ENACT HOLDINGS, INC.

Condensed Consolidated Financial Statements

For the Three Months Ended March 31, 2021 and 2020

ENACT HOLDINGS, INC.

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ENACT HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except par value and per share amounts)	March 31, 2021 (Unaudited)	December 31, 2020
Assets		
Investments:		
Fixed maturity securities available-for-sale, at fair value (amortized cost of $4,933,373 and allowance for credit losses of $1,210 as of March 31, 2021)	$ 5,106,128	$ 5,046,596
Short-term investments, at fair value	12,500	—
Total investments	5,118,628	5,046,596
Cash and cash equivalents	431,335	452,794
Accrued investment income	28,821	29,210
Deferred acquisition costs	28,544	28,872
Premiums receivable (allowance for credit losses of $911 as of March 31, 2021)	42,454	46,464
Other assets	49,921	48,774
Total assets	**$ 5,699,703**	**$ 5,652,710**
Liabilities and equity		
Liabilities:		
Loss reserves	$ 603,528	$ 555,679
Unearned premiums	280,742	306,945
Other liabilities	121,609	133,302
Long-term borrowings	738,711	738,162
Deferred tax liability	19,787	36,811
Total liabilities	**1,764,377**	**1,770,899**
Equity:		
Common stock ($0.01 par value, 600,000 shares authorized, 162,840 shares issued and outstanding)	1,628	1,628
Additional paid-in capital	2,368,782	2,368,699
Accumulated other comprehensive income	136,960	208,378
Retained earnings	1,427,956	1,303,106
Total equity	**3,935,326**	**3,881,811**
Total liabilities and equity	**$ 5,699,703**	**$ 5,652,710**

See Notes to Condensed Consolidated Financial Statements

ENACT HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Amounts in thousands, except per share amounts)	Three months ended March 31, 2021	Three months ended March 31, 2020
Revenues:		
Premiums	$ 252,542	$ 226,198
Net investment income	35,259	32,731
Net investment gains (losses)	(956)	95
Other income	1,738	1,553
Total revenues	**288,583**	**260,577**
Losses and expenses:		
Losses incurred	55,374	17,484
Acquisition and operating expenses, net of deferrals	57,622	51,632
Amortization of deferred acquisition costs and intangibles	3,838	3,896
Interest expense	12,737	—
Total losses and expenses	**129,571**	**73,012**
Income before income taxes	**159,012**	**187,565**
Provision for income taxes	33,881	42,300
Net income	**$ 125,131**	**$ 145,265**
Net income per common share — basic and diluted	$ 0.77	$ 0.89
Weighted average common shares outstanding — basic and diluted	162,840	162,840

See Notes to Condensed Consolidated Financial Statements

ENACT HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended March 31,	
(Amounts in thousands)	**2021**	**2020**
Net income	$ 125,131	$ 145,265
Cumulative effect of change in accounting, net of taxes	281	—
Other comprehensive income (loss), net of taxes:		
Net unrealized gains (losses) on securities without an allowance for credit losses	(70,192)	—
Net unrealized gains (losses) on securities with an allowance for credit losses	(1,507)	—
Net unrealized gains (losses) on securities not other-than-temporarily impaired	—	(109,116)
Total comprehensive income	**$ 53,713**	**$ 36,149**

See Notes to Condensed Consolidated Financial Statements

ENACT HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

(Amounts in thousands)	Three months ended March 31, 2021 Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
Balances as of December 31, 2020	**$ 1,628**	**$2,368,699**	**$ 208,378**	**$1,303,106**	**$ 3,881,811**
Cumulative effect of change in accounting, net of taxes	—	—	281	(281)	—
Comprehensive income (loss):					
Net income	—	—	—	125,131	125,131
Other comprehensive loss, net of taxes	—	—	(71,699)	—	(71,699)
Total comprehensive income					53,432
Capital contributions from Genworth Financial, Inc.	—	83	—	—	83
Balances as of March 31, 2021	**$ 1,628**	**$2,368,782**	**$ 136,960**	**$1,427,956**	**$ 3,935,326**

	Three months ended March 31, 2020 Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
Balances as of December 31, 2019	**$ 1,628**	**$2,361,978**	**$ 93,431**	**$1,370,038**	**$ 3,827,075**
Comprehensive income (loss):					
Net income	—	—	—	145,265	145,265
Other comprehensive loss, net of taxes	—	—	(109,116)	—	(109,116)
Total comprehensive income					36,149
Capital contributions from Genworth Financial, Inc.	—	1,733	—	—	1,733
Balances as of March 31, 2020	**$ 1,628**	**$2,363,711**	**$ (15,685)**	**$1,515,303**	**$ 3,864,957**

See Notes to Condensed Consolidated Financial Statements

ENACT HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Amounts in thousands)	Three months ended March 31, 2021	2020
Cash flows from operating activities:		
Net income	$ 125,131	$ 145,265
Adjustments to reconcile net income to net cash provided by operating activities:		
Net (gains) losses on investments	956	(95)
Amortization of fixed maturity securities discounts and premiums	(2,845)	(1,016)
Amortization of deferred acquisition costs and intangibles	3,838	3,896
Acquisition costs deferred	(1,777)	(2,521)
Deferred income taxes	2,349	8,565
Other	83	1,733
Change in certain assets and liabilities:		
Accrued investment income	389	(2,407)
Premiums receivable	4,010	1,329
Other assets	(2,129)	859
Loss reserves	47,849	(4,333)
Unearned premiums	(26,203)	(17,617)
Other liabilities	(24,623)	16,638
Net cash provided by operating activities	**127,028**	**150,296**
Cash flows from investing activities:		
Purchases of fixed maturity securities available-for-sale and short-term investments	(540,222)	(496,217)
Proceeds from sales of fixed maturity securities available-for-sale	230,398	2,131
Maturities of fixed maturity securities available for sale	161,337	60,941
Net cash used in investing activities	**(148,487)**	**(433,145)**
Net cash provided by (used in) financing activities	—	—
Net decrease in cash and cash equivalents	(21,459)	(282,849)
Cash and cash equivalents at beginning of period	452,794	585,058
Cash and cash equivalents at end of period	**$ 431,335**	**$ 302,209**
Supplementary disclosure of cash flow information:		
Non-cash contributions of capital from Genworth Financial, Inc.	$ 83	$ 1,733

See Notes to Condensed Consolidated Financial Statements

(1) Nature of Business, Organization Structure and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include on a consolidated basis the accounts of Enact Holdings, Inc. ("EHI," together with its subsidiaries, the "Company," "we," "us" or "our") (formerly known as Genworth Mortgage Holdings, Inc.). EHI has been a wholly owned subsidiary of Genworth Financial, Inc. ("Genworth" or "Parent") since EHI's incorporation in Delaware in 2012. On May 3, 2021, EHI amended its certificate of incorporation to change its name from Genworth Mortgage Holdings, Inc. This amendment also authorized EHI to issue 600,000,000 shares of common stock, each having a par value of $0.01 per share. Concurrently, we entered into a share exchange agreement with Genworth Holdings, Inc. ("Genworth Holdings"), pursuant to which Genworth Holdings exchanged its 100 shares of common stock, representing all of the previously issued and outstanding capital stock, for 162,840,000 newly-issued shares of common stock, par value $0.01, of EHI. All of the share and per share information presented in the condensed consolidated financial statements and notes to the condensed consolidated financial statements have been adjusted to reflect the share exchange on a retroactive basis for all periods and as of all dates presented.

On November 29, 2019, Genworth completed a holding company reorganization whereby Genworth contributed 100% of the issued and outstanding voting securities of the Company to Genworth Holdings. Post-contribution, we are a direct, wholly owned subsidiary of Genworth Holdings, and Genworth Holdings is still a direct, wholly owned subsidiary of Genworth. We are engaged in the business of writing and assuming residential mortgage guaranty insurance. The insurance protects lenders and investors against certain losses resulting from nonpayment of loans secured by mortgages, deeds of trust, or other instruments constituting a lien on residential real estate.

We offer private mortgage insurance products predominantly insuring prime-based, individually underwritten residential mortgage loans ("primary mortgage insurance"). Our primary mortgage insurance enables borrowers to buy homes with a down payment of less than 20% of the home's value. Primary mortgage insurance also facilitates the sale of these low down payment mortgage loans in the secondary mortgage market, most of which are sold to government sponsored enterprises. We also selectively enter into insurance transactions with lenders and investors, under which we insure a portfolio of loans at or after origination.

We operate our business through our primary insurance subsidiary, Genworth Mortgage Insurance Corporation ("GMICO"), with operations in all 50 states and the District of Columbia. GMICO is an approved insurer by the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"). Fannie Mae and Freddie Mac are government-sponsored enterprises and we refer to them collectively as the "GSEs."

We also perform fee-based contract underwriting services for mortgage lenders. The provision of underwriting services by mortgage insurers eliminates the duplicative lender and mortgage insurer underwriting activities and expedites the approval process.

We operate our business in a single segment, which is how our chief operating decision maker (who is our chief executive officer) reviews our financial performance and allocates resources. Our segment includes a run-off insurance block with reference properties in Mexico ("run-off business"), which is immaterial to our condensed consolidated financial statements. In April 2021, we entered into an agreement to purchase our Parent's minority ownership interest in its mortgage guarantee business in India for a cash purchase price that is not material to us. The closing of the transaction is subject to customary closing conditions, including receipt of any required regulatory approvals.

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Preparing financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. These unaudited condensed consolidated financial statements include all adjustments (including normal recurring adjustments) considered necessary by management to present a fair statement of the financial position, results of operations and cash flows for the periods presented. The results reported in these unaudited condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. Potential impacts, risks and uncertainties of the coronavirus pandemic ("COVID-19") may include declines in investment valuations and impairments, deferred acquisition cost ("DAC") or intangible assets impairments or the acceleration of amortization, deferred tax asset recoverability and increases to loss reserves, among other matters. The unaudited condensed consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and related notes for the years ended December 31, 2020 and 2019.

On July 20, 2020, Genworth reached a settlement agreement with AXA S.A. ("AXA") regarding a dispute over payment protection insurance mis-selling claims sold by Genworth's former lifestyle protection insurance business that was acquired by AXA in 2015. As part of the settlement agreement, Genworth issued a secured promissory note agreeing to pay AXA in two installments in 2022, unless certain events occur that trigger mandatory prepayments, as well as a significant portion of future claims that are still being processed which will be part of the second installment payment in 2022. On March 3, 2021, Genworth repaid the first installment payment originally due to AXA in June 2022 and a portion of the second installment payment due to AXA in September 2022 from cash proceeds received from the sale of Genworth's Australian mortgage insurance business (the "March 2021 Mandatory Prepayment"). As of March 31, 2021, and after applying the March 2021 Mandatory Prepayment, Genworth owes approximately £249 million ($343 million) to AXA, which is subject to increase. Under the terms of the secured promissory note, as amended, Genworth pledged as collateral to AXA a 19.9% security interest in our outstanding common stock. Unless an event of default has occurred under the promissory note, AXA does not have the right to sell or repledge the collateral and the security interest does not entitle AXA to voting rights. The collateral will be released back to Genworth upon full repayment of the promissory note. Accordingly, the collateral arrangement has no impact on our consolidated financial statements.

(2) Accounting Changes

Accounting Pronouncements Recently Adopted

On January 1, 2021, we early adopted new accounting guidance related to simplifying the accounting for income taxes. The guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. We adopted this new accounting guidance using the retrospective method or modified retrospective method for certain changes and prospective method for all other changes, which did not have a significant impact on our consolidated financial statements and disclosures.

On January 1, 2021, we early adopted new accounting guidance related to accounting for credit losses on financial instruments. The guidance requires entities to recognize an allowance equal to its estimate of lifetime expected credit losses and applies to most debt instruments not measured at fair value.

The new guidance retains most of the existing impairment guidance for available-for-sale fixed maturity securities but amends the presentation of credit losses to be presented as an allowance as opposed to a write-down and permits the reversal of credit losses when reassessing changes in the credit losses each reporting period. Available-for-sale fixed maturity securities in an unrealized loss position are evaluated to determine whether the decline in fair value is related to credit losses or other factors. In making this assessment, we consider the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency/agencies and adverse conditions specifically related to the security, among other factors. If a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, an allowance for credit losses is recorded, limited by the amount that the fair value is less than the amortized cost basis. Estimating the cash flows expected to be collected is a quantitative and qualitative process that incorporates information received from third-party sources along with internal assumptions and judgments. When developing the estimate of cash flows expected to be collected, we utilize an analytical model that provides for various loss scenarios and consider the industry sector, current levels of subordination, geographic location and other relevant characteristics of the security or underlying assets, as well as reasonable and supportable forecasts. Losses are written off against the allowance when deemed uncollectible or when we intend to sell or expect we will be required to sell a security prior to recovering our amortized cost. We exclude accrued interest related to available-for-sale fixed maturity securities from the estimate of allowance for credit losses. Accrued interest is included in accrued investment income in our condensed consolidated balance sheet. We do not measure an allowance for credit losses related to accrued interest as uncollectible accrued interest related to our available-for-sale fixed maturity securities is written off after 90 days and once collectability is determined to be uncertain and not probable. Amounts written off related to accrued interest are recorded as a credit loss expense included in net investment gains (losses). We adopted the guidance related to our available-for-sale fixed maturity securities using the modified retrospective method, which did not have a significant impact on our consolidated financial statements.

The new guidance further requires that expected credit losses on premiums receivable are measured in accordance with the credit loss requirements for financial instruments measured at amortized cost. Due to the short-term nature of our premiums receivable, we consider lifetime expected credit losses on premiums receivable to be consistent with our current allowance and as a result the new accounting guidance did not have an impact on premiums receivable upon adoption.

The new guidance also requires the recognition of an allowance for expected credit losses as a liability in our consolidated balance sheet for off-balance sheet credit exposures, including private placement investments. We adopted the guidance related to our off-balance sheet credit exposures using the modified retrospective method, which did not have an impact on our consolidated financial statements.

