

Enact Reports Third Quarter 2021 Results

November 2, 2021

GAAP Net Income of \$137 million, or \$0.84 per diluted share
Adjusted Net Operating Income of \$137 million, or \$0.84 per diluted share
13.2% return on equity and 13.2% adjusted return on equity
\$25.80 book value per share
PMIERs Sufficiency of 181% or \$2,287 million, highest level ever

RALEIGH, N.C., Nov. 02, 2021 (GLOBE NEWSWIRE) -- Enact Holdings, Inc. (Nasdaq: ACT) today announced financial results for the third quarter of 2021, ending September 30, 2021.

"We are very proud to begin our journey as a public company with one of our strongest quarters of financial and operational performance since the beginning of the pandemic," said Rohit Gupta, President and CEO of Enact. "Our results reflect the high credit quality of our insurance portfolio and continued execution of our growth strategy against the backdrop of a resilient housing market. Our recently completed IPO and ratings upgrades significantly enhance our ability to realize the full potential of the opportunities ahead of us. We are well positioned for the future, and our deep customer relationships, differentiated solutions, and strong risk and capital management discipline position Enact to drive long-term success and value creation."

Key Financial Highlights

<i>(In millions, except per share data or otherwise noted)</i>	3Q21	2Q21	3Q20
Net Income (loss)	\$137	\$131	\$138
<i>Diluted Net Income (loss) per share</i>	<i>\$0.84</i>	<i>\$0.80</i>	<i>\$0.85</i>
Adjusted Operating Income (loss)	\$137	\$134	\$139
<i>Adj. Diluted Operating Income (loss) per share</i>	<i>\$0.84</i>	<i>\$0.82</i>	<i>\$0.86</i>
NIW (\$B)	\$24.0	\$26.7	\$26.6
Primary IIF (\$B)	\$222	\$217	\$203
Net Premiums Earned	\$243	\$242	\$251
Losses Incurred	\$34	\$30	\$44
<i>Loss Ratio</i>	<i>14%</i>	<i>12%</i>	<i>18%</i>
Operating Expenses	\$59	\$67	\$59
<i>Expense Ratio</i>	<i>24%</i>	<i>27%</i>	<i>23%</i>
Net Investment Income	\$36	\$35	\$33
Return on Equity	13.2%	13.0%	14.2%
Adjusted Operating Return on Equity	13.2%	13.4%	14.3%
PMIERs Sufficiency (\$)	\$2,287	\$1,941	\$1,074
PMIERs Sufficiency (%)	181%	165%	132%

Third Quarter 2021 Financial and Operating Highlights

- Net income for the third quarter of 2021 was \$137 million, or \$0.84 per diluted share, compared with \$131 million for the second quarter of 2021 and \$138 million for the third quarter of 2020. The decrease in net income from the third quarter of 2020 was primarily driven by lower earned premiums and a full quarter of interest expense from our 2020 debt offering. These factors were partially offset by lower incurred losses. The increase in net income sequentially was driven by lower expenses and higher investment income as well as investment gains partially offset by higher losses in the current quarter.
- Adjusted net operating income for the third quarter of 2021 was \$137 million, or \$0.84 per diluted share, compared with \$134 million, or \$0.82 per diluted share for the second quarter of 2021 and \$139 million, or \$0.86 per diluted share, for the third quarter of 2020.
- New insurance written was \$24.0 billion, down 10% compared to \$26.7 billion in the second quarter of 2021. Our new insurance written for the third quarter was comprised of 90% monthly premium policies and 88% purchase originations.
- Primary Insurance-in-force was \$222 billion, up 2% compared to \$217 billion in the second quarter of 2021 and up 10% compared to \$203 billion in the third quarter of 2020.
- Persistency for the third quarter was 65%, up from 63% in the second quarter of 2021 and 59% in the third quarter of 2020. Persistency remains below the historical norm of approximately 80%.
- Net premiums earned were \$243 million, flat versus the second quarter of 2021 and down 3% compared to \$251 million in the third quarter of 2020. Net earned premium yield was down from the third quarter of 2020 driven by a combination of lower single premium cancellations, higher ceded premiums and the lapse of older, higher-priced policies as compared to our new insurance written.
- Losses incurred were \$34 million and the loss ratio was 14%, compared to \$30 million and 12%, respectively, in the second quarter of 2021, driven by seasonally higher new delinquencies, and \$44 million and 18%, respectively, in the third quarter of 2020, driven by lower new delinquencies partially offset by favorable incurred but not reported reserve development in the third quarter of 2020.

