the Company at its principal executive office, and all notices and communications by the Company to Executive may be given to Executive personally or may be mailed to Executive at Executive's last known address, as reflected in the Company's records.

(b) Date of Delivery. Any notice so addressed shall be deemed to be given or received (i) if delivered by hand, on the date of such delivery, (ii) if mailed by courier or by overnight mail, on the first business day following the date of such mailing, and (iii) if mailed by registered or certified mail, on the third business day after the date of such mailing.

**Section 20. Section Headings.**

The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part thereof or affect the meaning or interpretation of this Agreement or of any term or provision hereof.

**Section 21. Entire Agreement.**

This Agreement, together with any exhibits attached hereto, constitutes the entire understanding and agreement of the parties hereto regarding the employment of Executive. This Agreement supersedes all prior negotiations, discussions, correspondence, communications, understandings, and agreements between the parties relating to the subject matter of this Agreement, including, without limitation, the Prior Agreement.

**Section 22. Indemnification.**

The Company shall extend to Executive (i) the same indemnification arrangements that are generally provided to other similarly situated executive officers of the Company, including after termination of employment, and (ii) the maximum indemnification rights that are allowable under applicable law as well as under the Company's memorandum of association or bye-laws.

**Section 23. Clawback.**

All payments made pursuant to this Agreement are subject to the "clawback" obligations of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Act, as may be amended from time to time, and any other "clawback" obligations pursuant to applicable law, rules, and regulations.

**Section 24. Legal Fees**

The Company shall pay or reimburse Executive for reasonable and documented legal fees incurred by Executive in connection with the preparation and negotiation of this Agreement.



**Section 25. Survival of Operative Sections.**

Upon any termination of Executive's employment, the provisions of Section 8 through Section 24 of this Agreement (together with any related definitions set forth in Section 1 hereof) shall survive to the extent necessary to give effect to the provisions thereof.

**Section 26. Counterparts.**

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual signature or by signature delivered by facsimile or by e-mail as a portable data format (.pdf) file or image file attachment.

* * *

*[Signatures to appear on the following page.]*



IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

ESSENT US HOLDINGS, INC.

/s/ Mark A. Casale
By: Mark A. Casale
Title: President and CEO

EXECUTIVE

/s/ Mary Lourdes Gibbons
Mary Lourdes Gibbons

For purposes of Section 3(a) and 4(c) (and any related provisions of this Agreement relating to LTIP Awards):

ESSENT GROUP LTD.

/s/ Mark A. Casale
By: Mark A. Casale
Title: President and CEO

*[Signature Page to Lawrence McAlee Employment Agreement]*

**Exhibit A**

**CONFIDENTIALITY, NON-INTERFERENCE, AND INVENTION ASSIGNMENT AGREEMENT**

As a condition of my becoming employed by, or continuing employment with, Essent US Holdings, Inc., a Delaware corporation (the "Company"), and in consideration of my employment with the Company and my receipt of the compensation now and hereafter paid to me by the Company, I agree to the following:

**Section 1. Confidential Information.**

(a) Company Group Information. I acknowledge that, during the course of my employment, I will have access to information about the Company and its direct and indirect subsidiaries and affiliates (collectively, the "Company Group") and that my employment with the Company shall bring me into close contact with confidential and proprietary information of the Company Group. In recognition of the foregoing, I agree, at all times during the term of my employment with the Company and thereafter, to hold in confidence, and not to use, except for the benefit of the Company Group, or to disclose to any person, firm, corporation, or other entity without written authorization of the Company, any Confidential Information that I obtain or create. I further agree not to make copies of such Confidential Information except as authorized by the Company. I understand that "Confidential Information" means information that the Company Group has developed, acquired, created, compiled, discovered, or owned or will develop, acquire, create, compile, discover, or own, that has value in or to the business of the Company Group that is not generally known and that the Company wishes to maintain as confidential. I understand that Confidential Information includes, but is not limited to, any and all non-public information that relates to the actual or anticipated business and/or products, research, or development of the Company, or to the Company's technical data, trade secrets, or know-how, including, but not limited to, research, product plans, or other information regarding the Company's products or services and markets, customer lists, and customers (including, but not limited to, customers of the Company on whom I called or with whom I may become acquainted during the term of my employment), software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, finances, and other business information disclosed by the Company either directly or indirectly in writing, orally, or by drawings or inspection of premises, parts, equipment, or other Company property. Notwithstanding the foregoing, Confidential Information shall not include (i) any of the foregoing items that have become publicly known through no unauthorized disclosure by me or others who were known to me to be under confidentiality obligations as to the item or items involved or (ii) any information that I am required to disclose to, or by, any governmental or judicial authority; *provided*, *however*, that in such event, to the extent permitted by law, I will give the Company prompt written notice thereof so that the Company Group may seek an appropriate protective order and/or waive in writing compliance with the confidentiality provisions of this Confidentiality, Non-Interference, and Invention Assignment Agreement (this "Non-Interference Agreement").