(3) Investments

Net Investment Income

Sources of net investment income were as follows for the three months ended March 31:

(Amounts in thousands)	2021	2020
Fixed maturity securities available-for-sale	$ 36,651	$ 32,202
Cash, cash equivalents and short-term investments	36	1,779
Gross investment income before expenses and fees	36,687	33,981
Investment expenses and fees	(1,428)	(1,250)
Net investment income	**$ 35,259**	**$ 32,731**

Net Investment Gains (Losses)

The following table sets forth net investment gains (losses) for the three months ended March 31:

(Amounts in thousands)	2021	2020
Fixed maturity securities available-for-sale:		
Gross realized gains	$ 494	$ 95
Gross realized (losses)	(592)	—
Net realized gains (losses)	(98)	95
Impairments:		
Total other-than-temporary impairments	—	—
Portion of other-than-temporary impairments included in other comprehensive income (loss)	—	—
Net other-than-temporary impairments	—	—
Net change in allowance for credit losses on fixed maturity securities available-for-sale	(853)	—
Other	(5)	—
Net investment gains (losses)	**$ (956)**	**$ 95**

The following table represents the allowance for credit losses aggregated by security type for fixed maturity available-for-sale securities as of and for the three months ended March 31, 2021:

(Amounts in thousands)	Beginning balance	Cumulative effect of change in accounting	Increase from securities without allowance in previous periods	Ending balance
Fixed maturity securities:				
Non-U.S. corporate	$ —	$ 357	$ 853	$ 1,210
Total fixed maturity securities available-for-sale	**$ —**	**$ 357**	**$ 853**	**$ 1,210**

Unrealized Investment Gains (Losses)

Net unrealized gains and losses on available-for-sale securities reflected as a separate component of accumulated other comprehensive income ("OCI") were as follows as of the dates indicated:

(Amounts in thousands)	March 31, 2021	December 31, 2020
Net unrealized gains (losses) on fixed maturity securities without an allowance for credit losses	$ 175,879	$ —
Net unrealized gains (losses) on fixed maturity securities with an allowance for credit losses	(1,914)	—
Net unrealized gains (losses) on fixed maturity securities not other-than-temporarily impaired	—	264,680
Net unrealized gains (losses) on fixed maturity securities other-than-temporarily impaired	—	—
Subtotal	173,965	264,680
Income taxes	(37,005)	(56,302)
Net unrealized investment gains (losses)	**$ 136,960**	**$ 208,378**

The change in net unrealized gains (losses) on available-for-sale securities reported in accumulated other comprehensive income was as follows as of and for the three months ended March 31:

(Amounts in thousands)	2021	2020
Beginning balance	**$ 208,378**	**$ 93,431**
Cumulative effect of change in accounting, net of taxes	281	—
Unrealized gains (losses) arising during the period:		
Unrealized gains (losses) on investment securities	(91,170)	(141,420)
Provision for income taxes	19,394	32,394
Change in unrealized gains (losses) on investment securities	(71,776)	(109,026)
Reclassification adjustments to net investment (gains) losses, net of taxes of $(21) and $24, respectively	77	(90)
Change in net unrealized investment gains (losses)	(71,699)	(109,116)
Ending balance	**$ 136,960**	**$ (15,685)**

Amounts reclassified out of accumulated other comprehensive income to net investment gains (losses) include realized gains (losses) on sales of securities, which are determined on a specific identification basis.

Fixed Maturity Securities Available-For-Sale

As of March 31, 2021, the amortized cost, gross unrealized gains (losses), allowance for credit losses and fair value of our fixed maturity securities classified as available-for-sale were as follows:

(Amounts in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Allowance for credit losses	Fair value
U.S. government, agencies and GSEs	$ 67,780	$ 3,053	$ (1)	$ —	$ 70,832
State and political subdivisions	292,997	11,288	(4,181)	—	300,104
Non-U.S. government	29,530	1,019	(134)	—	30,415
U.S. corporate	2,715,302	141,460	(11,987)	—	2,844,775
Non-U.S. corporate	663,035	22,967	(5,490)	(1,210)	679,302
Other asset-backed	1,164,729	17,708	(1,737)	—	1,180,700
Total fixed maturity securities available-for-sale	**$ 4,933,373**	**$ 197,495**	**$ (23,530)**	**$ (1,210)**	**$ 5,106,128**

As of December 31, 2020, the amortized cost, gross unrealized gains (losses) and fair value of our fixed maturity securities classified as available-for-sale were as follows:

		Gross unrealized gains		Gross unrealized losses		
(Amounts in thousands)	Amortized cost	Not other-than-temporarily impaired	Other-than-temporarily impaired	Not other-than-temporarily impaired	Other-than-temporarily impaired	Fair value
U.S. government, agencies and GSEs	$ 134,215	$ 4,009	$ —	$ —	$ —	$ 138,224
State and political subdivisions	172,631	14,749	—	(3)	—	187,377
Non-U.S. government	29,592	1,439	—	—	—	31,031
U.S. corporate	2,695,009	194,961	—	(1,345)	—	2,888,625
Non-U.S. corporate	578,295	32,251	—	(2,877)	—	607,669
Other asset-backed	1,172,174	21,830	—	(334)	—	1,193,670
Total fixed maturity securities available-for-sale	**$ 4,781,916**	**$ 269,239**	**$ —**	**$ (4,559)**	**$ —**	**$ 5,046,596**

Gross Unrealized Losses and Fair Values of Fixed Maturity Securities Available-For-Sale

The following table presents the gross unrealized losses and fair values of our fixed maturity securities for which an allowance for credit losses has not been recorded, aggregated by investment type and length of time that individual fixed maturity securities have been in a continuous unrealized loss position, as of March 31, 2021:

	Less than 12 months			12 months or more			Total		
(Amounts in thousands)	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities
Fixed maturity securities:									
U.S. government, agencies and GSEs	$ 104	$ (1)	1	$ —	$ —	—	$ 104	$ (1)	1
State and political subdivisions	183,803	(4,181)	40	—	—	—	183,803	(4,181)	40
Non-U.S. government	10,722	(134)	1	—	—	—	10,722	(134)	1
U.S. corporate	391,644	(11,857)	52	4,813	(130)	1	396,457	(11,987)	53
Non-U.S. corporate	195,342	(3,355)	27	9,641	(221)	3	204,983	(3,576)	30
Other asset-backed	225,494	(1,711)	36	3,724	(26)	1	229,218	(1,737)	37
Total for fixed maturity securities in an unrealized loss position	**$1,007,109**	**$ (21,239)**	**157**	**$18,178**	**$ (377)**	**5**	**$1,025,287**	**$(21,616)**	**162**
% Below cost:									
<20% Below cost	$1,007,109	$ (21,239)	157	$18,178	$ (377)	5	$1,025,287	$(21,616)	162
Total for fixed maturity securities in an unrealized loss position	**$1,007,109**	**$ (21,239)**	**157**	**$18,178**	**$ (377)**	**5**	**$1,025,287**	**$(21,616)**	**162**
Investment grade	$ 983,328	$ (20,579)	151	$18,178	$ (377)	5	$1,001,506	$(20,956)	156
Below investment grade	23,781	(660)	6	—	—	—	23,781	(660)	6
Total for fixed maturity securities in an unrealized loss position	**$1,007,109**	**$ (21,239)**	**157**	**$18,178**	**$ (377)**	**5**	**$1,025,287**	**$(21,616)**	**162**

We did not recognize an allowance for credit losses on securities in an unrealized loss position included in the table above. Based on a qualitative and quantitative review of the issuers of the securities, we believe the decline in fair value is largely due to recent market volatility and is not indicative of credit losses. The issuers continue to make timely principal and interest payments.

For all securities in an unrealized loss position without an allowance for credit losses, we expect to recover the amortized cost based on our estimate of the amount and timing of cash flows to be collected. We do not intend to sell nor do we expect that we will be required to sell these securities prior to recovering our amortized cost.

The following table presents the gross unrealized losses and fair values of our fixed maturity securities, aggregated by investment type and length of time that individual fixed maturity securities have been in a continuous unrealized loss position, as of December 31, 2020:

	Less than 12 months			12 months or more			Total		
(Amounts in thousands)	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities
Fixed maturity securities:									
U.S. government, agencies and GSEs	$ —	$ —	—	$ —	$ —	—	$ —	$ —	—
State and political subdivisions	4,717	(3)	2	—	—	—	4,717	(3)	2
Non-U.S. government	—	—	—	—	—	—	—	—	—
U.S. corporate	44,296	(1,231)	8	2,886	(114)	1	47,182	(1,345)	9
Non-U.S. corporate	32,533	(2,877)	8	—	—	—	32,533	(2,877)	8
Other asset-backed	24,823	(60)	5	26,028	(274)	6	50,851	(334)	11
Total for fixed maturity securities in an unrealized loss position	**$106,369**	**$ (4,171)**	**23**	**$28,914**	**$ (388)**	**7**	**$135,283**	**$ (4,559)**	**30**
% Below cost:									
<20% Below cost	$ 98,694	$ (1,846)	22	$28,914	$ (388)	7	$127,608	$ (2,234)	29
20%-50% Below cost	7,675	(2,325)	1	—	—	—	7,675	(2,325)	1
Total for fixed maturity securities in an unrealized loss position	**$106,369**	**$ (4,171)**	**23**	**$28,914**	**$ (388)**	**7**	**$135,283**	**$ (4,559)**	**30**
Investment grade	$ 98,694	$ (1,846)	22	$26,028	$ (274)	6	$124,722	$ (2,120)	28
Below investment grade	7,675	(2,325)	1	2,886	(114)	1	10,561	(2,439)	2
Total for fixed maturity securities in an unrealized loss position	**$106,369**	**$ (4,171)**	**23**	**$28,914**	**$ (388)**	**7**	**$135,283**	**$ (4,559)**	**30**

Contractual Maturities of Fixed Maturity Securities Available-For-Sale

The scheduled maturity distribution of fixed maturity securities as of March 31, 2021 is set forth below. Actual maturities may differ from contractual maturities because issuers of securities may have the right to call or prepay obligations with or without call or prepayment penalties.

(Amounts in thousands)	Amortized cost	Fair value
Due one year or less	$ 155,415	$ 157,122
Due after one year through five years	2,106,514	2,238,880
Due after five years through ten years	1,363,873	1,387,920
Due after ten years	142,842	141,506
Subtotal	3,768,644	3,925,428
Other asset-backed	1,164,729	1,180,700
Total fixed maturity securities available-for-sale	**$ 4,933,373**	**$ 5,106,128**

As of March 31, 2021, securities issued by finance and insurance, consumer—non-cyclical and technology and communications industry groups represented approximately 29%, 16% and 14%, respectively, of our domestic and foreign corporate fixed maturity securities portfolio. No other industry group comprised more than 10% of our investment portfolio.

As of March 31, 2021, we did not hold any fixed maturity securities in any single issuer, other than securities issued or guaranteed by the U.S. government, which exceeded 10% of equity.

(4) Fair Value

Recurring Fair Value Measurements

We have fixed maturity securities and short-term investments, which are carried at fair value. The fair value of fixed maturity securities and short-term investments is estimated primarily based on information derived from third-party pricing services ("pricing services"), internal models and/or broker quotes, which use a market approach, income approach or a combination of the market and income approach depending on the type of instrument and availability of information. In general, a market approach is utilized if there is readily available and relevant market activity for an individual security. In certain cases where market information is not available for a specific security but is available for similar securities, that security is valued using market information for similar securities, which is also a market approach. When market information is not available for a specific security (or similar securities) or is available but such information is less relevant or reliable, an income approach or a combination of a market and income approach is utilized. For securities with optionality, such as call or prepayment features (including asset-backed securities), an income approach may be used. In addition, a combination of the results from market and income approaches may be used to estimate fair value. These valuation techniques may change from period to period, based on the relevance and availability of market data.

Further, while we consider the valuations provided by pricing services and broker quotes to be of high quality, management determines the fair value of our investment securities after considering all relevant and available information.

In general, we first obtain valuations from pricing services. If prices are unavailable for public securities, we obtain broker quotes. For all securities, excluding certain private fixed maturity securities, if neither a pricing service nor broker quotes valuation is available, we determine fair value using internal models. For certain private fixed maturity securities where we do not obtain valuations from pricing services, we utilize an internal model to determine fair value since transactions for similar securities are not readily observable and these securities are not typically valued by pricing services.

Given our understanding of the pricing methodologies and procedures of pricing services, the securities valued by pricing services are typically classified as Level 2 unless we determine the valuation process for a security or group of securities utilizes significant unobservable inputs, which would result in the valuation being classified as Level 3.

Broker quotes are typically based on an income approach given the lack of available market data. As the valuation typically includes significant unobservable inputs, we classify the securities where fair value is based on our consideration of broker quotes as Level 3 measurements.

For private fixed maturity securities, we utilize an income approach where we obtain public bond spreads and utilize those in an internal model to determine fair value. Other inputs to the model include rating and weighted-average life, as well as sector which is used to assign the spread. We then add an additional premium, which represents an unobservable input, to the public bond spread to adjust for the liquidity and other features of our private placements. We utilize the estimated market yield to discount the expected cash flows of the security to determine fair value. We utilize price caps for securities where the estimated market yield results in a valuation that may exceed the amount that would be received in a market transaction. When a security does not have an external rating, we assign the security an internal rating to determine the appropriate public bond spread that should be utilized in the valuation. While we generally consider the public bond spreads by sector and maturity to be observable inputs, we evaluate the similarities of our private placement with the public bonds, any price caps utilized, liquidity premiums applied, and whether external ratings are available for our private placements to determine whether the spreads utilized would be considered observable inputs. We classify private securities without an external rating or public bond spread as Level 3. In general, a significant increase (decrease) in credit spreads would have resulted in a significant decrease (increase) in the fair value for our fixed maturity securities as of March 31, 2021.

For remaining securities priced using internal models, we determine fair value using an income approach. We maximize the use of observable inputs but typically utilize significant unobservable inputs to determine fair value. Accordingly, the valuations are typically classified as Level 3.

Our assessment of whether or not there were significant unobservable inputs related to fixed maturity securities was based on our observations obtained through the course of managing our investment portfolio, including interaction with other market participants, observations related to the availability and consistency of pricing and/or rating, and understanding of general market activity such as new issuance and the level of secondary market trading for a class of securities. Additionally, we considered data obtained from pricing services to determine whether our estimated values incorporate significant unobservable inputs that would result in the valuation being classified as Level 3.

A summary of the inputs used for our fixed maturity securities and short-term investments based on the level in which instruments are classified is included below. We have combined certain classes of instruments together as the nature of the inputs is similar.

Level 1 measurements

There were no fixed maturity securities classified as Level 1 as of March 31, 2021 and December 31, 2020.