- Percentage of loans in default at quarter end was 3.1%, compared to 3.6% as of June 30, 2021, and 5.4% as of September 30, 2020, as cures continued to outpace new delinquencies for the fifth consecutive quarter.
- Operating expenses were \$59 million, and the expense ratio was 24%, compared to \$67 million and 27%, respectively, in the second quarter of 2021, driven by lower corporate overhead associated with the execution of the shared services agreement with Genworth Financial, Inc., and \$59 million and 23%, respectively, in the third quarter of 2020. The current quarter operating expenses include \$3 million of strategic transaction preparation costs and restructuring costs, which increased the expense ratio by 1 point. The second quarter 2021 operating expenses include \$6 million of strategic transaction preparation costs and restructuring costs, which increased the expense ratio by 2 points.
- Net investment income for the quarter was \$36 million, up 4% compared to \$35 million in the second quarter of 2021 and up 8% compared to \$33 million in the third quarter of 2020.
- Annualized return on equity for the third quarter of 2021 was 13.2%, and annualized adjusted operating return on equity was 13.2%.

Capital and Liquidity

- PMIERS sufficiency increased to 181% and \$2,287 million above the published PMIERS requirements compared to 165% and \$1,941 million above the published PMIERS requirements in the second quarter of 2021. PMIERS sufficiency improved sequentially driven, in part, by the completion of an insurance linked notes transaction, which added \$372 million of PMIERS capital credit as of September 30, 2021, as well as elevated lapse from prevailing low interest rates, business cash flows, and lower delinquencies, partially offset by NIW and amortization of existing reinsurance transactions.
- PMIERS sufficiency benefited from a 0.30 multiplier applied to the risk-based required asset factor for certain non-performing loans, which resulted in a reduction of the published PMIERS required assets by an estimated \$570 million at the end of the current quarter, compared to \$760 million at the end of the second quarter 2021 and \$1,217 million at the end of the third quarter 2020. These amounts are gross of incremental reinsurance benefits from the elimination of the 0.30 multiplier.
- Enact Holdings, Inc. held \$293 million of cash as of September 30, 2021, an increase of \$9 million from the prior quarter.
- We continue to assess economic and business conditions, including the resolution of forbearance related delinquencies, in support of a fourth quarter dividend to shareholders. To date, aggregate performance indications have been supportive. If these indications remain supportive, we intend to recommend the issuance of a \$200 million dividend in 2021 to the Independent Capital Committee and our Board of Directors for their approval.

Recent Events

- On September 2, 2021, Enact's flagship mortgage insurance company, Genworth Mortgage Insurance Corporation (GMICO), secured \$372 million of fully collateralized excess-of-loss reinsurance coverage on a portfolio of existing seasoned mortgage insurance policies written from January 1, 2021, through June 30, 2021, through the issuance of an insurance linked notes transaction.
- On September 16, 2021, Enact successfully completed its initial public offering. Subsequently, S&P, Moody's and Fitch each upgraded GMICO's insurance financial strength ratings by one or two notches. GMICO's upgraded ratings follow:
 - S&P: BBB with Positive outlook
 - Moody's: Baa2 with Stable outlook
 - Fitch: BBB+ with Stable outlook

Conference Call and Financial Supplement Information

This press release and the third quarter 2021 financial supplement are now posted on the Company's website, <https://ir.enactmi.com>. Additional information regarding business results will be posted on the Company's website, by 8:00 a.m. on November 3, 2021. Investors are encouraged to review these materials.

Enact will discuss third quarter 2021 financial results in a conference call tomorrow, Wednesday, November 3, 2021, at 8:00 a.m. Eastern daylight time. Enact's conference call can be accessed via telephone and Internet. The dial-in number for Enact's November 3 conference call is 833-730-3978 or 720-405-2123 (outside the U.S.); conference ID #8756793. To participate in the call by webcast, register at <https://ir.enactmi.com/news-and-events/events> at least 15 minutes prior to the webcast to download and install any necessary software.

A digital replay of the webcast will be available on the Enact website following the live broadcast for a period of one year at <https://ir.enactmi.com/news-and-events/events>.

In addition to the information provided in the company's earnings news release, other statistical and financial information, which is expected to be referred to during the conference call, is available on Enact's website at <https://ir.enactmi.com>.

About Enact

Enact Holdings, Inc. (Nasdaq: ACT), operating principally through its wholly owned subsidiary Genworth Mortgage Insurance Corp. since 1981, is a leading U.S. private mortgage insurance provider committed to helping more people achieve the dream of homeownership. Building on a deep understanding of lenders' businesses and a legacy of financial strength, we partner with lenders to bring best-in class service, leading underwriting expertise, and extensive risk and capital management to the mortgage process, helping to put more people in homes and keep them there. By empowering customers and their borrowers, Enact seeks to positively impact the lives of those in the communities in which it serves in a sustainable way. Enact is headquartered in Raleigh, North Carolina.