(b) Former Employer Information. I represent that my performance of all of the terms of this Non-Interference Agreement as an employee of the Company has not breached and will not breach any agreement to keep in confidence proprietary information, knowledge, or data acquired by me in confidence or trust prior or subsequent to the commencement of my

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employment with the Company, and I will not disclose to any member of the Company Group, or induce any member of the Company Group to use, any developments, or confidential or proprietary information or material I may have obtained in connection with employment with any prior employer in violation of a confidentiality agreement, nondisclosure agreement, or similar agreement with such prior employer.

**Section 2. Developments.**

(a) Developments Retained and Licensed. I have attached hereto, as Schedule A, a list describing with particularity all developments, original works of authorship, improvements, and trade secrets that I can demonstrate were created or owned by me prior to the commencement of my employment (collectively referred to as "Prior Developments"), which belong solely to me or belong to me jointly with another, that relate in any way to any of the actual or proposed businesses, products, or research and development of any member of the Company Group, and that are not assigned to the Company hereunder, or if no such list is attached, I represent that there are no such Prior Developments. If, during any period during which I perform or performed services for the Company Group both before or after the date hereof (the "Assignment Period"), whether as an officer, employee, director, independent contractor, consultant, or agent, or in any other capacity, I incorporate (or have incorporated) into a Company Group product or process a Prior Development owned by me or in which I have an interest, I hereby grant each member of the Company Group, and each member of the Company Group shall have, a non-exclusive, royalty-free, irrevocable, perpetual, transferable worldwide license (with the right to sublicense) to make, have made, copy, modify, make derivative works of, use, sell, and otherwise distribute such Prior Development as part of or in connection with such product or process.

(b) Assignment of Developments. I agree that I will, without additional compensation, promptly make full written disclosure to the Company, and will hold in trust for the sole right and benefit of the Company all developments, original works of authorship, inventions, concepts, know-how, improvements, trade secrets, and similar proprietary rights, whether or not patentable or registrable under copyright or similar laws, which I may solely or jointly conceive or develop or reduce to practice, or have solely or jointly conceived or developed or reduced to practice, or have caused or may cause to be conceived or developed or reduced to practice, during the Assignment Period, whether or not during regular working hours, provided they either (i) relate at the time of conception, development or reduction to practice to the business of any member of the Company Group, or the actual or anticipated research or development of any member of the Company Group; (ii) result from or relate to any work performed for any member of the Company Group; or (iii) are developed through the use of equipment, supplies, or facilities of any member of the Company Group, or any Confidential Information, or in consultation with personnel of any member of the Company Group (collectively referred to as "Developments"). I further acknowledge that all Developments made by me (solely or jointly with others) within the scope of and during the Assignment Period are "works made for hire" (to the greatest extent permitted by applicable law) for which I am, in part, compensated by my salary, unless regulated otherwise by law, but that, in the event any such Development is deemed not to be a work made for hire, I hereby assign to the Company, or its designee, all my right, title, and interest throughout the world in and to any such Development. If any Developments cannot be assigned, I hereby grant to the Company Group



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an exclusive, assignable, irrevocable, perpetual, worldwide, sublicenseable (through one or multiple tiers), royalty-free, unlimited license to use, make, modify, sell, offer for sale, reproduce, distribute, create derivative works of, publicly perform, publicly display and digitally perform and display such work in any media now known or hereafter known. Outside the scope of my service, whether during or after my employment with any member of the Company Group, I agree not to (i) modify, adapt, alter, translate, or create derivative works from any such work of authorship or (ii) merge any such work of authorship with other Developments. To the extent rights related to paternity, integrity, disclosure and withdrawal (collectively, "Moral Rights") may not be assignable under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, I hereby irrevocably waive such Moral Rights and consent to any action of the Company Group that would violate such Moral Rights in the absence of such consent.