Level 2 measurements

Fixed maturity securities:

Third-party pricing services

In estimating the fair value of fixed maturity securities, approximately 91% of our portfolio was priced using pricing services as of March 31, 2021. These pricing services utilize industry-standard valuation techniques that include market-based approaches, income-based approaches, a combination of market-based and income-based approaches or other proprietary, internally generated models as part of the valuation processes. These third-party pricing vendors maximize the use of publicly available data inputs to generate valuations for each asset class. Priority and type of inputs used may change frequently as certain inputs may be more direct drivers of valuation at the time of pricing. Examples of significant inputs incorporated by pricing services may include sector and issuer spreads, seasoning, capital structure, security optionality, collateral data, prepayment assumptions, default assumptions, delinquencies, debt covenants, benchmark yields, trade data, dealer quotes, credit ratings, maturity and weighted-average life. We conduct regular meetings with our pricing services for the purpose of understanding the methodologies, techniques and inputs used by the third-party pricing providers.

The following table presents a summary of the significant inputs used by our pricing services for certain fair value measurements of fixed maturity securities that are classified as Level 2 as of March 31, 2021:

(Amounts in thousands)	Fair value	Primary methodologies	Significant inputs
U.S. government, agencies and GSEs	$ 70,832	Price quotes from trading desk, broker feeds	Bid side prices, trade prices, Option Adjusted Spread ("OAS") to swap curve, Bond Market Association OAS, Treasury Curve, Agency Bullet Curve, maturity to issuer spread
State and political subdivisions	$ 300,104	Multi-dimensional attribute-based modeling systems, third-party pricing vendors	Trade prices, material event notices, Municipal Market Data benchmark yields, broker quotes
Non-U.S. government	$ 30,415	Matrix pricing, spread priced to benchmark curves, price quotes from market makers	Benchmark yields, trade prices, broker quotes, comparative transactions, issuer spreads, bid-offer spread, market research publications, third-party pricing sources
U.S. corporate	$2,553,681	Multi-dimensional attribute-based modeling systems, broker quotes, price quotes from market makers, internal models, OAS-based models	Bid side prices to Treasury Curve, Issuer Curve, which includes sector, quality, duration, OAS percentage and change for spread matrix, trade prices, comparative transactions, Trade Reporting and Compliance Engine ("TRACE") reports
Non-U.S. corporate	$ 508,484	Multi-dimensional attribute-based modeling systems, OAS-based models, price quotes from market makers	Benchmark yields, trade prices, broker quotes, comparative transactions, issuer spreads, bid-offer spread, market research publications, third-party pricing sources
Other asset-backed	$1,170,342	Multi-dimensional attribute-based modeling systems, spread matrix priced to swap curves, price quotes from market makers	Spreads to daily updated swap curves, spreads derived from trade prices and broker quotes, bid side prices, new issue data, collateral performance, analysis of prepayment speeds, cash flows, collateral loss analytics, historical issue analysis, trade data from market makers, TRACE reports

Internal models

A portion of our U.S. corporate and non-U.S. corporate securities are valued using internal models. The fair value of these fixed maturity securities was $180.4 million and $51.9 million, respectively, as of March 31, 2021. Internally modeled securities are primarily private fixed maturity securities where we use market observable inputs such as an interest rate yield curve, published credit spreads for similar securities based on the external ratings of the instrument and related industry sector of the issuer. Additionally, we may apply certain price caps and liquidity premiums in the valuation of private fixed maturity securities. Price caps and liquidity premiums are established using inputs from market participants.

Short-term investments:

The fair value of short-term investments classified as Level 2 is determined after considering prices obtained by pricing services.

Level 3 measurements

Broker quotes

A portion of our U.S. corporate, non-U.S. corporate and other asset-backed securities are valued using broker quotes. Broker quotes are obtained from third-party providers that have current market knowledge to provide a reasonable price for securities not routinely priced by pricing services. Brokers utilized for valuation of assets are reviewed annually. The fair value of our Level 3 fixed maturity securities priced by broker quotes was $51.1 million as of March 31, 2021.

Internal models

A portion of our U.S. corporate, non-U.S. corporate and other asset-backed securities are valued using internal models. The primary inputs to the valuation of the bond population include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, duration, call provisions, issuer rating, benchmark yields and credit spreads. Certain private fixed maturity securities are valued using an internal model using market observable inputs such as the interest rate yield curve, as well as published credit spreads for similar securities, which includes significant unobservable inputs. Additionally, we may apply certain price caps and liquidity premiums in the valuation of private fixed maturity securities. Price caps are established using inputs from market participants. For structured securities, the primary inputs to the valuation include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, weighted-average coupon, weighted-average maturity, issuer rating, structure of the security, expected prepayment speeds and volumes, collateral type, current and forecasted loss severity, average delinquency rates, vintage of the loans, geographic region, debt service coverage ratios, payment priority with the tranche, benchmark yields and credit spreads. The fair value of our Level 3 fixed maturity securities priced using internal models was $188.9 million as of March 31, 2021.

The following tables set forth our assets by class of instrument that are measured at fair value on a recurring basis as of the dates indicated:

	March 31, 2021			
(Amounts in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Fixed maturity securities:				
U.S. government, agencies and GSEs	$ 70,832	$ —	$ 70,832	$ —
State and political subdivisions	300,104	—	300,104	—
Non-U.S. government	30,415	—	30,415	—
U.S. corporate	2,844,775	—	2,734,064	110,711
Non-U.S. corporate	679,302	—	560,381	118,921
Other asset-backed	1,180,700	—	1,170,342	10,358
Total fixed maturity securities	5,106,128	—	4,866,138	239,990
Short-term investments	12,500	—	12,500	—
Total	**$ 5,118,628**	**$ —**	**$ 4,878,638**	**$ 239,990**

	December 31, 2020			
(Amounts in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Fixed maturity securities:				
U.S. government, agencies and GSEs	$ 138,224	$ —	$ 138,224	$ —
State and political subdivisions	187,377	—	187,377	—
Non-U.S. government	31,031	—	31,031	—
U.S. corporate	2,888,625	—	2,769,252	119,373
Non-U.S. corporate	607,669	—	511,918	95,751
Other asset-backed	1,193,670	—	1,179,889	13,781
Total fixed maturity securities	5,046,596	—	4,817,691	228,905
Total	**$ 5,046,596**	**$ —**	**$ 4,817,691**	**$ 228,905**

We did not have any liabilities recorded at fair value as of March 31, 2021 and December 31, 2020.

The following tables present additional information about assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in thousands)	Beginning balance as of January 1, 2021	Total realized and unrealized gains (losses): Included in net income	Total realized and unrealized gains (losses): Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3 (1)	Transfer out of Level 3 (1)	Ending balance as of March 31, 2021	Total gains (losses) attributable to assets still held: Included in net income	Total gains (losses) attributable to assets still held: Included in OCI
Fixed maturity securities:												
U.S. corporate	$ 119,373	$ (30)	$ (3,145)	$ —	$ —	$ —	$ (5,487)	$ —	$ —	$ 110,711	$ (30)	$ (3,145)
Non-U.S. corporate	95,751	(16)	(1,743)	29,426	—	—	(105)	—	(4,392)	118,921	(11)	(1,826)
Other asset-backed	13,781	—	56	—	—	—	(911)	—	(2,568)	10,358	—	6
Total	**$ 228,905**	**$ (46)**	**$ (4,832)**	**$ 29,426**	**$ —**	**$ —**	**$ (6,503)**	**$ —**	**$ (6,960)**	**$ 239,990**	**$ (41)**	**$ (4,965)**

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads.

(Amounts in thousands)	Beginning balance as of January 1, 2020	Total realized and unrealized gains (losses): Included in net income	Total realized and unrealized gains (losses): Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3 (1)	Transfer out of Level 3 (1)	Ending balance as of March 31, 2020	Total gains (losses) attributable to assets still held: Included in net income	Total gains (losses) attributable to assets still held: Included in OCI
Fixed maturity securities:												
U.S. corporate	$ 99,862	$ (32)	$ (4,498)	$ —	$ —	$ —	$ (433)	$ 5,016	$ (16,420)	$ 83,495	$ (20)	$ (3,458)
Non-U.S. corporate	77,189	(5)	(8,598)	22,000	—	—	(105)	13,210	(2,035)	101,656	(5)	(8,583)
Other asset-backed	4,038	—	(540)	4,874	—	—	—	—	—	8,372	—	(540)
Total	**$ 181,089**	**$ (37)**	**$(13,636)**	**$ 26,874**	**$ —**	**$ —**	**$ (538)**	**$ 18,226**	**$ (18,455)**	**$ 193,523**	**$ (25)**	**$ (12,581)**

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads.

The following table presents the gains and losses included in net income from assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value and the related income statement line item in which these gains and losses were presented for the three months ended March 31:

(Amounts in thousands)	2021	2020
Total realized and unrealized gains (losses) included in net income:		
Net investment income	$ (46)	$ (37)
Net investment gains (losses)	—	—
Total	**$ (46)**	**$ (37)**
Total gains (losses) included in net income attributable to assets still held:		
Net investment income	$ (41)	$ (25)
Net investment gains (losses)	—	—
Total	**$ (41)**	**$ (25)**

The amount presented for realized and unrealized gains (losses) included in net income for fixed maturity securities primarily represents amortization and accretion of premiums and discounts on certain fixed maturity securities.

The following table presents a summary of the significant unobservable inputs used for certain asset fair value measurements that are based on internal models and classified as Level 3 as of March 31, 2021:

(Amounts in thousands)	Valuation technique	Fair value (1)	Unobservable input	Range (bps)	Weighted-average (2) (bps)
Fixed maturity securities:					
U.S. corporate	Internal models	$ 106,682	Credit spreads	70 — 135	103
Non-U.S. corporate	Internal models	$ 80,373	Credit spreads	84 — 153	112

(1) Certain classes of instruments classified as Level 3 are excluded as a result of not being material or due to limitations in being able to obtain the underlying inputs used by certain third-party sources, such as broker quotes, used as an input in determining fair value.

(2) Unobservable inputs weighted by the relative fair value of the associated instrument.

Liabilities Not Required to Be Carried at Fair Value

The following table provides fair value information for financial instruments that are reflected in the accompanying unaudited condensed consolidated financial statements at amounts other than fair value. We have certain financial instruments that are not recorded at fair value, including cash and cash equivalents and accrued investment income, the carrying value of which approximate fair value due to the short-term nature of these instruments and are not included in this disclosure.

The following represents our estimated fair value of financial liabilities that are not required to be carried at fair value, classified as Level 2, as of the dates indicated:

	March 31, 2021		December 31, 2020	
(Amounts in thousands)	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	$ 738,711	$ 800,376	$ 738,162	$ 800,367

As of March 31, 2021, we were also committed to fund $2.0 million in private placement investments.

(5) Loss Reserves

Activity for the liability for loss reserves for the three months ended March 31 is summarized as follows:

(Amounts in thousands)	2021	2020
Loss reserves, beginning balance	$ 555,679	$ 235,062
Run-off reserves	(654)	(1,597)
Net loss reserves, beginning balance	555,025	233,465
Losses and LAE incurred related to current accident year	45,064	26,960
Losses and LAE incurred related to prior accident years	10,321	(8,378)
Total incurred [1]	55,385	18,582
Losses and LAE paid related to current accident year	(305)	(75)
Losses and LAE paid related to prior accident years	(7,193)	(21,633)
Total paid [1]	(7,498)	(21,708)
Net loss reserves, ending balance	602,912	230,339
Run-off reserves	616	390
Loss reserves, ending balance	**$ 603,528**	**$ 230,729**

(1) Losses and loss adjustment expenses ("LAE") incurred and paid exclude losses related to our run-off business.

The liability for loss reserves represents our current best estimate; however, there may be future adjustments to this estimate and related assumptions. Such adjustments, reflecting any variety of new and adverse trends, could possibly be significant, and result in future increases to reserves by amounts that could be material to our results of operations, financial condition and liquidity.

Losses incurred related to insured events of the current accident year relate to defaults that occurred in that year and represent the estimated ultimate amount of losses to be paid on such defaults. Losses incurred related to insured events of prior accident years represent the (favorable) or unfavorable development of reserves as a result of the actual rates at which delinquencies go to claim ("claim rates") and claim amounts being different than those we estimated when originally establishing the reserves. Such estimates are based on our historical experience, which we believe is representative of expected future losses at the time of estimation. As a result of the extended period of time that may exist between the reporting of a delinquency and the claim payment, as well as changes in economic conditions and the real estate market, significant uncertainty and variability exist on amounts ultimately paid.

For the three months ended March 31, 2021, losses and LAE incurred of $45.1 million related to insured events of the current accident year was primarily attributable to an increase in new delinquencies, a portion of which was from borrowers participating in deferred or reduced payments ("forbearance") as a result of COVID-19. When establishing loss reserves for borrowers in forbearance, we assume a lower rate of delinquencies becoming active claims, which has the effect of producing a lower reserve compared to delinquencies that are not in forbearance. Historical experience with localized natural disasters, such as hurricanes, indicates a higher cure rate for borrowers in forbearance. As COVID-19 is an ongoing health crisis, unlike a hurricane that occurs at a point in time with the rebuild starting soon afterward, our prior hurricane experience was one consideration, among many, in the establishment of loss reserves. Loss reserves recorded on these new delinquencies have a high degree of estimation due to the level of uncertainty regarding whether delinquencies in forbearance will ultimately cure or result in claim payments. We also recorded additional reserves of $10.3 million in incurred losses attributable to prior accident years primarily due to our expectation that pre-COVID-19 delinquencies will have a modestly higher claim rate than our prior best estimate given the slower emergence of cures to date.

For the three months ended March 31, 2020, the favorable development of $8.4 million related to insured events of prior accident years was primarily attributable to lower actual claim rates due to improvements in the overall housing market and higher than expected delinquency cures.

(6) Reinsurance

We reinsure a portion of our policy risks to other companies in order to reduce our ultimate losses, diversify our exposures and comply with regulatory requirements. We also assume certain policy risks written by other companies.

Reinsurance does not relieve us from our obligations to policyholders. In the event that the reinsurers are unable to meet their obligations, we remain liable for the reinsured claims. We monitor both the financial condition of individual reinsurers and risk concentrations arising from similar geographic regions, activities and economic characteristics of reinsurers to lessen the risk of default by such reinsurers.

The following table sets forth the effects of reinsurance on premiums written and earned for the three months ended March 31:

(Amounts in thousands)	2021	2020
Net premiums written:		
Direct	$ 242,596	$ 216,844
Assumed	89	126
Ceded	(16,346)	(8,389)
Net premiums written	**$ 226,339**	**$ 208,581**
Net premiums earned:		
Direct	$ 268,799	$ 234,461
Assumed	89	126
Ceded	(16,346)	(8,389)
Net premiums earned	**$ 252,542**	**$ 226,198**

The difference of $26.2 million between written premiums of $226.3 million and earned premiums of $252.5 million represents the decrease in unearned premiums for the three months ended March 31, 2021. The decrease in unearned premiums was mainly the result of an increase in policy cancellations in our single premium mortgage insurance product driven by low interest rates and higher mortgage refinancing, which resulted in lower persistency in the current period.