Safe Harbor Statement

This communication contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act. These forward-looking statements may address, among other things, our expected financial and operational results, the related assumptions underlying our expected results, and the quotations of management. These forward-looking statements are distinguished by use of words such as “will,” “would,” “anticipate,” “expect,” “believe,” “designed,” “plan,” or “intend,” the negative of these terms, and similar references to future periods. These views involve risks and uncertainties that are difficult to predict and, accordingly, our actual results may differ materially from the results discussed in our forward-looking statements. Our forward-looking statements contained herein speak only as of the date of this press release. Factors or events that we cannot predict, including uncertainty around Covid-19 and the effects of government and other measures seeking to contain its spread, risks related to an economic downturn or recession in the United States and in other countries around the world, changes in political, business, regulatory, and economic conditions and other factors described in the risk factors contained in our filings with the Securities and Exchange Commission, may cause our actual results to differ from those expressed in forward-looking statements. Although Enact believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, the Company can give no assurance that its expectations will be achieved and it undertakes no obligation to update publicly any forward-looking statements as a result of new information, future events, or otherwise, except as required by applicable law.

GAAP/Non-GAAP Disclosure Discussion

This communication includes the non-GAAP financial measures entitled “adjusted operating income (loss)”, “adjusted operating income (loss) per share”, and “adjusted operating return on equity.” Adjusted operating income (loss) per share is derived from adjusted operating income (loss). The chief operating decision maker evaluates performance and allocates resources on the basis of adjusted operating income (loss). The Company defines adjusted operating income (loss) as net income (loss) excluding the after-tax effects of net investment gains (losses), restructuring costs and infrequent or unusual non-operating items. The Company excludes net investment gains (losses) and infrequent or unusual non-operating items because the company does not consider them to be related to the operating performance of the company and other activities. The recognition of realized investment gains or losses can vary significantly across periods as the activity is highly discretionary based on the timing of individual securities sales due to such factors as market opportunities or exposure management. Trends in the profitability of our fundamental operating activities can be more clearly identified without the fluctuations of these realized gains and losses. We do not view them to be indicative of our fundamental operating activities. Therefore, these items are excluded from our calculation of adjusted operating income. In addition, adjusted operating income (loss) per share is derived from adjusted operating income (loss) divided by shares outstanding. Adjusted operating return on equity is calculated as annualized adjusted operating income for the period indicated divided by the average of current period and prior periods’ ending total stockholders’ equity.

While some of these items may be significant components of net income (loss) in accordance with U.S. GAAP, the company believes that adjusted operating income (loss) and measures that are derived from or incorporate adjusted operating income (loss), including adjusted operating income (loss) per share on a basic and diluted basis and adjusted operating return on equity, are appropriate measures that are useful to investors because they identify the income (loss) attributable to the ongoing operations of the business. Management also uses adjusted operating income (loss) as a basis for determining awards and compensation for senior management and to evaluate performance on a basis comparable to that used by analysts. Adjusted operating income (loss) and adjusted operating income (loss) per share on a basic and diluted basis are not substitutes for net income (loss) available to Enact Holdings, Inc.’s common stockholders or net income (loss) available to Enact Holdings, Inc.’s common stockholders per share on a basic and diluted basis determined in accordance with U.S. GAAP. In addition, the company’s definition of adjusted operating income (loss) may differ from the definitions used by other companies.

Adjustments to reconcile net income (loss) available to Enact Holdings, Inc.’s common stockholders to adjusted operating income (loss) assume a 21% tax rate.

Consolidated Statements of Income (amounts in thousands, except per share amounts)

	2021			2020	
	3Q	2Q	1Q	4Q	3Q
REVENUES:					
Premiums	\$ 243,063	\$ 242,480	\$ 252,542	\$ 250,891	\$ 251,423
Net investment income	35,995	34,689	35,259	34,953	33,197
Net investment gains (losses)	580	(1,753)	(956)	(1,371)	(1,609)
Other Income	671	705	1,738	1,041	1,325
Total revenues	280,309	276,121	288,583	285,514	284,336
LOSSES AND EXPENSES:					
Losses incurred	34,124	30,003	55,374	89,049	44,475
Acquisition and operating expenses, net of deferrals	55,151	63,050	57,622	59,551	54,994
Amortization of deferred acquisition costs and intangibles	3,669	3,597	3,838	9,486	3,873
Interest expense	12,756	12,745	12,737	12,732	5,512
Total losses and expenses	105,700	109,395	129,571	170,818	108,854
INCOME (LOSS) BEFORE INCOME TAXES	174,609	166,726	159,012	114,696	175,482
Provision (benefit) for income taxes	37,401	35,914	33,881	23,515	37,467
NET INCOME (LOSS)	137,208	130,812	125,131	91,181	138,015
Net investment (gains) losses	(580)	1,753	956	1,371	1,609