(c) Maintenance of Records. I agree to keep and maintain adequate and current written records of all Developments made by me (solely or jointly with others) during the Assignment Period. The records may be in the form of notes, sketches, drawings, flow charts, electronic data or

recordings, and any other format. The records will be available to and remain the sole property of the Company Group at all times. I agree not to remove such records from the Company's place of business except as expressly permitted by Company Group policy, which may, from time to time, be revised at the sole election of the Company Group for the purpose of furthering the business of the Company Group.

(d) Intellectual Property Rights. I agree to assist the Company, or its designee, at the Company's expense, in all commercially reasonable ways to secure the rights of the Company Group in the Developments and any copyrights, patents, trademarks, service marks, database rights, domain names, mask work rights, moral rights, and other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments, recordations, and all other instruments that the Company shall deem necessary in order to apply for, obtain, maintain, and transfer such rights and in order to assign and convey to the Company Group the sole and exclusive right, title, and interest in and to such Developments, and any intellectual property and other proprietary rights relating thereto. I further agree that my obligation to execute or cause to be executed, when it is in my power to do so, any such instrument or papers shall continue after the Assignment Period until the expiration of the last such intellectual property right to expire in any country of the world; *provided*, *however*, the Company shall reimburse me for my reasonable expenses incurred in connection with carrying out the foregoing obligation. If the Company is unable because of my mental or physical incapacity or unavailability for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Developments or original works of authorship assigned to the Company as above, then I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact to act for and in my behalf and stead to execute and file any such applications or records and to do all other lawfully permitted acts to further the application for, prosecution, issuance, maintenance, and transfer of letters patent or registrations thereon with the same legal force and effect as if originally executed by me. I hereby waive and irrevocably quitclaim to the Company any and all claims, of any nature whatsoever, that I now or



hereafter have for past, present, or future infringement of any and all proprietary rights assigned to the Company.

**Section 3. Returning Company Group Documents.**

I agree that, at the time of termination of my employment with the Company for any reason, I will deliver to the Company (and will not keep in my possession, recreate, or deliver to anyone else) any and all Confidential Information and all other documents, materials, information, and property developed by me pursuant to my employment or otherwise belonging to the Company. I agree further that any property situated on the Company's premises and owned by the Company (or any other member of the Company Group), including disks and other storage media, filing cabinets, and other work areas, is subject to inspection by personnel of any member of the Company Group at any time with or without notice.

**Section 4. Disclosure of Agreement.**

As long as it remains in effect, I will disclose the existence of this Non-Interference Agreement to any prospective employer, partner, co-venturer, investor, or lender prior to entering into an employment, partnership, or other business relationship with such person or entity.

**Section 5. Restrictions on Interfering.**

(a) Non-Competition. During the period of my employment with the Company (the "Employment Period") and the Post-Termination Non-Compete Period, I shall not, directly or indirectly, individually or on behalf of any person, company, enterprise, or entity, or as a sole proprietor, partner, stockholder, director, officer, principal, agent, or executive, or in any other capacity or relationship, engage in any Competitive Activities, within the United States or any other jurisdiction in which the Company Group is actively engaged in business; provided that I shall be permitted to own securities of a public company not in excess of one percent (1%) of any class of such securities and such ownership shall not, by itself, violate the terms of this Section 5(a).

(b) Non-Interference. During the Employment Period and the Post-Termination Non-Interference Period, I shall not, directly or indirectly for my own account or for the account of any other individual or entity, engage in Interfering Activities.

(c) Definitions. For purposes of this Non-Interference Agreement:

(i) "Business Relation" shall mean any current or prospective client, customer, licensee, or other business relation of the Company Group, or any such relation that was a client, customer, licensee, supplier, or other business relation within the six (6) month period prior to the expiration of the Employment Period, in each case, to whom I provided services, or with whom I transacted business, or whose identity became known to me in connection with my relationship with or employment by the Company.



(ii) "Competitive Activities" shall mean mortgage insurance or reinsurance or any business activities in which any member of the Company Group is engaged (or has committed plans to engage) during the Employment Period.