Insurance-linked note excess of loss reinsurance treaties

On March 2, 2021, we obtained $495.0 million of excess of loss reinsurance coverage from Triangle Re 2021-1 Ltd. ("Triangle Re 2021-1") on a portfolio of existing seasoned mortgage insurance policies written from January 2014 through December 2018 and from October 2019 through December 2019. In connection with entering into the reinsurance agreement with Triangle Re 2021-1, we believe that the risk transfer requirements for reinsurance accounting were met as Triangle Re 2021-1 is assuming significant insurance risk and a reasonable possibility of significant loss. Triangle Re 2021-1 reinsurance coverage is derived by applying a reinsurance cession percentage to the mortgage insurance coverage for each loan to get to an Aggregate Exposed Principal Balance ("AEPB"). This AEPB accounts for any existing reinsurance and ensures we retain a minimum 5% vertical risk retention on each loan. For the reinsurance coverage, we retain the first layer of aggregate losses up to $212.1 million. Triangle Re 2021-1 provides 100% reinsurance coverage for losses above our retained first layer up to $495.0 million.

On October 22, 2020, we obtained $349.6 million of excess of loss reinsurance coverage from Triangle Re 2020-1 Ltd. ("Triangle Re 2020-1") on a portfolio of existing mortgage insurance policies written from January 2020 through August 2020. In connection with entering into the reinsurance agreement with Triangle Re 2020-1, we concluded that the risk transfer requirements for reinsurance accounting were met as Triangle Re 2020-1 is assuming significant insurance risk and a reasonable possibility of significant loss. For the reinsurance coverage, we retain the first layer of aggregate losses up to $521.8 million. Triangle Re 2020-1 provides 67% reinsurance coverage for losses above our retained first layer up to $349.6 million.

Other excess of loss reinsurance treaties

On February 4, 2021, we executed an excess of loss reinsurance transaction with a panel of reinsurers, which provides up to $210.4 million of reinsurance coverage on a portion of current and expected new insurance written ("NIW") for the 2021 book year, effective January 1, 2021.

Effective April 1, 2020, we executed an excess of loss reinsurance transaction with a panel of reinsurers covering a portion of the loss tier on subject loans written between book years 2009 and 2019 to help mitigate higher levels of delinquencies as a result of COVID-19.

Effective January 1, 2020, we executed an excess of loss reinsurance transaction with a panel of reinsurers covering a portion of the loss tier on the then current and expected NIW for the 2020 book year. We also entered into excess of loss reinsurance agreements with other external panels of reinsurers covering our 2016 through 2019 books of business.

(7) Borrowings

On August 21, 2020, we issued $750 million aggregate principal amount of 6.5% senior notes due 2025. We incurred $12.6 million of borrowing costs that were deferred and were netted against the principal amount of the notes. Interest on the notes is payable semi-annually in arrears on February 15 and August 15 of each year, which commenced on February 15, 2021. These notes mature on August 15, 2025. The first interest payment of approximately $23.6 million was paid in February 2021.

The following table sets forth long-term borrowings as of the dates indicated:

(Amounts in thousands)	March 31, 2021	December 31, 2020
6.5% Senior Notes, due 2025	$ 750,000	$ 750,000
Deferred borrowing charges	(11,289)	(11,838)
Total	$ 738,711	$ 738,162

(8) Income Taxes

We compute the provision for income taxes on a separate return with benefits for loss method. If during the three months ended March 31, 2021 and 2020, we had computed taxes using the separate return method, the provision for income taxes would have been unchanged.

(9) Related Party Transactions

We have various agreements with Genworth that provide for reimbursement to and from Genworth of certain administrative and operating expenses that include, but are not limited to, information technology services and administrative services (such as finance, human resources, employee benefit administration and legal). These agreements provide for an allocation of corporate expenses to all Genworth businesses or subsidiaries. We incurred costs for these services of $14.2 million and $11.7 million for the three months ended March 31, 2021 and 2020, respectively.

Our investment portfolio is managed by Genworth. Under the terms of the investment management agreement we are charged a fee by Genworth. All fees paid to Genworth are charged to investment expense and are included in net investment income in the condensed consolidated statements of income. The total investment expenses paid to Genworth were $1.3 million and $1.2 million for the three months ended March 31, 2021 and 2020, respectively.

Our employees participate in certain benefit plans sponsored by Genworth and certain share-based compensation plans that utilize shares of Genworth common stock and other incentive plans.

We provide certain information technology and administrative services (such as facilities and maintenance) to Genworth. We charged Genworth $0.1 million and $0.4 million for these services for the three months ended March 31, 2021 and 2020, respectively.

We have a tax sharing agreement in place with Genworth, such that we participate in a single U.S. consolidated income tax return filing. All intercompany balances related to this agreement are settled at least annually.

The condensed consolidated financial statements include the following amounts due to and from Genworth relating to recurring service and expense agreements as of March 31:

(Amounts in thousands)	2021	2020
Amounts payable to Genworth	$ 16,285	$ 9,974
Amounts receivable from Genworth	$ 2,345	$ 2,033

(10) Changes in Accumulated Other Comprehensive Income

The following tables present a rollforward of accumulated other comprehensive income:

(Amounts in thousands)	Net unrealized investment gains (losses)	Total
Balance as of January 1, 2021, net of tax	**$ 208,378**	**$ 208,378**
Cumulative effect of change in accounting, net of taxes	281	281
Other comprehensive income (loss) before reclassifications	(71,776)	(71,776)
Amounts reclassified (from) to other comprehensive income (loss)	77	77
Total other comprehensive income (loss)	(71,699)	(71,699)
Balance as of March 31, 2021, net of tax	**$ 136,960**	**$ 136,960**

(Amounts in thousands)	Net unrealized investment gains (losses)	Total
Balance as of January 1, 2020, net of tax	**$ 93,431**	**$ 93,431**
Other comprehensive income (loss) before reclassifications	(109,026)	(109,026)
Amounts reclassified (from) to other comprehensive income (loss)	(90)	(90)
Total other comprehensive income (loss)	(109,116)	(109,116)
Balance as of March 31, 2020, net of tax	**$ (15,685)**	**$ (15,685)**

The following table presents the effect of the reclassifications of significant items out of accumulated other comprehensive income on the respective line items of the consolidated statements of income, for the three months ended March 31:

	Amount reclassified from accumulated other comprehensive income		
(Amounts in thousands)	2021	2020	Affected line item in the condensed consolidated statements of income
Net unrealized gains (losses) on investments	$ (98)	$ 114	Net investment gains (losses)
Benefit (expense) from income taxes	21	(24)	Provision for income taxes

(11) Subsequent Events

On April 16, 2021, we obtained $302.7 million of excess of loss reinsurance coverage from Triangle Re 2021-2 Ltd. ("Triangle Re 2021-2") on a portfolio of existing mortgage insurance policies written from September 2020 through December 2020. In connection with entering into the reinsurance agreement with Triangle Re 2021-2, we believe that the risk transfer requirements for reinsurance accounting were met as Triangle Re 2021-2 is assuming significant insurance risk and a reasonable possibility of significant loss. For the reinsurance coverage, we retain the first layer of aggregate losses up to $188.6 million. Triangle Re 2021-2 provides 76% reinsurance coverage for losses above our retained first layer up to $302.7 million.

On May 3, 2021, we entered into a share exchange agreement with Genworth Holdings. See Note 1 for additional information regarding the share exchange.

We considered subsequent events through the date on which the financial statements were issued, June 11, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes for the three months ended March 31, 2021 and 2020, and our audited consolidated financial statements and related notes for the years ended December 31, 2020 and 2019 issued on March 23, 2021. This discussion includes forward-looking statements and involves numerous risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations, all of which may be exacerbated by COVID-19. Factors that could cause such differences are discussed in this section. For additional information, refer to the sections entitled "Industry and Market Data," "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" in the Business and Financial Disclosures of Genworth Mortgage Holdings, Inc. dated August 19, 2020." 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. Future results could differ significantly from the historical results presented in this section. References to EHI, Enact, the "Company," "we" or "our" herein are, unless the context otherwise requires, to EHI on a consolidated basis.

Key Factors Affecting Our Results

There have been no material changes to the factors affecting our results other than the impact of COVID-19 as discussed below in "—Trends and Conditions.

Trends and Conditions

The United States economy and consumer confidence improved in the first quarter of 2021 compared to the fourth quarter of 2020 as state economies reopened in varying degrees; however, certain geographies and industries have experienced slower recoveries because of the virus, the mitigation steps taken to control its spread or changed consumer behavior. The unemployment rate was elevated at 6.0% in March 2021 compared to the pre-pandemic level of 3.5% in February 2020 but has decreased from a peak of 14.8% in April 2020. Even after the continued recovery in the first quarter of 2021, the number of unemployed Americans stands at approximately 10 million, which is 4 million higher than in February 2020. Among the unemployed, those on temporary layoff continued to decrease to 2 million from a peak of 18 million in April 2020, but the number of permanent job losses increased to approximately 3 million. In addition, the number of long term unemployed over 26 weeks increased to approximately 4 million. Specific to housing finance, mortgage origination activity remained robust in the first quarter of 2021 fueled by refinance activity and a strong surge in home sales. Refinance activity remained robust but relatively flat as compared to the fourth quarter of 2020. The purchase market remained strong, but sales of previously owned homes decreased by 3.7% in the first two months of 2021 after reaching a post-2006 peak in the fourth quarter of 2020. Total unsold inventory of single-family homes remains low at a 1.9-month supply as of February 2021, which continues to drive home prices higher, increasing our average loan amount on NIW. While interest rates rose during the first quarter of 2021, they remained below levels in the first quarter of 2020 and served as an offset to rising prices to allow continued affordability for borrowers. The pandemic continued to affect our financial results in the first quarter of 2021 but to a lesser extent than in the fourth quarter of 2020 as we experienced elevated, but declining, servicer reported deferred or reduced payments ("forbearance") and new delinquencies during the first quarter of 2021.

The impact of COVID-19 on our future business results is difficult to predict. We have performed and have periodically revised our scenario planning to help us better understand and tailor our actions to help mitigate the potential adverse effects of the pandemic on our financial results. While our current financial results to date fall within the range of our current scenarios, the ultimate outcomes and impact on our business will depend on the spread and length of the pandemic. Of similar importance will be the amount, type and duration of government stimulus and its impact on borrowers, regulatory and government actions to support housing and the economy, the speed of the rollout and uptake of the vaccine, spread mitigating actions to curb a potential increase in cases, the possible resurgence of the virus in the future and the shape of economic recovery. It is difficult to predict how long borrowers will need to use forbearance to assist them during the pandemic. Given the length of time current forbearance plans may be extended, the resolution of a delinquency in a plan, whether it ultimately results in a cure or a claim, is difficult to estimate and may not be known for several quarters, if not longer. We continue to monitor COVID-19 developments and regulatory and government actions. However, given the specific risks to our business, it is possible the pandemic could have a significant adverse impact on our future results of operations and financial condition.

Specific to housing finance, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act requires mortgage servicers to provide up to 180 days of forbearance for borrowers with a federally backed mortgage loan who assert they have experienced a financial hardship related to COVID-19. Forbearance may be extended for an additional 180 days up to a year in total or shortened at the request of the borrower. On February 25, 2021, the Federal Housing Finance Agency ("FHFA") announced that borrowers with a mortgage backed by the GSEs who are in an active COVID-19 forbearance plan as of February 28, 2021 and have reached a cumulative term of 12 months of forbearance may be granted an extension of up to three months and thereafter one or more forbearance plan term extensions of no more than three months each, provided the plan term does not exceed 18 months of total delinquency or a cumulative term of 18 months, whichever is shorter. Since the introduction of the CARES Act, the GSEs as well as most servicers of non-federally backed mortgage loans have extended similar relief to their respective portfolios of loans. On February 25, 2021, the FHFA announced an extension until June 30, 2021 of the foreclosure moratorium that was originally set to expire on March 31, 2021 for mortgages that are purchased by the GSEs, which the Consumer Financial Protection Bureau ("CFPB") may further extend to December 31, 2021, as described in more detail below. At the conclusion of the forbearance term, a borrower may either bring their loan current, defer any missed payments until the end of their loan, or the loan can be modified through a repayment plan or extension of the mortgage term. In addition, the CARES Act provides that furnishers of credit reporting information, including servicers, should continue to report a loan as current to credit reporting agencies if the loan is subject to a payment accommodation, such as forbearance, so long as the borrower abides by the terms of the accommodation. Servicer reported forbearance slowed meaningfully beginning in June 2020 and ended the first quarter of 2021 with approximately 4.9% or 45,263 of our active primary policies reported in a forbearance plan, of which approximately 64% were reported as delinquent. It is difficult to predict the future level of reported forbearance and how many of the policies in a forbearance plan that remain current on their monthly mortgage payment will go delinquent.

On April 1, 2021, in anticipation of the upcoming expiration of the foreclosure moratoriums and forbearances, and borrowers exiting forbearance programs after reaching the maximum number of permitted forborne payments, the CFPB advised mortgage servicers of the risk of a high volume of loans needing loss mitigation. The CFPB further stated that it will be monitoring how servicers engage with borrowers, respond to borrower requests and process applications for loss mitigation. On April 5, 2021, the CFPB promulgated a Notice of Proposed Rulemaking seeking comments on proposed measures to help prevent avoidable foreclosures as the foreclosure protections expire including, among other things, the implementation of a pre-foreclosure review period that would generally prohibit servicers from starting foreclosures on mortgages purchased by the GSEs until after December 31, 2021. The proposed effective date of the rule is August 31, 2021.