Costs associated with reorganization	339	2,316	-	-	-
Taxes on adjustments	50	(854)	(201)	(288)	(338)
Adjusted Operating Income (Loss)	\$ 137,017	\$ 134,027	\$ 125,886	\$ 92,264	\$ 139,286
Loss Ratio (1)	14%	12%	22%	35%	18%
Expense Ratio (2)	24%	27%	24%	28%	23%
Earnings (Loss) Per Share Data:					
Net Income (loss) per share					
Basic	\$ 0.84	\$ 0.80	\$ 0.77	\$ 0.56	\$ 0.85
Diluted	\$ 0.84	\$ 0.80	\$ 0.77	\$ 0.56	\$ 0.85
Adj operating income (loss) per share					
Basic	\$ 0.84	\$ 0.82	\$ 0.77	\$ 0.57	\$ 0.86
Diluted	\$ 0.84	\$ 0.82	\$ 0.77	\$ 0.57	\$ 0.86
Weighted-average common shares outstanding					
Basic	162,840	162,840	162,840	162,840	162,840
Diluted	162,852	162,840	162,840	162,840	162,840

(1) The ratio of losses incurred to net earned premiums.

(2) The ratio of acquisition and operating expenses, net of deferrals, and amortization of DAC and intangibles to net earned premiums. Expenses associated with strategic transaction preparations and restructuring costs increased the expense ratio by one percentage point for the three months ending September 30, 2021, three percentage points for three months ended June 30, 2021, and one percentage point for three months ended March 31, 2021.

Consolidated Balance Sheets
(amounts in thousands, except per share amounts)

	2021			2020	
	September 30	June 30	March 31	December 31	September 30
Assets					
Investments:					
Fixed maturity securities available-for-sale, at fair value	\$ 5,376,067	\$ 5,256,467	\$ 5,106,128	\$ 5,046,596	\$ 4,808,379
Short term investments	12,500	12,499	12,500	-	-
Total investments	5,388,567	5,268,966	5,118,628	5,046,596	4,808,379
Cash and cash equivalents	451,582	435,323	431,335	452,794	556,734
Accrued investment income	31,372	30,843	28,821	29,210	28,965
Deferred acquisition costs	27,788	28,322	28,544	28,872	33,228
Premiums receivable	43,425	43,287	42,454	46,464	37,917
Deferred tax asset	-	-	-	-	-
Other assets	48,572	55,348	49,921	48,774	44,993
Total assets	\$ 5,991,306	\$ 5,862,089	\$ 5,699,703	\$ 5,652,710	\$ 5,510,216
Liabilities and Shareholder's Interest					
Liabilities:					
Loss Reserves	\$ 648,365	\$ 624,256	\$ 603,528	\$ 555,679	\$ 474,744
Unearned premiums	254,806	263,573	280,742	306,945	328,369
Other liabilities	129,464	119,289	121,609	133,302	171,751
Long-term borrowings	739,838	739,269	738,711	738,162	737,622
Deferred tax liability	17,452	25,851	19,787	36,811	31,100
Total liabilities	1,789,925	1,772,238	1,764,377	1,770,899	1,743,586
Equity:					
Common stock	1,628	1,628	1,628	1,628	1,628
Additional paid-in capital	2,369,822	2,369,601	2,368,782	2,368,699	2,367,631
Accumulated other comprehensive income	133,955	159,854	136,960	208,378	183,747
Retained earnings	1,695,976	1,558,768	1,427,956	1,303,106	1,213,624
Total equity	4,201,381	4,089,851	3,935,326	3,881,811	3,766,630
Total liabilities and equity	\$ 5,991,306	\$ 5,862,089	\$ 5,699,703	\$ 5,652,710	\$ 5,510,216
Book value per share	\$ 25.80	\$ 25.12	\$ 24.17	\$ 23.84	\$ 23.13

U.S. GAAP ROE (1)	13.2%	13.0%	12.8%	9.5%	14.2%
Net investment (gains) losses	(0.1)%	0.2%	0.1%	0.1%	0.2%
Costs associated with reorganization	0.0%	0.2%	0.0%	0.0%	0.0%
Taxes on adjustments	0.0%	(0.1)%	(0.0)%	(0.0)%	(0.0)%
Adjusted Operating ROE(2)	13.2%	13.4%	12.9%	9.7%	14.3%
Debt to Capital Ratio	15%	15%	16%	16%	16%

(1) Calculated as annualized net income for the period indicated divided by the average of current period and prior periods' ending total stockholders' equity

(2) Calculated as annualized adjusted operating income for the period indicated divided by the average of current period and prior periods' ending total stockholders' equity

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