(iii) "Interfering Activities" shall mean (A) encouraging, soliciting, or inducing, or in any manner attempting to encourage, solicit, or induce, any Person employed by, or providing consulting services to, any member of the Company Group to terminate such Person's employment or services (or in the case of a consultant, materially reducing such services) with the Company Group; (B) hiring any individual who was employed by the Company Group within the six (6) month period prior to the date of such hiring; or (C) encouraging, soliciting, or inducing, or in any manner attempting to encourage, solicit, or induce, any Business Relation to cease doing business with or reduce the amount of business conducted with the Company Group, or in any way interfering with the relationship between any such Business Relation and the Company Group.

(iv) "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust (charitable or non-charitable), unincorporated organization, or other form of business entity.

(v) "Post-Termination Non-Compete Period" shall mean the period commencing on the date of the termination of the Employment Period for any reason and ending on the eighteen (18) month anniversary of such date of termination.

(vi) "Post-Termination Non-Interference Period" shall mean the period commencing on the date of the termination of the Employment Period for any reason and ending on the eighteen (18) month anniversary of such date of termination.

(d) Non-Disparagement. I agree that during the Employment Period, and at all times thereafter, I will not make any disparaging or defamatory comments regarding any member of the Company Group or its respective current or former directors, officers, employees or shareholders in any respect or make any comments concerning any aspect of my relationship with any member of the Company Group or any conduct or events which precipitated any termination of my employment from any member of the Company Group. However, my obligations under this subparagraph (d) shall not apply to disclosures required by applicable law, regulation, or order of a court or governmental agency.

**Section 6. Reasonableness of Restrictions.**

I acknowledge and recognize the highly competitive nature of the Company's business, that access to Confidential Information renders me special and unique within the Company's industry, and that I will have the opportunity to develop substantial relationships with existing and prospective clients, accounts, customers, consultants, contractors, investors, and strategic partners of the Company Group during the course of and as a result of my employment with the Company. In light of the foregoing, I recognize and acknowledge that the restrictions and limitations set forth in this Non-Interference Agreement are reasonable and valid in geographical



and temporal scope and in all other respects and are essential to protect the value of the business and assets of the Company Group. I acknowledge further that the restrictions and limitations set forth in this Non-Interference Agreement will not materially interfere with my ability to earn a living following the termination of my employment with the Company and that my ability to earn a livelihood without violating such restrictions is a material condition to my employment with the Company.

**Section 7. Independence; Severability; Blue Pencil.**

Each of the rights enumerated in this Non-Interference Agreement shall be independent of the others and shall be in addition to and not in lieu of any other rights and remedies available to the Company Group at law or in equity. If any of the provisions of this Non-Interference Agreement or any part of any of them is hereafter construed or adjudicated to be invalid or unenforceable, the same shall not affect the remainder of this Non-Interference Agreement, which shall be given full effect without regard to the invalid portions. If any of the covenants contained herein are held to be invalid or unenforceable because of the duration of such provisions or the area or scope covered thereby, I agree that the court making such determination shall have the power to reduce the duration, scope, and/or area of such provision to the maximum and/or broadest duration, scope, and/or area permissible by law, and in its reduced form said provision shall then be enforceable.

**Section 8. Injunctive Relief.**

I expressly acknowledge that any breach or threatened breach of any of the terms and/or conditions set forth in this Non-Interference Agreement may result in substantial, continuing, and irreparable injury to the members of the Company Group. Therefore, I hereby agree that, in addition to any other remedy that may be available to the Company, any member of the Company Group shall be entitled to injunctive relief, specific performance, or other equitable relief by a court of appropriate jurisdiction in the event of any breach or threatened breach of the terms of this Non-Interference Agreement without the necessity of proving irreparable harm or injury as a result of such breach or threatened breach. Notwithstanding any other provision to the contrary, I acknowledge and agree that the Post-Termination Non-Compete Period, or Post-Termination Non-Interference Period, as applicable, shall be tolled during any period of violation of any of the covenants in Section 5 hereof and during any other period required for litigation during which the Company or any other member of the Company Group seeks to enforce such covenants against me if it is ultimately determined that I was in breach of such covenants.