Private mortgage insurance market penetration ("market penetration") and eventual market size are affected in part by actions that impact housing or housing finance policy taken by the GSEs and the U.S. government, including but not limited to, the Federal Housing Administration ("FHA") and the FHFA. In the past, these actions have included announced changes, or potential changes, to underwriting standards, including changes to the GSEs' automated underwriting systems, FHA pricing, GSE guaranty fees, loan limits and alternative products. On December 17, 2020, the FHFA published the Enterprise Regulatory

Capital Framework Final Rule, which includes significantly higher regulatory capital requirements for the GSEs over current requirements. Higher GSE capital requirements could ultimately lead to increased costs to borrowers of GSE loans, which in turn could shift the market away from the GSEs to the FHA or lender portfolios. Such a shift could result in a smaller market for private mortgage insurance. In conjunction with preparing to release the GSEs from conservatorship, on January 14, 2021, the FHFA and the Treasury Department agreed to amend the Preferred Stock Purchase Agreements ("PSPAs") between the Treasury Department and each of the GSEs to increase the amount of capital each GSE may retain. In addition, among other things, the PSPAs limit the number of certain mortgages the GSEs may acquire with two or more prescribed risk factors, including certain mortgages with combined loan-to-value ("LTV") ratios above 90%. Because these limits are based on the current market size, we do not expect any material impact to the private mortgage market in the near term. On January 20, 2021, the White House issued a memorandum establishing a plan for managing the federal regulatory process which included, among other things, a request that the heads of executive departments and agencies postpone the effective dates of newly-issued rules for 60 days. On February 23, 2021, the CFPB published a statement in which it announced that it was considering rulemaking to reconsider the "seasoned" approach to the Qualified Mortgage ("QM") "safe harbor." As previously disclosed, the regulations also include a temporary category (the "QM Patch") for mortgages that comply with certain prohibitions and limitations and meet the GSE underwriting and product guidelines. Mortgages that meet certain requirements are deemed to be QMs until the earlier of the time in which the GSEs exit the FHFA conservatorship or the mandatory compliance date of the final amendments to the CFPB's rule defining what constitutes a QM ("QM Rule"). The CFPB also announced it was reconsidering the QM Rule and would also propose a rule to delay the July 1, 2021 mandatory compliance date of the amended QM Rule. On April 27, 2021, the CFPB promulgated a final rule delaying the mandatory compliance date of the amended QM Rule until October 1, 2022. As provided under the final rule, the prior 43% debt-to-income-based QM Rule definition, the new price-based average prime offer rate ("APOR") definition and the QM Patch will all remain available to lenders for loan applications received prior to October 1, 2022. However, on April 8, 2021, the GSEs issued notices stating that due to the requirements of the PSPAs they would only acquire loans that meet the new price-based APOR definition set forth under the amended QM Rule for applications received on or after July 1, 2021. Accordingly, even if the CFPB extends the mandatory compliance date of the amended QM Rule, as a practical matter, many lenders will no longer originate 43% debt-to-income-based QM loans or QM Patch loans for applications received on or after July 1, 2021 if the GSEs continue to maintain this position. For more information on the previously disclosed regulation, see "Item 1—Business—Regulation—U.S. Insurance Regulation" in our Parent's 2020 Annual Report on Form 10-K. For more information about the potential future impact, see "Item 1A—Risk Factors—Changes to the role of the GSEs or to the charters or business practices of the GSEs, including actions or decisions to decrease or discontinue the use of mortgage insurance, could adversely affect our financial condition and results of operations or significantly impact our business," and "—Risk Factors—The amount of mortgage insurance we write could decline significantly if alternatives to private mortgage insurance are used or lower coverage levels of mortgage insurance are selected" in our Parent's 2020 Annual Report on Form 10-K.

Estimated mortgage origination volume increased during the first quarter of 2021 compared to the first quarter of 2020 primarily from higher refinance origination volumes driven by lower interest rates and from higher purchase originations. The estimated private mortgage insurance available market increase was mostly attributable to higher refinance and purchase originations. Given the volume to date, we expect mortgage originations to remain strong for the first half of 2021 fueled by sustained low interest rates driving refinances and by continued strength in the purchase originations market.

Our primary persistency declined to 56% during the first quarter of 2021 compared to 74% during the first quarter of 2020. The decrease in persistency was primarily driven by historically low interest rates driving elevated refinancing activity. Lower persistency has impacted business performance trends in several ways including, but not limited to, offsetting insurance in-force ("IIF") growth from NIW, elevating single premium policy cancellations resulting in higher earned premiums, accelerating the amortization of our existing reinsurance transactions reducing their associated private mortgage insurer eligibility requirements ("PMIERs") capital credit in the current year and shifting the concentration of our primary IIF. As of March 31, 2021, our primary IIF has less than 10% concentration in 2014 and prior book years. Our 2005 through 2008 book year concentration is approximately 5%. In contrast, our 2020 book year represents 42% of our primary IIF concentration while our 2021 book year is 12% as of March 31, 2021.

NIW of $24.9 billion in the first quarter of 2021 increased 39% compared to the first quarter of 2020 primarily due to higher mortgage purchase and refinancing originations and a larger private mortgage insurance market, partially offset by our lower estimated market share in 2021. The U.S. private mortgage insurance industry is highly competitive. Our market share is influenced by the execution of our go to market strategy, including but not limited to, pricing competitiveness relative to our peers and our selective participation in forward commitment transactions. Our market share remains impacted by the negative ratings differential relative to our competitors, concerns expressed about our Parent's financial condition and the execution of its strategic plans. We continue to manage the quality of new business through pricing and our underwriting guidelines, which we modify from time to time when circumstances warrant.

Net earned premiums increased in the first quarter of 2021 compared to the first quarter of 2020 primarily from growth in our IIF and from an increase in single premium policy cancellations driven largely by higher mortgage refinancing, partially offset by higher ceded premiums and lower average premium rates in the current year. As a result of COVID-19, we experienced a significant increase in the number of reported delinquent loans in the first quarter of 2021 as compared to the first quarter of 2020. During this time and consistent with prior years, servicers continued the practice of remitting premiums during the early stages of default. As a result, we did not experience an impact to earned premiums during the first quarter of 2021. Additionally, we have a business practice of refunding the post-delinquent premiums to the insured party if the delinquent loan goes to claim. We record a liability and a reduction to net earned premiums for the post-delinquent premiums we expect to refund. The post-delinquent premium liability recorded in the first quarter of 2021 associated with the increased number of delinquent loans was not significant to the change in earned premiums for the three months ended March 31, 2021 as a result of the high concentration of new delinquencies being subject to a servicer reported forbearance plan and the lower estimated rate at which delinquencies go to claim ("roll rates" or "claim rates") for these loans. The post-default premium liability increased by $2 million in the first quarter of 2021 primarily as a result of COVID-19 delinquencies and the total liability for all delinquencies was $11 million as of March 31, 2021. As a result of COVID-19, certain state insurance regulators required or requested the provision of grace periods of varying lengths to insureds in the event of non-payment of premium. Regulators differed greatly in their approaches but generally focused on the avoidance of cancellation of coverage for non-payment. While most of these requirements and requests have lapsed, it is possible that some or all of them could be re-issued in the event of declarations of new states of emergency that might result from worsening pandemic conditions. We currently comply with all state regulatory requirements. If timely payment is not made, future premiums could decrease and the certificate of insurance could be subject to cancellation after 60 days, or such longer time as required under applicable law.

Our loss reserves and loss ratio continue to be negatively impacted by COVID-19. Borrowers who have experienced a financial hardship including, but not limited to, the loss of income due to the closing of a business or the loss of a job have taken advantage of available forbearance programs and payment deferral options. As a result, we have seen elevated new delinquencies which may ultimately cure at a higher rate than traditional delinquencies should economic activity return to pre-COVID-19 levels. Unlike a hurricane where the natural disaster occurs at a point in time and the rebuild starts soon after, COVID-19 is an ongoing health crisis and we do not know when it will end, making it more difficult to determine the effectiveness of forbearance and the resulting roll rates for new delinquencies in forbearance plans. Given this difference, our prior hurricane experience was leveraged as one of many considerations in the establishment of an appropriate roll rate estimate for new delinquencies in forbearance plans that have emerged as a result of COVID-19. Severity of loss on loans that do go to claim, however, may be negatively impacted by the extended forbearance timeline, the associated elevated expenses, the higher loan amount of the recent new delinquencies and the potential for home price depreciation.

Our loss ratio for the three months ended March 31, 2021 was 22% as compared to 8% for the three months ended March 31, 2020. The increase was largely from higher new delinquencies in the first quarter of 2021 primarily from an increase in borrower forbearance as a result of COVID-19. We also strengthened reserves by $10 million during the first quarter of 2021 primarily due to our expectation that pre-COVID-19 delinquencies will have a modestly higher claim rate than our prior best estimate given the slower emergence of cures to date. In addition, we experienced lower net benefits from cures and aging of existing delinquencies in the first quarter of 2021. New primary delinquencies of 10,053 contributed $44 million of loss expense in the first quarter of 2021 largely determined by applying a roll rate estimate which considers the emergence of cures on forbearance and non-forbearance delinquencies and the ongoing economic impact due to the pandemic. This compares to $27 million of loss expense from 8,114 new primary delinquencies in the first quarter of 2020. Approximately 54% of our primary new delinquencies in the first quarter of 2021 were subject to a forbearance plan as compared to less than 5% in recent quarters prior to COVID-19. Prior to COVID-19, traditional measures of credit quality, such as Fair Isaac Company ("FICO") score and whether a loan had a prior delinquency were most predictive of new delinquencies. Because the pandemic has affected a broad portion of the population, attribution analysis of COVID-19 new delinquencies revealed that additional factors such as higher debt-to-income ratios ("DTI ratio"), geographic regions more affected by the virus or with a higher concentration of affected industries, loan size and servicer process differences rose in significance.

As of March 31, 2021, GMICO's risk-to-capital ("RTC") ratio under the current regulatory framework as established under North Carolina law and enforced by the North Carolina Department of Insurance ("NCDOI"), GMICO's domestic insurance regulator, was approximately 11.9:1, compared with a RTC ratio of 12.3:1 as of December 31, 2020. GMICO's RTC ratio remains below the NCDOI's maximum RTC ratio of 25:1. North Carolina's calculation of RTC excludes the risk in-force ("RIF") for delinquent loans given the established loss reserves against all delinquencies. As a result, we do not expect any immediate, material pressure to GMICO's RTC ratio in the short term as a result of COVID-19. GMICO's ongoing RTC ratio will depend principally on the magnitude of future losses incurred by GMICO, the effectiveness of ongoing loss mitigation activities, new business volume and profitability, the amount of policy lapses and the amount of additional capital that is generated or distributed by the business or capital support provided.

Under PMIERs, we are subject to operational and financial requirements that private mortgage insurers must meet in order to remain eligible to insure loans that are purchased by the GSEs. On June 29, 2020, the GSEs issued the "PMIERs Amendment." In September 2020, the GSEs issued an amended and restated version of the PMIERs Amendment that became effective retroactively on June 30, 2020 and included a new reporting requirement that became effective on December 31, 2020. On December 4, 2020, the GSEs issued a revised and restated version of the PMIERs Amendment that revised and replaced the version issued in September 2020. The December 4, 2020 version extended the application of reduced PMIERs capital factors to each non-performing loan that has an initial missed monthly payment occurring on or after March 1, 2020 and prior to April 1, 2021 and extended the capital preservation period from March 31, 2021 to June 30, 2021.

The PMIERs Amendment implemented both permanent and temporary revisions to PMIERs. For loans that became non-performing due to a COVID-19 hardship, PMIERs was temporarily amended with respect to each non-performing loan that (i) has an initial missed monthly payment occurring on or after March 1, 2020 and prior to April 1, 2021 or (ii) is subject to a forbearance plan granted in response to a financial hardship related to COVID-19, the terms of which are materially consistent with terms of forbearance plans offered by the GSEs. The risk-based required asset amount factor for the non-performing loan will be the greater of (a) the applicable risk-based required asset amount factor for a performing loan were it not delinquent, and (b) the product of a 0.30 multiplier and the applicable risk-based required asset amount factor for a non-performing loan. In the case of (i) above, absent the loan being subject to a forbearance plan described in (ii) above, the 0.30 multiplier will be applicable for no longer than three calendar months beginning with the month in which the loan became a non-performing loan due to having missed two monthly payments. Loans subject to a forbearance plan described in (ii) above include those that are either in a repayment plan or loan modification trial period following the forbearance plan unless reported to the approved insurer that the loan is no longer in such forbearance plan, repayment plan, or loan modification trial period. The PMIERs Amendment also imposes temporary capital preservation provisions through June 30, 2021 that require an approved insurer to obtain prior written GSE approval before paying any dividends, pledging or transferring assets to an affiliate or entering into any new, or altering any existing, arrangements under tax sharing and intercompany expense-sharing agreements, even if such insurer has a surplus of available assets. In addition, the PMIERs Amendment imposes permanent revisions to the risk-based required asset amount factor for non-performing loans for properties located in future Federal Emergency Management Agency ("FEMA") Declared Major Disaster Areas eligible for individual assistance.

In September 2020, subsequent to the issuance of EHI's senior notes due in 2025, the GSEs imposed certain restrictions (the "GSE Restrictions") with respect to capital on our business. In connection with the planned partial sale of EHI, we expect that the GSEs will recommend revisions to the GSE Restrictions, subject to FHFA approval. There can be no assurance that such approval process will not result in the final terms being changed. The GSE Restrictions will remain in effect until the following collective ("GSE Conditions") are met: (a) approval of GMICO's plan to secure additional capital, if needed, (b) GMICO obtains "BBB+"/"Baa1" (or higher) rating from Standard & Poor's Financial Services, LLC ("Standard & Poor's"), Moody's Investor Service, Inc. ("Moody's") or Fitch Ratings, Inc. ("Fitch") for two consecutive quarters and (c) Genworth achieves certain financial metrics. Prior to the satisfaction of the GSE Conditions, the GSE Restrictions require:

- GMICO to maintain 115% of PMIERs minimum required assets through 2021, 120% during 2022 and 125% thereafter;

- EHI to retain $300 million of its holding company cash that can be drawn down exclusively for its debt service or to contribute to GMICO to meet their regulatory capital needs including PMIERs; and

- written approval must be received from the GSEs prior to any additional debt issuance by either GMICO or EHI.

Until the GSE Conditions imposed in connection with the GSE Restrictions are met, EHI's liquidity must not fall below 13.5% of its outstanding debt. These GSE Restrictions will remain in effect until the collective GSE Conditions are met.

As of March 31, 2021, we had estimated available assets of $4,769 million against $3,005 million net required assets under PMIERs compared to available assets of $4,588 million against $3,359 million net required assets as of December 31, 2020. The sufficiency ratio as of March 31, 2021 was 159% or $1,764 million above the published PMIERs requirements, compared to 137% or $1,229 million above the published PMIERs requirements as of December 31, 2020. PMIERs sufficiency is based on the published requirements applicable to private mortgage insurers and does not give effect to the GSE Restrictions imposed on our business. The increase in the PMIERs sufficiency was driven in part by the completion of an insurance linked notes transaction, which added $495 million of additional PMIERs capital credit as of March 31, 2021, elevated lapse driven by prevailing low interest rates and business cash flows, partially offset by elevated NIW. In addition, elevated lapse continued to drive an acceleration of the amortization of our existing reinsurance transactions, which caused a reduction in PMIERs capital credit in the first quarter of 2021. Our PMIERs required assets as of March 31, 2021 and December 31, 2020 benefited from the application of a 0.30 multiplier applied to the risk-based required asset amount factor for certain non-performing loans. The application of the 0.30 multiplier to all eligible delinquencies provided $1,012 million of benefit to our March 31, 2021 PMIERs required assets compared to $1,046 million benefit as of December 31, 2020. These amounts are gross of any incremental reinsurance benefit from the elimination of the 0.30 multiplier.

On February 4, 2021, we executed an excess of loss reinsurance transaction with a panel of reinsurers, which provides up to $210 million of reinsurance coverage on a portion of the loss tiers on current and expected NIW for the 2021 book year. On March 2, 2021, we obtained $495 million of fully collateralized excess of loss reinsurance coverage from Triangle Re 2021-1 on a portfolio of existing mortgage insurance policies written from January 2014 through December 2018 and policies written from October 2019 through December 2019. Triangle Re 2021-1 financed the reinsurance coverage by issuing mortgage insurance-linked notes in an aggregate amount of $495 million to unaffiliated investors. Credit risk transfer transactions provided an aggregate of approximately $1,285 million of PMIERs capital credit as of March 31, 2021. On April 16, 2021, we obtained approximately $303 million of fully collateralized excess of loss reinsurance coverage from Triangle Re 2021-2 on a portfolio of existing mortgage insurance policies written from September 2020 through December 2020. If we gave effect to this transaction in the first quarter of 2021, our PMIERs sufficiency ratio would have been estimated to be 176% or $2,067 million above the published PMIERs requirements. We may execute future credit risk transfer transactions to maintain a prudent level of financial flexibility in excess of the PMIERs capital requirements in response to potential changes in performance and PMIERs requirements over time.

We are currently operating under the PMIERs Amendment, which includes capital preservation requirements that restrict dividends through June 30, 2021. Thereafter, we will evaluate the regulatory and macroeconomic environment, including the timing of forbearance resolutions and whether loans subject to forbearance cure or result in a claim, to assess future dividends. Future dividends are subject to capital requirements of our insurance subsidiaries, capital needs of our holding companies and market conditions, among other factors, which are subject to change.

Results of Operations and Key Metrics

Results of Operations

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

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

(Amounts in thousands)	Three months ended March 31, 2021	Three months ended March 31, 2020	Increase (decrease) and percentage change 2021 vs. 2020	
Revenues:				
Premiums	$ 252,542	$ 226,198	$ 26,344	12 %
Net investment income	35,259	32,731	2,528	8 %
Net investment gains (losses)	(956)	95	(1,051)	(1106)%
Other income	1,738	1,553	185	12 %
Total revenues	288,583	260,577	28,006	11 %
Losses and expenses:				
Losses incurred	55,374	17,484	37,890	217 %
Acquisition and operating expenses, net of deferrals	57,622	51,632	5,990	12 %
Amortization of deferred acquisition costs and intangibles	3,838	3,896	(58)	(1)%
Interest expense	12,737	—	12,737	NM [1]
Total losses and expenses	129,571	73,012	56,559	77 %
Income before income taxes	159,012	187,565	(28,553)	(15)%
Provision for income taxes	33,881	42,300	(8,419)	(20)%
Net income	$ 125,131	$ 145,265	$ (20,134)	(14)%
Loss ratio [2]	22 %	8 %		
Expense ratio (net earned premiums) [3]	24 %	25 %		

(1) Not measurable.
(2) Loss ratio is calculated by dividing losses incurred by net earned premiums.
(3) Expense ratio (net earned premiums) is calculated by dividing acquisition and operating expenses, net of deferrals, plus amortization of DAC and intangibles by net earned premiums

Revenues

Premiums increased mainly attributable to higher IIF and an increase in policy cancellations in our single premium mortgage insurance product driven largely by higher mortgage refinancing, partially offset by higher ceded premiums from reinsurance transactions executed in the current year and lower average premium rates.

Net investment income increased primarily from higher average invested assets in the current year and higher income from bond calls, partially offset by lower investment yields in the current year.

Net investment losses in the current year were primarily driven by credit losses related to United States corporate available-for-sale fixed maturity securities and realized losses from the sale of fixed maturity securities. Net investment gains in the prior year were largely from realized gains from the sale of fixed maturity securities.

Other income primarily includes underwriting fee revenue charged on a per-unit or per-diem basis, as defined in the underwriting agreement. Other income increased primarily due to higher contract underwriting revenue mainly from a larger mortgage insurance market in the current year.

Losses and expenses

Losses incurred increased largely from $44 million of losses from new delinquencies driven primarily by a significant increase in borrower forbearance as a result of COVID-19 and strengthening of existing reserves of $10 million primarily due to our expectation that pre-COVID-19 delinquencies will have a modestly higher claim rate than our prior best estimate given the slower emergence of cures to date. We also experienced lower net benefits from cures and aging of existing delinquencies in the current year.

The following table shows incurred losses related to current and prior accident years for the three months ended March 31:

(Amounts in thousands)	2021	2020
Losses and LAE incurred related to current accident year	$ 45,064	$ 26,960
Losses and LAE incurred related to prior accident years	10,321	(8,378)
Total incurred [1]	$ 55,385	$ 18,582

(1) Excludes run-off business.

Acquisition and operating expenses, net of deferrals, increased primarily attributable to higher costs allocated by our Parent, an increase in acquisition costs mainly driven by increased NIW and higher information technology and other operating expenses in the current year.

Our expense ratio (net earned premiums) decreased primarily from higher net earned premiums, partially offset by higher operating costs in the current year.

Interest expense in the current year relates to our 2025 Senior Notes. For additional details see Note 7 to our unaudited condensed consolidated financial statements for the three months ended March 31, 2021 and 2020.

Provision for income taxes

The effective tax rate was 21.3% and 22.6% for the three months ended March 31, 2021 and 2020, respectively, consistent with the United States corporate federal income tax rate.

Use of Non-GAAP Measures

We use a non-U.S. GAAP ("non-GAAP") financial measure entitled "adjusted operating income." This non-GAAP financial measure aligns with the way our business performance is evaluated by both management and by our board of directors. This measure has been established in order to increase transparency for the purposes of evaluating our core operating trends and enabling more meaningful comparisons with our peers. Although "adjusted operating income" is a non-GAAP financial measure, for the reasons discussed above we believe this measure aids in understanding the underlying performance of our operations. Our senior management, including our chief operating decision maker, uses "adjusted operating income" as the primary measure to evaluate the fundamental financial performance of our business and to allocate resources.

"Adjusted operating income" is defined as U.S. GAAP net income excluding the effects of (i) net investment gains (losses), (ii) infrequent or unusual non-operating items.

(i) Net investment gains (losses)—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.

(ii) Infrequent or unusual non-operating items are also excluded from adjusted operating income if, in our opinion, they are not indicative of overall operating trends.

In reporting non-GAAP measures in the future, we may make other adjustments for expenses and gains we do not consider reflective of core operating performance in a particular period. We may disclose other non-GAAP operating measures if we believe that such a presentation would be helpful for investors to evaluate our operating condition by including additional information.

Total adjusted operating income is not a measure of total profitability, and therefore should not be considered in isolation or viewed as a substitute for U.S. GAAP net income. Our definition of adjusted operating income may not be comparable to similarly named measures reported by other companies, including our peers.

Adjustments to reconcile net income to adjusted operating income assume a 21% tax rate (unless otherwise indicated).

The following table includes a reconciliation of net income to adjusted operating income for the three months ended March 31:

(Amounts in thousands)	**2021**	**2020**
Net income	$ 125,131	$ 145,265
Adjustments to net income:		
Net investment (gains) losses	956	(95)
Taxes on adjustments	(201)	20
Adjusted operating income	$ 125,886	$ 145,190

There were no infrequent or unusual items excluded from adjusted operating income during the periods presented.

Adjusted operating income decreased primarily from higher losses largely from new delinquencies driven primarily by an increase in borrower forbearance as a result of COVID-19, reserve strengthening of $8 million on pre-COVID-19 delinquencies and lower net benefits from cures and aging of existing delinquencies in the current year. The decrease was also driven by interest expense associated with senior notes issued in August 2020 and higher operating costs in the current year. These decreases were partially offset by higher premiums largely driven by higher IIF and an increase in policy cancellations in our single premium mortgage insurance product primarily due to higher mortgage refinancing in the current year.

Key Metrics

Management reviews the key metrics included within this section when analyzing the performance of our business. The metrics provided in this section exclude activity related to our run-off business, which is immaterial to our consolidated results of operations.

The following table sets forth selected operating performance measures on a primary basis as of or for the three months ended March 31:

(Dollar amounts in millions)	2021	2020
New insurance written	$ 24,934	$ 17,908
Insurance in-force [(1)]	$ 210,187	$ 187,981
Risk in-force	$ 52,866	$ 47,740
Persistency rate	56 %	74 %
Policies in-force (count)	922,186	868,111
Delinquent loans (count)	41,332	15,417
Delinquency rate	4.48 %	1.78 %

(1) Represents the aggregate unpaid principal balance for loans we insure. Original loan balances are primarily used to determine premiums.

New insurance written

NIW for the three months ended March 31, 2021 increased 39% compared to the three months ended March 31, 2020 primarily due to higher mortgage refinancing originations and a larger private mortgage insurance market in the current period. We manage the quality of new business through pricing and our underwriting guidelines, which we modify from time to time as circumstances warrant.

The following table presents NIW by product for the three months ended March 31:

(Amounts in millions)	2021		2020	
Primary	$ 24,934	100 %	$ 17,908	100 %
Pool	—	—	—	—
Total	$ 24,934	100 %	$ 17,908	100 %

The following table presents primary NIW by underlying type of mortgage for the three months ended March 31:

(Amounts in millions)	2021		2020	
Purchases	$ 15,500	62 %	$ 12,020	67 %
Refinances	9,434	38	5,888	33
Total	$ 24,934	100 %	$ 17,908	100 %

The following table presents primary NIW by policy payment type for the three months ended March 31:

(Amounts in millions)	2021		2020	
Monthly	$ 23,358	94 %	$ 16,249	91 %
Single	1,446	6	1,532	8
Other	130	—	127	1
Total	$ 24,934	100 %	$ 17,908	100 %

The following table presents primary NIW by FICO score for the three months ended March 31:

(Amounts in millions)	2021		2020	
Over 760	$ 10,520	42 %	$ 7,527	42 %
740-759	3,836	15	3,211	18
720-739	3,423	14	2,651	14
700-719	2,979	12	2,204	12
680-699	2,480	10	1,468	8
660-679 (1)	983	4	471	3
640-659	511	2	266	2
620-639	202	1	110	1
<620	—	—	—	—
Total	$ 24,934	100 %	$ 17,908	100 %

(1) Loans with unknown FICO scores are included in the 660-679 category.

LTV ratio is calculated by dividing the original loan amount, excluding financed premium, by the property's acquisition value or fair market value at the time of origination. The following table presents primary NIW by LTV ratio for the three months ended March 31:

(Amounts in millions)	2021		2020	
95.01% and above	$ 2,241	9 %	$ 1,808	10 %
90.01% to 95.00%	9,453	38	7,713	43
85.01% to 90.00%	8,392	34	5,539	31
85.00% and below	4,848	19	2,848	16
Total	$ 24,934	100 %	$ 17,908	100 %

The following table presents primary NIW by DTI ratio for the three months ended March 31:

(Amounts in millions)	2021		2020	
45.01% and above	$ 2,569	10 %	$ 3,494	20 %
38.01% to 45.00%	8,751	35	6,008	33
38.00% and below	13,614	55	8,406	47
Total	$ 24,934	100 %	$ 17,908	100 %

Insurance in-force and Risk in-force

IIF increased largely from NIW, partially offset by lapses and cancellations as we experienced lower persistency during the current year. Primary persistency was 56% and 74% for the three months ended March 31, 2021 and 2020, respectively. This decrease in persistency resulted in elevated single premium policy cancellations in the current year. RIF increased primarily as a result of higher IIF.

The following table sets forth IIF and RIF as of the dates indicated:

(Amounts in millions)	March 31, 2021		December 31, 2020		March 31, 2020	
Primary IIF	$ 210,187	100 %	$ 207,947	100 %	$ 187,981	99 %
Pool IIF	841	—	883	—	1,034	1
Total IIF	$ 211,028	100 %	$ 208,830	100 %	$ 189,015	100 %
Primary RIF	$ 52,866	100 %	$ 52,475	100 %	$ 47,740	100 %
Pool RIF	134	—	146	—	179	—
Total RIF	$ 53,000	100 %	$ 52,621	100 %	$ 47,919	100 %

The following table sets forth primary IIF by policy year as of the dates indicated:

(Amounts in millions)	March 31, 2021		December 31, 2020		March 31, 2020	
2004 and prior	$ 663	— %	$ 708	— %	$ 820	— %
2005 to 2008	9,837	5	10,614	5	13,082	7
2009 to 2013	2,394	1	3,030	2	5,023	3
2014	3,176	1	3,699	2	5,779	3
2015	6,729	3	7,887	4	12,133	6
2016	13,213	6	15,385	7	23,177	12
2017	13,817	7	16,289	8	25,893	14
2018	14,618	7	17,235	8	28,084	15
2019	33,430	16	39,463	19	56,193	30
2020	87,599	42	93,637	45	17,797	10
2021	24,711	12	—	—	—	—
Total	$ 210,187	100 %	$ 207,947	100 %	$ 187,981	100 %

The following table sets forth primary RIF by policy year as of the dates indicated:

(Amounts in millions)	March 31, 2021		December 31, 2020		March 31, 2020	
2004 and prior	$ 189	— %	$ 202	— %	$ 234	— %
2005 to 2008	2,516	5	2,716	5	3,351	7
2009 to 2013	651	1	832	2	1,396	3
2014	859	2	999	2	1,561	3
2015	1,795	3	2,104	4	3,227	7
2016	3,503	7	4,063	8	6,031	13
2017	3,556	7	4,180	8	6,616	14
2018	3,671	7	4,322	8	7,034	15
2019	8,361	16	9,840	19	13,912	29
2020	21,787	41	23,217	44	4,378	9
2021	5,978	11	—	—	—	—
Total	$ 52,866	100 %	$ 52,475	100 %	$ 47,740	100 %

The following table presents the development of primary IIF for the three months ended March 31:

(Amounts in millions)	2021	2020
Beginning balance	$ 207,947	$ 181,785
NIW	24,934	17,908
Cancellations, principal repayments and other reductions (1)	(22,694)	(11,712)
Ending balance	$ 210,187	$ 187,981

(1) Includes the estimated amortization of unpaid principal balance of covered loans.