**Section 9. Cooperation.**

I agree that, following any termination of my employment, I will continue to provide reasonable cooperation to the Company and/or any other member of the Company Group and its or their respective counsel in connection with any investigation, administrative proceeding, or litigation relating to any matter that occurred during my employment in which I was involved or of which I have knowledge. As a condition of such cooperation, the Company shall reimburse me for reasonable out-of-pocket expenses incurred at the request of the Company with respect to my compliance with this paragraph. I also agree that, in the event that I am subpoenaed by any person or entity (including, but not limited to, any government agency) to give testimony or



provide documents (in a deposition, court proceeding, or otherwise) that in any way relates to my employment by the Company and/or any other member of the Company Group, to the extent permitted by law, I will give prompt notice of such request to the Company and will make no disclosure until the Company and/or the other member of the Company Group has had a reasonable opportunity to contest the right of the requesting person or entity to such disclosure.

**Section 10. General Provisions.**

(a) Governing Law and Jurisdiction. EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THE VALIDITY, INTERPRETATION, CONSTRUCTION, AND PERFORMANCE OF THIS NON-INTERFERENCE AGREEMENT IS GOVERNED BY AND IS TO BE CONSTRUED UNDER THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD TO CONFLICT OF LAWS RULES. FURTHER, I HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS NON-INTERFERENCE AGREEMENT.

(b) Entire Agreement. This Non-Interference Agreement sets forth the entire agreement and understanding between the Company and me relating to the subject matter herein and merges all prior discussions between us. No modification or amendment to this Non-Interference Agreement, nor any waiver of any rights under this Non-Interference Agreement, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in my duties, obligations, rights, or compensation will not affect the validity or scope of this Non-Interference Agreement.

(c) No Right of Continued Employment. I acknowledge and agree that nothing contained herein shall be construed as granting me any right to continued employment by the Company, and the right of the Company to terminate my employment at any time and for any reason, with or without cause, is specifically reserved.

(d) Successors and Assigns. This Non-Interference Agreement will be binding upon my heirs, executors, administrators, and other legal representatives and will be for the benefit of the Company, its successors, and its assigns. I expressly acknowledge and agree that this Non-Interference Agreement may be assigned by the Company without my consent to any other member of the Company Group as well as any purchaser of all or substantially all of the assets or stock of the Company or of any business or division of the Company for which I provide services, whether by purchase, merger, or other similar corporate transaction, provided that the license granted pursuant to Section 2(a) may be assigned to any third party by the Company without my consent.

(e) Survival. The provisions of this Non-Interference Agreement shall survive the termination of my employment with the Company and/or the assignment of this Non-Interference Agreement by the Company to any successor in interest or other assignee.

* * *



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I, Mary Lourdes Gibbons, have executed this Confidentiality, Non-Interference, and Invention Assignment Agreement on the respective date set forth below:

Date: September 30, 2013

/s/ Mary Lourdes Gibbons
(Signature)

Mary Lourdes Gibbons

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**SCHEDULE A**

**LIST OF PRIOR DEVELOPMENTS**
**AND ORIGINAL WORKS OF AUTHORSHIP**
**EXCLUDED FROM SECTION 2**

| Title | Date | Identifying Number or Brief Description |
|---|---|---|
| | | |
| | | |

x No Developments or improvements

o Additional Sheets Attached

Signature of Executive: /s/ Mary Lourdes Gibbons

Print Name of Executive: Mary Lourdes Gibbons

Date: September 30, 2013

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**Exhibit B**

**RELEASE OF CLAIMS**

As used in this Release of Claims (this "Release"), the term "claims" will include all claims, covenants, warranties, promises, undertakings, actions, suits, causes of action, obligations, debts, accounts, attorneys' fees, judgments, losses, and liabilities, of whatsoever kind or nature, in law, in equity, or otherwise.

For and in consideration of the Severance Benefits (as defined in my Employment Agreement, dated September 30, 2013, with Essent US Holdings, Inc. (my "Employment Agreement")), and other good and valuable consideration, I, Mary Lourdes Gibbons, for and on behalf of myself and my heirs, administrators, executors, and assigns, effective as of the date on which this release becomes effective pursuant to its terms, do fully and forever release, remise, and discharge each of the Company, the Parent, and each of their respective direct and indirect subsidiaries and affiliates, and their respective successors and assigns, together with their respective officers, directors, partners, shareholders, employees, and agents (collectively, the "Group"), from any and all claims whatsoever up to the date hereof that I had, may have had, or now have against the Group, whether known or unknown, for or by reason of any matter, cause, or thing whatsoever, including any claim arising out of or attributable to my employment or the termination of my employment with the Company, whether for tort, breach of express or implied employment contract, intentional infliction of emotional distress, wrongful termination, unjust