The following table sets forth primary IIF by LTV ratio at origination as of the dates indicated:

(Amounts in millions)	March 31, 2021		December 31, 2020		March 31, 2020	
95.01% and above	$ 33,757	16 %	$ 34,520	17 %	$ 32,760	17 %
90.01% to 95.00%	92,124	44	92,689	45	85,736	46
80.01% to 90.00%	84,218	40	80,637	38	69,375	37
80.00% and below	88	—	101	—	110	—
Total	$ 210,187	100 %	$ 207,947	100 %	$ 187,981	100 %

The following table sets forth primary RIF by LTV ratio at origination as of the dates indicated:

(Amounts in millions)	March 31, 2021		December 31, 2020		March 31, 2020	
95.01% and above	$ 9,151	17 %	$ 9,279	18 %	$ 8,482	18 %
90.01% to 95.00%	26,637	51	26,774	51	24,703	52
80.01% to 90.00%	17,060	32	16,401	31	14,532	30
80.00% and below	18	—	21	—	23	—
Total	$ 52,866	100 %	$ 52,475	100 %	$ 47,740	100 %

The following table sets forth primary IIF by FICO score at origination as of the dates indicated:

(Amounts in millions)	March 31, 2021		December 31, 2020		March 31, 2020	
Over 760	$ 79,285	38 %	$ 78,488	38 %	$ 71,703	38 %
740-759	33,607	16	33,635	16	31,215	17
720-739	30,295	14	30,058	14	27,210	14
700-719	26,309	13	25,870	12	22,484	12
680-699	20,777	10	20,140	10	17,460	9
660-679 (1)	10,001	5	9,819	5	8,494	5
640-659	5,981	3	5,935	3	5,377	3
620-639	2,893	1	2,902	1	2,759	1
<620	1,039	—	1,100	1	1,279	1
Total	$ 210,187	100 %	207,947	100 %	187,981	100 %

(1) Loans with unknown FICO scores are included in the 660-679 category.

The following table sets forth primary RIF by FICO score at origination as of the dates indicated:

(Amounts in millions)	March 31, 2021		December 31, 2020		March 31, 2020	
Over 760	$ 19,829	37 %	$ 19,691	37 %	$ 18,216	38 %
740-759	8,442	16	8,497	16	7,986	17
720-739	7,715	15	7,673	15	6,970	15
700-719	6,678	13	6,579	12	5,688	12
680-699	5,231	10	5,100	10	4,417	9
660-679 (1)	2,484	5	2,442	5	2,110	4
640-659	1,485	3	1,472	3	1,322	3
620-639	734	1	737	1	701	1
<620	268	—	284	1	330	1
Total	$ 52,866	100 %	52,475	100 %	47,740	100 %

(1) Loans with unknown FICO scores are included in the 660-679 category.

Delinquent loans and claims

Our delinquency management process begins with notification by the loan servicer of a delinquency on an insured loan. “Delinquency” is defined in our master policies as the borrower’s failure to pay when due an amount equal to the scheduled monthly mortgage payment under the terms of the mortgage. Generally, our master policies require an insured to notify us of a delinquency if the borrower fails to make two consecutive monthly mortgage payments prior to the due date of the next mortgage payment. We generally consider a loan to be delinquent and establish required reserves after the insured notifies us that the borrower has failed to make two scheduled mortgage payments. Borrowers default for a variety of reasons, including a reduction of income, unemployment, divorce, illness/death, inability to manage credit, falling home prices and interest rate levels. Borrowers may cure delinquencies by making all of the delinquent loan payments, agreeing to a loan modification, or by selling the property in full satisfaction of all amounts due under the mortgage. In most cases, delinquencies that are not cured result in a claim under our policy.

The following table shows a roll forward of the number of primary loans in default for the three months ended March 31:

(Loan count)	2021	2020
Number of delinquencies, beginning of period	44,904	16,392
New defaults	10,053	8,114
Cures	(13,478)	(8,649)
Claims paid	(134)	(440)
Rescissions and claim denials	(13)	—
Number of delinquencies, end of period	41,332	15,417

The following table sets forth changes in our direct primary case loss reserves for the three months ended March 31:

(Amounts in thousands) [1]	2021	2020
Loss reserves, beginning of period	$ 516,863	$ 204,749
Claims paid	(5,934)	(19,843)
Increase in reserves	53,279	17,094
Loss reserves, end of period	$ 564,208	$ 202,000

(1) Direct primary case reserves exclude LAE, incurred but not reported ("IBNR") and reinsurance reserves.

The following tables set forth primary delinquencies, direct case reserves and RIF by aged missed payment status as of the dates indicated:

	March 31, 2021			
(Dollar amounts in millions)	Delinquencies	Direct case reserves [1]	Risk in-force	Reserves as % of risk in-force
Payments in default:				
3 payments or less	8,296	$ 40	$ 436	9 %
4 - 11 payments	21,011	227	1,232	18 %
12 payments or more	12,025	297	724	41 %
Total	41,332	$ 564	$ 2,392	24 %

	December 31, 2020			
(Dollar amounts in millions)	Delinquencies	Direct case reserves [1]	Risk in-force	Reserves as % of risk in-force
Payments in default:				
3 payments or less	10,484	$ 43	$ 549	8 %
4 - 11 payments	30,324	331	1,853	18 %
12 payments or more	4,096	143	204	70 %
Total	44,904	$ 517	$ 2,606	20 %

(Dollar amounts in millions)	March 31, 2020 Delinquencies		Direct case reserves (1)		Risk in-force	Reserves as % of risk in-force
Payments in default:						
3 payments or less	7,650	$	24	$	352	7 %
4 - 11 payments	4,909		82		230	36 %
12 payments or more	2,858		96		143	67 %
Total	15,417	$	202	$	725	28 %

(1) Direct primary case reserves exclude LAE, IBNR and reinsurance reserves.

The total increase in reserves as a percentage of RIF as of March 31, 2021 compared to December 31, 2020 was primarily driven by higher reserves in relation to a decrease in delinquent RIF. Delinquent RIF decreased mainly from lower total delinquencies as cures outpaced new delinquencies in the first quarter of 2021, while reserves increased primarily from new delinquencies and reserve strengthening in the current year. As of March 31, 2021, we have experienced an increase in loans that are delinquent for 12 months or more due in large part to borrowers entering a forbearance plan over a year ago driven by COVID-19. We estimated the loss reserve for COVID-19 related delinquencies by applying a claim rate estimate which considers the emergence of cures on forbearance and non-forbearance delinquencies and the ongoing economic impact due to the pandemic. The large volume of additional forbearance delinquencies moving to 12 or more payments in default combined with lower loss expectations on delinquencies subject to a forbearance plan drove the decrease in reserves as a percentage of RIF in the 12 or more payments in default category as of March 31, 2021. Forbearance plans may be extended up to 18 months, therefore, it is possible we could experience elevated delinquencies in this aged category for the remainder of 2021. Resolution of a delinquency in a forbearance plan, whether it ultimately results in a cure or a claim, is difficult to estimate and may not be known for several quarters, if not longer.

Primary insurance delinquency rates differ from region to region in the United States at any one time depending upon economic conditions and cyclical growth patterns. Delinquency rates are shown by region based upon the location of the underlying property, rather than the location of the lender. The table below sets forth our primary delinquency rates for the ten largest states by our primary RIF as of March 31, 2021:

	Percent of RIF	Percent of direct primary case reserves	Delinquency rate
By State:			
California	12 %	11 %	5.76 %
Texas	8	8	5.25 %
Florida (1)	7	10	5.97 %
Illinois (1)	5	6	5.07 %
New York (1)	5	12	6.36 %
Michigan	4	2	2.68 %
Arizona	4	2	4.06 %
North Carolina	3	2	3.60 %
Washington	3	3	5.47 %
Pennsylvania (1)	3	3	3.83 %
All other states (2)	46	41	3.99 %
Total	100 %	100 %	4.48 %

(1) Jurisdiction predominantly uses a judicial foreclosure process, which generally increases the amount of time it takes for a foreclosure to be completed.
(2) Includes the District of Columbia.

The table below sets forth our primary delinquency rates for the ten largest states by our primary RIF as of December 31, 2020:

	Percent of RIF	Percent of total reserves	Delinquency rate
By State:			
California	11 %	11 %	6.20 %
Texas	8	8	5.82 %
Florida [1]	7	10	6.92 %
Illinois [1]	5	6	5.21 %
New York [1]	5	11	6.92 %
Michigan	4	2	2.93 %
Washington	4	3	5.37 %
Pennsylvania [1]	4	3	4.11 %
North Carolina	4	2	3.84 %
Arizona	3	2	4.54 %
All other states [2]	45	42	4.32 %
Total	100 %	100 %	4.86 %

(1) Jurisdiction predominantly uses a judicial foreclosure process, which generally increases the amount of time it takes for a foreclosure to be completed.
(2) Includes the District of Columbia.

The table below sets forth our primary delinquency rates for the ten largest Metropolitan Statistical Areas ("MSA") or Metro Divisions ("MD") by our primary RIF as of March 31, 2021:

	Percent of RIF	Percent of direct primary case reserves	Delinquency rate
By MSA or MD:			
Chicago-Naperville, IL MD	3 %	4 %	6.28 %
Phoenix, AZ MSA	3	2	4.12 %
New York, NY MD	3	8	9.56 %
Atlanta, GA MSA	2	3	6.10 %
Washington DC-Arlington, DC MD	2	2	5.84 %
Houston, TX MSA	2	3	6.89 %
Riverside-San Bernardino, CA MSA	2	2	6.53 %
Los Angeles-Long Beach, CA MD	2	3	7.30 %
Dallas, TX MD	2	2	4.59 %
Nassau County-Suffolk County, NY MD	2	4	10.13 %
All Other MSAs/MDs	77	67	4.02 %
Total	100 %	100 %	4.48 %

The table below sets forth our primary delinquency rates for the ten largest MSAs or MDs by our primary RIF as of December 31, 2020:

	Percent of RIF	Percent of total reserves	Delinquency rate
By MSA or MD:			
Chicago-Naperville, IL MD	3 %	4 %	6.36 %
Phoenix, AZ MSA	3	2	4.63 %
New York, NY MD	3	8	10.25 %
Atlanta, GA MSA	2	3	6.68 %
Washington-Arlington, DC MD	2	2	6.09 %
Houston, TX MSA	2	3	7.59 %
Riverside-San Bernardino, CA MSA	2	2	7.08 %
Los Angeles-Long Beach, CA MD	2	2	7.57 %
Dallas, TX MD	2	2	5.10 %
Seattle-Bellevue, WA MD	2	2	6.33 %
All other MSAs/MDs	77	70	4.43 %
Total	100 %	100 %	4.86 %

The frequency of delinquencies often does not correlate directly with the number of claims received because delinquencies may cure. The rate at which delinquencies cure is influenced by borrowers' financial resources and circumstances and regional economic differences. Whether a delinquency leads to a claim correlates highly with the borrower's equity at the time of delinquency, as it influences the borrower's willingness to continue to make payments, the borrower's or the insured's ability to sell the home for an amount sufficient to satisfy all amounts due under the mortgage loan, and the borrower's financial ability to continue making payments. When we receive notice of a delinquency, we use our proprietary model to determine whether a delinquent loan is a candidate for a modification. When our model identifies such a candidate, our loan workout specialists prioritize cases for loss mitigation based upon the likelihood that the loan will result in a claim. Loss mitigation actions include loan modification, extension of credit to bring a loan current, foreclosure forbearance, pre-foreclosure sale and deed-in-lieu. These loss mitigation efforts often are an effective way to reduce our claim exposure and ultimate payouts.

The following table sets forth the dispersion of primary RIF and loss reserves by policy year and delinquency rates as of March 31, 2021:

	Percent of RIF	Percent of direct primary case reserves	Delinquency rate	Cumulative delinquency rate (1)
Policy Year:				
2004 and prior	— %	3 %	16.74 %	3.61 %
2005 to 2008	5	26	13.27 %	18.71 %
2009 to 2013	1	2	6.29 %	0.88 %
2014	2	3	6.21 %	1.45 %
2015	3	5	5.69 %	1.76 %
2016	7	9	5.32 %	2.16 %
2017	7	11	6.58 %	2.95 %
2018	7	13	7.86 %	3.58 %
2019	16	19	5.73 %	3.52 %
2020	41	9	1.36 %	1.24 %
2021 (through March 31, 2021)	11	—	0.03 %	0.03 %
Total portfolio	100 %	100 %	4.48 %	4.76 %

(1) Calculated as the sum of the number of policies where claims were ever paid to date and number of policies for loans currently in default divided by policies ever in-force.

The following table sets forth the dispersion of primary RIF and loss reserves by policy year and delinquency rates as of December 31, 2020:

	Percent of RIF	Percent of total reserves	Delinquency rate	Cumulative delinquency rate (1)
Policy Year:				
2004 and prior	— %	3 %	16.82 %	3.62 %
2005 to 2008	5	25	13.35 %	18.79 %
2009 to 2013	2	2	5.44 %	0.91 %
2014	2	3	6.06 %	1.57 %
2015	4	5	5.66 %	1.97 %
2016	7	9	5.46 %	2.49 %
2017	8	12	6.51 %	3.34 %
2018	8	14	7.70 %	4.01 %
2019	19	19	5.60 %	3.93 %
2020	45	8	1.09 %	1.04 %
Total portfolio	100 %	100 %	4.86 %	4.86 %

(1) Calculated as the sum of the number of policies where claims were ever paid to date and number of policies for loans currently in default divided by policies ever in-force.

Loss reserves in policy years 2005 through 2008 are outsized compared to their representation of RIF. The size of these policy years at origination combined with the significant decline in home prices led to significant losses in policy years prior to 2009. Although uncertainty remains with respect to the ultimate losses we will experience on these policy years, they have become a smaller percentage of our total mortgage insurance portfolio. The largest portion of loss reserves has shifted to newer book years as a result of the COVID-19 pandemic given their significant representation of RIF. As of March 31, 2021, our 2014 and newer policy years represented approximately 94% of our primary RIF and 69% of our total direct primary case reserves.

Investment Portfolio

Our investment portfolio is affected by factors described below, each of which in turn may be affected by COVID-19 as noted above in "—Trends and Conditions." Management of our investment portfolio has been delegated by our board of directors to our Parent's investment committee and chief investment officer. Our Parent's investment team, with oversight from our board of directors and our senior management team, is responsible for the execution of our investment strategy. Our investment portfolio is an important component of our consolidated financial results and represents our primary source of claims paying resources. Our investment portfolio primarily consists of a diverse mix of highly rated fixed income securities and is designed to achieve the following objectives:

- Meet policyholder obligations through maintenance of sufficient liquidity;
- Preserve capital;
- Generate investment income;
- Maximize statutory capital; and
- Increase value to our Parent and its stockholders, among other objectives.