dismissal, defamation, libel, or slander, or under any federal, state, or local law dealing with discrimination based on age, race, sex, national origin, handicap, religion, disability, or sexual orientation. This release of claims includes, but is not limited to, all claims arising under the Age Discrimination in Employment Act ("ADEA"), Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Civil Rights Act of 1991, the Family Medical Leave Act, the Employee Retirement Income Security Act of 1974 and the Equal Pay Act, each as may be amended from time to time, and all other federal, state, and local laws, the common law, and any other purported restriction on an employer's right to terminate the employment of employees. The release contained herein is intended to be a general release of any and all claims to the fullest extent permissible by law.

I acknowledge and agree that as of the date I execute this Release, I have no knowledge of any facts or circumstances that give rise or could give rise to any claims under any of the laws listed in the preceding paragraph.

By executing this Release, I specifically release all claims relating to my employment and its termination under ADEA, a United States federal statute that, among other things, prohibits discrimination on the basis of age in employment and employee benefit plans.

Notwithstanding any provision of this Release to the contrary, by executing this Release, I am not releasing (i) any claims relating to my rights under Section 8 of my Employment Agreement, (ii) any claims that cannot be waived by law, or (iii) my right of indemnification as provided by, and in accordance with the terms of, the Company's by-laws or a Company insurance policy providing such coverage, as any of such may be amended from time to time.

I expressly acknowledge and agree that I —

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- Am able to read the language, and understand the meaning and effect, of this Release;

- Have no physical or mental impairment of any kind that has interfered with my ability to read and understand the meaning of this Release or its terms, and that I am not acting under the influence of any medication, drug, or chemical of any type in entering into this Release;

- Am specifically agreeing to the terms of the release contained in this Release because the Company has agreed to pay me the Severance Benefits in consideration for my agreement to accept it in full settlement of all possible claims I might have or ever have had, and because of my execution of this Release;

- Acknowledge that, but for my execution of this Release, I would not be entitled to the Severance Benefits;

- Understand that, by entering into this Release, I do not waive rights or claims under ADEA that may arise after the date I execute this Release;

- Had or could have had [twenty-one (21)][forty-five (45)](1) days from the date of my termination of employment (the "Release Expiration Date") in which to review and consider this Release, and that if I execute this Release prior to the Release Expiration Date, I have voluntarily and knowingly waived the remainder of the review period;

- Have not relied upon any representation or statement not set forth in this Release or my Employment Agreement made by the Company or any of its representatives;

- Was advised to consult with my attorney regarding the terms and effect of this Release; and

- Have signed this Release knowingly and voluntarily.

I represent and warrant that I have not previously filed, and to the maximum extent permitted by law agree that I will not file, a complaint, charge, or lawsuit against any member of the Group regarding any of the claims released herein. If, notwithstanding this representation and warranty, I have filed or file such a complaint, charge, or lawsuit, I agree that I shall cause such complaint, charge, or lawsuit to be dismissed with prejudice and shall pay any and all costs required in obtaining dismissal of such complaint, charge, or lawsuit, including without limitation the attorneys' fees of any member of the Group against whom I have filed such a complaint, charge, or lawsuit. This paragraph shall not apply, however, to a claim of age

(1) To be selected based on whether applicable termination was "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967).



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discrimination under ADEA or to any non-waivable right to file a charge with the United States Equal Employment Opportunity Commission (the "EEOC"); *provided, however*, that if the EEOC were to pursue any claims relating to my employment with Company, I agree that I shall not be entitled to recover any monetary damages or any other remedies or benefits as a result and that this Release and Section 8 of my Employment Agreement will control as the exclusive remedy and full settlement of all such claims by me.

I hereby agree to waive any and all claims to re-employment with the Company or any other member of the Company Group and affirmatively agree not to seek further employment with the Company or any other member of the Company Group.

Notwithstanding anything contained herein to the contrary, this Release will not become effective or enforceable prior to the expiration of the period of seven (7) calendar days following the date of its execution by me (the "Revocation Period"), during which time I may revoke my acceptance of this Release by notifying the Company and the Board of Directors of the Company, in writing, delivered to the Company at its principal executive office, marked for the attention of its Chief Executive Officer. To be effective, such revocation must be received by the Company no later than 11:59 p.m. on the seventh ($7^{th}$) calendar day following the execution of this Release. Provided that the Release is executed and I do not revoke it during the Revocation Period, the eighth ($8^{th}$) day following the date on which this Release is executed shall be its effective date. I acknowledge and agree that if I revoke this Release

during the Revocation Period, this Release will be null and void and of no effect, and neither the Company nor any other member of the Company Group will have any obligations to pay me the Severance Benefits.

The provisions of this Release shall be binding upon my heirs, executors, administrators, legal personal representatives, and assigns. If any provision of this Release shall be held by any court of competent jurisdiction to be illegal, void, or unenforceable, such provision shall be of no force or effect. The illegality or unenforceability of such provision, however, shall have no effect upon and shall not impair the enforceability of any other provision of this Release.

EXCEPT WHERE PREEMPTED BY FEDERAL LAW, THE VALIDITY, INTERPRETATION, CONSTRUCTION, AND PERFORMANCE OF THIS RELEASE IS GOVERNED BY AND IS TO BE CONSTRUED UNDER THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN THAT STATE, WITHOUT REGARD TO CONFLICT OF LAWS RULES. ANY DISPUTE OR CLAIM ARISING OUT OF OR RELATING TO THIS RELEASE OR CLAIM OF BREACH HEREOF SHALL BE BROUGHT EXCLUSIVELY IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE, TO THE EXTENT FEDERAL JURISDICTION EXISTS, AND IN ANY COURT SITTING IN DELAWARE BUT ONLY IN THE EVENT FEDERAL JURISDICTION DOES NOT EXIST, AND ANY APPLICABLE APPELLATE COURTS. BY EXECUTION OF THIS RELEASE, I CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, AND WAIVE ANY RIGHT TO CHALLENGE JURISDICTION OR VENUE IN SUCH COURT WITH REGARD TO ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS RELEASE. FURTHER, I HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN CONNECTION



WITH ANY SUIT, ACTION, OR PROCEEDING UNDER OR IN CONNECTION WITH THIS RELEASE.

Capitalized terms used, but not defined herein, shall have the meanings ascribed to such terms in my Employment Agreement.

Mary Lourdes Gibbons
Date:

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**Exhibit 21.1**

**Essent Group Ltd.**

List of Subsidiaries

| Subsidiary | Jurisdiction of Incorporation/Formation |
|---|---|
| Essent Reinsurance Ltd.(1) | Bermuda |
| Essent Irish Intermediate Holdings Ltd.(1) | Republic of Ireland |
| Essent US Holdings, Inc.(2) | Delaware |
| Essent Guaranty of PA, Inc.(3) | Pennsylvania |
| CUW Solutions, LLC(3) | Delaware |
| Essent Guaranty, Inc.(3) | Pennsylvania |
| Essent Solutions, LLC(4) | Delaware |

(1) 100% of common shares held by Essent Group Ltd.

(2) 100% of common shares held by Essent Irish Intermediate Holdings Ltd.

(3) 100% of common shares held by Essent US Holdings Inc.

(4) 100% of common shares held by Essent Guaranty, Inc.

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Exhibit 21.1

Essent Group Ltd. List of Subsidiaries

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**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Registration No. 333-200311) and Form S-8 (Registration No. 333-192092) of Essent Group Ltd. of our report dated February 27, 2015 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
February 27, 2015

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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**Exhibit 31.1**

**CERTIFICATION**

I, Mark A. Casale, certify that:

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

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

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

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

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

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

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

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

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

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

Date: February 27, 2015

/s/ MARK A. CASALE

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

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Exhibit 31.1

CERTIFICATION

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**Exhibit 31.2**

**CERTIFICATION**

I, Lawrence E. McAlee, certify that:

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

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

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

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

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

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

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

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

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

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

Date: February 27, 2015

/s/ LAWRENCE E. MCALEE

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

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Exhibit 31.2

CERTIFICATION

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**Exhibit 32.1**

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

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

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2014 (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: February 27, 2015

/s/ MARK A. CASALE

Mark A. Casale
*President, Chief Executive Officer and Chairman*

/s/ LAWRENCE E. MCALEE

Lawrence E. McAlee
*Senior Vice President and Chief Financial Officer*

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Exhibit 32.1

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