To achieve our portfolio objectives, our investment strategy focuses primarily on:

- Our business outlook, current and expected future investment conditions;
- Investments selection based on fundamental, research-driven strategies;
- Diversification across a mix of fixed income, low-volatility investments while actively pursuing strategies to enhance yield;
- Regular evaluation and optimization of our asset class mix;
- Continuous monitoring of investment quality, duration, and liquidity;
- Regulatory capital requirements; and
- Restriction of investments correlated to the residential mortgage market.

Fixed Maturity Securities Available-for-Sale

The following table presents the fair value of our fixed maturity securities available-for-sale as of the dates indicated:

	March 31, 2021		December 31, 2020	
(Amounts in thousands)	**Fair value**	**% of total**	**Fair value**	**% of total**
U.S. government, agencies and GSEs	$ 70,832	1.4 %	$ 138,224	2.7 %
State and political subdivisions	300,104	5.9	187,377	3.7
Non-U.S. government	30,415	0.6	31,031	0.6
U.S. corporate	2,844,775	55.7	2,888,625	57.3
Non-U.S. corporate	679,302	13.3	607,669	12.0
Other asset-backed	1,180,700	23.1	1,193,670	23.7
Total available-for-sale fixed maturity securities	**$ 5,106,128**	**100.0 %**	**$ 5,046,596**	**100.0 %**

Our investment portfolio did not include any direct residential real estate or whole mortgage loans as of March 31, 2021 and December 31, 2020. We have no derivative financial instruments in our investment portfolio.

As of March 31, 2021 and December 31, 2020, 97% and 98% of our investment portfolio was rated investment grade, respectively. The following table presents the security ratings of our fixed maturity securities as of the dates indicated:

	March 31, 2021	**December 31, 2020**
AAA	9.3 %	11.3 %
AA	15.2	12.6
A	35.0	35.5
BBB	37.7	38.2
BB & below	2.8	2.4
Total	**100.0 %**	**100.0 %**

The table below presents the effective duration and investment yield on our investments available-for-sale, excluding cash and cash equivalents:

	March 31, 2021	**December 31, 2020**	**March 31, 2020**
Duration (in years)	3.6	3.4	3.2
Pre-tax yield (% of average investment portfolio assets)	2.8 %	2.8 %	3.2 %

We manage credit risk by analyzing issuers, transaction structures and any associated collateral. We also manage credit risk through country, industry, sector and issuer diversification and prudent asset allocation practices.

We primarily mitigate interest rate risk by employing a buy and hold investment philosophy that seeks to match fixed income maturities with expected liability cash flows in modestly adverse economic scenarios.

Liquidity and Capital Resources

Cash Flows

The following table summarizes our unaudited condensed consolidated cash flows for the three months ended March 31:

(Amounts in thousands)	2021	2020
Net cash provided by (used in):		
Operating activities	$ 127,028	$ 150,296
Investing activities	(148,487)	(433,145)
Financing activities	—	—
Net decrease in cash and cash equivalents	$ (21,459)	$ (282,849)

Our most significant source of operating cash flows is from premiums received from our insurance policies, while our most significant uses of operating cash flows are generally for claims paid on our insured policies and our operating expenses. Net cash from operating activities decreased due to timing of tax payments made to our Parent and our initial $26.3 million interest payment on our 2025 Senior Notes issued in August 2020, partially offset by higher premiums received from a larger IIF balance and lower claims paid in the current year.

Investing activities are primarily related to purchases, sales, and maturities of our investment portfolio. Net cash used by investing activities decreased primarily as a result of lower net purchases of fixed maturity securities in the current year.

No dividends were paid during the three months ended March 31, 2021 or 2020. The amount and timing of future dividends will depend on the economic recovery from COVID-19, among other factors as described below.

Capital Resources and Financing Activities

We issued our 2025 Senior Notes in 2020 with interest payable semi-annually in arrears on February 15 and August 15 of each year. We made our first interest payment in the current quarter of $23.6 million. The 2025 Senior Notes mature on August 15, 2025. We may redeem the 2025 Senior Notes, in whole or in part, at any time prior to February 15, 2025 at our option, by paying a make-whole premium, plus accrued and unpaid interest, if any. At any time on or after February 15, 2025, we may redeem the 2025 Senior Notes, in whole or in part, at our option, at 100% of the principal amount, plus accrued and unpaid interest. The 2025 Senior Notes contain customary events of default, which subject to certain notice and cure conditions, can result in the acceleration of the principal and accrued interest on the outstanding 2025 Senior Notes if we breach the terms of the indenture.

Pursuant to the GSE Restrictions, we are required to retain $300 million of our holding company cash that can be drawn down exclusively for our debt service or to contribute to GMICO to meet its regulatory capital needs including PMIERs. See "—Trends and Conditions" for additional information regarding the GSE Restrictions.

Restrictions on the Payment of Dividends

The ability of our regulated insurance operating subsidiaries to pay dividends and distributions to us is restricted by certain provisions of North Carolina insurance laws. Our insurance subsidiaries may pay dividends only from unassigned surplus; payments made from sources other than unassigned surplus are categorized as distributions. Notice of all dividends must be submitted to the Commissioner of the NCDOI (the "Commissioner") within 5 business days after declaration of the dividend or distribution, and at least 30 days before payment thereof. No dividend may be paid until 30 days after the Commissioner has received notice of the declaration thereof and (i) has not within that period disapproved the payment or (ii) has approved the payment within the 30-day period. Any distribution, regardless of amount, requires that same 30-day notice to the Commissioner, but also requires the Commissioner's affirmative approval before being paid. Based on our estimated statutory results and in accordance with applicable dividend restrictions, our regulated insurance operating subsidiaries currently have capacity to pay dividends from unassigned surplus of $199 million in 2021, with GMICO comprising $197 million of the unassigned surplus, with 30 day advance notice to the Commissioner of the intent to pay. However, due to changes in the regulatory and economic landscape as a result of COVID-19, we may be unable to obtain the requisite consent or non-disapproval from insurance regulators or the GSEs to make any such dividends. For example, the GSEs recently implemented the PMIERs Amendment, which requires our approved insurer (GMICO) to obtain the GSEs' prior written consent through June 30, 2021 before paying any dividends. In addition, prior to the satisfaction of the GSE Conditions, the GSE Restrictions require GMICO to maintain 115% of PMIERs Minimum Required Assets through 2021, 120% during 2022 and 125% thereafter (unless our Parent directly or indirectly owns 70% or less of our common stock by December 31, 2021, in which case, the GSE Restrictions require GMICO to maintain 115% of PMIERs Minimum Required Assets through 2022, 120% during 2023 and 125% thereafter). Currently, our Parent expects to indirectly own at least 80% of EHI common stock following the planned partial sale. We may also become subject to additional requirements or conditions imposed by the GSEs, which directly or indirectly could impair the ability of GMICO to pay dividends to us.

In addition, we review multiple other considerations in parallel to determine a prospective dividend strategy for our regulated insurance operating subsidiaries. Given the regulatory focus on the reasonableness of an insurer's surplus in relation to its outstanding liabilities and the adequacy of its surplus relative to its financial needs for any dividend, our insurance subsidiaries consider the minimum amount of policyholder surplus after giving effect to any contemplated future dividends. Regulatory minimum policyholder surplus is not codified in North Carolina law and limitations may vary based on prevailing business conditions including, but not limited to, the prevailing and future macroeconomic conditions. We estimate regulators would require a minimum policyholder surplus of approximately $300 million to meet their threshold standard. Given (i) we are subject to statutory accounting requirements that establish a contingency reserve of at least 50% of net earned premiums annually for ten years, after which time it is released into policyholder surplus and (ii) that no material 10-year contingency reserve releases are scheduled before 2024, we expect modest growth in policyholder surplus through 2024. As a result, minimum policyholder surplus could be a limitation on the future dividends of our regulated operating subsidiaries. If, however, incurred losses and incurred loss expenses continue to grow due to COVID-19 and exceed 35% of net earned premium, we may seek approval for a contingency reserve release.

As mentioned above, another consideration in the development of the dividend strategies for our regulated insurance operating subsidiaries is our expected level of compliance with PMIERs. Under PMIERs, GMICO is subject to operational and financial requirements that approved insurers must meet in order to remain eligible to insure loans purchased by the GSEs. Refer to "—Trends and Conditions" for recent updates related to these requirements.

Our regulated insurance operating subsidiaries are also subject to statutory RTC requirements that affect the dividend strategies of our regulated operating subsidiaries. GMICO's domiciliary regulator, the NCDOI, requires the maintenance of a statutory RTC ratio not to exceed 25:1. GMICO had an RTC ratio of 11.9:1 as of March 31, 2021 and 12.3:1 as of December 31, 2020, well within the regulatory standard. Given other dividend constraints are currently more capital intensive than statutory RTC standards, RTC is not expected to have a significant impact on future dividend strategies for our regulated operating subsidiaries. See "—Risk-to-Capital Ratio" for additional RTC trend analysis.

We consider potential future dividends compared to the prior year statutory net income in the evaluation of dividend strategies for our regulated operating subsidiaries. We also consider the dividend payout ratio, or the ratio of potential future dividends compared to the estimated U.S. GAAP net income, in the evaluation of our dividend strategies. In either case, we do not have prescribed target or maximum thresholds, but we do evaluate the reasonableness of a potential dividend relative to the actual or estimated income generated in the proceeding or preceding calendar year after giving consideration to prevailing business conditions including, but not limited to the prevailing and future macroeconomic conditions. In addition, the dividend strategies of our regulated operating subsidiaries are made in consultation with our Parent.

Risk-to-Capital Ratio

We compute our RTC ratio on a separate company statutory basis, as well as for our combined insurance operations. The RTC ratio is net RIF divided by policyholders' surplus plus statutory contingency reserve. Our net RIF represents RIF, net of reinsurance ceded, and excludes risk on policies that are currently delinquent and 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.

Certain states have insurance laws or regulations that require a mortgage insurer to maintain a minimum amount of statutory capital (including the statutory contingency reserve) relative to its level of RIF in order for the mortgage insurer to continue to write new business. While formulations of minimum capital vary in certain states, the most common measure applied allows for a maximum permitted RTC ratio of 25:1.

As of March 31, 2021, GMICO's RTC ratio was approximately 11.9:1, compared to 12.3:1 as of December 31, 2020. This RTC ratio remains below the NCDOI's maximum RTC ratio of 25:1.

The following table presents the calculation of our RTC ratio for our combined insurance subsidiaries as of the dates indicated:

(Dollar amounts in millions)	March 31, 2021	December 31, 2020
Statutory policyholders' surplus	$ 1,557	$ 1,555
Contingency reserves	2,652	2,518
Combined statutory capital	$ 4,209	$ 4,073
Adjusted RIF (1)	$ 49,347	$ 49,104
Combined risk-to-capital ratio	11.7	12.1

(1) Adjusted RIF for purposes of calculating combined statutory RTC differs from RIF presented elsewhere herein. In accordance with NCDOI requirements, adjusted RIF excludes delinquent policies.

The following table presents the calculation of our RTC ratio for our principal insurance company, GMICO, as of the dates indicated:

(Dollar amounts in millions)	March 31, 2021	December 31, 2020
Statutory policyholders' surplus	$ 1,477	$ 1,475
Contingency reserves	2,652	2,518
Combined statutory capital	$ 4,129	$ 3,993
Adjusted RIF (1)	$ 49,249	$ 49,021
GMICO risk-to-capital ratio	11.9	12.3

(1) Adjusted RIF for purposes of calculating GMICO statutory RTC differs from RIF presented elsewhere herein. In accordance with NCDOI requirements, adjusted RIF excludes delinquent policies.

Liquidity

As of March 31, 2021, we maintained liquidity in the form of cash and cash equivalents of $431 million compared to $453 million as of December 31, 2020, and we also held significant levels of investment-grade fixed maturity securities that can be monetized should our cash and cash equivalents be insufficient to meet our obligations. On August 21, 2020, we issued the 2025 Senior Notes. The GSE Restrictions require us to retain $300 million of our holding company cash that can be drawn down exclusively for our debt service or to contribute to GMICO to meet its regulatory capital needs including PMIERs, until the GSE Conditions are satisfied. See "—Trends and Conditions" for additional details. We distributed $437 million of the net proceeds to Genworth Holdings at the closing of the offering of our 2025 Senior Notes. The 2025 Senior Notes were issued to persons reasonably believed to be qualified institutional buyers in a private offering exempt from registration pursuant to Rule 144A under the Securities Act and to non-U.S. persons outside of the United States in compliance with Regulation S under the Securities Act.

The principal sources of liquidity in our business currently include insurance premiums, net investment income and cash flows from investment sales and maturities. We believe that the operating cash flows generated by our mortgage insurance subsidiary will provide the funds necessary to satisfy our claim payments, operating expenses and taxes. However, our subsidiaries are subject to regulatory and other capital restrictions with respect to the payment of dividends. The $300 million of the net proceeds of the 2025 Senior Notes offering retained by EHI comprises substantially all of the cash and cash equivalents held directly by EHI and initially available to pay interest on the 2025 Senior Notes. To the extent the $300 million of net proceeds retained from the offering is used to provide capital support to GMICO, the GSEs and the NCDOI may seek to prevent GMICO from returning that capital to EHI in the form of a dividend, distribution or an intercompany loan. In addition, with certain exceptions, the settlement agreement between our Parent and AXA S.A. ("AXA") requires proceeds from any future debt and equity issuance by us and/or our subsidiaries to be used to prepay the secured promissory note issued by our Parent to AXA (as amended, the "Promissory Note"). Therefore, we are limited in our ability to finance our capital needs from debt and equity offerings until the Promissory Note is fully repaid. See Note 1 in our consolidated financial statements for additional information. We currently have no material financing commitments, such as lines of credit or guarantees, that are expected to affect our liquidity over the next five years, other than the 2025 Senior Notes.

Financial Strength Ratings

The following ratings have been independently assigned by third-party rating organizations and represent our current ratings, which are subject to change. GMICO's financial strength is rated "Baa3" by Moody's, "BBB-" by Fitch, and "BB+" by Standard & Poor's. On May 25, 2021, Moody's affirmed GMICO's rating with outlook developing. On April 20, Fitch placed GMICO's ratings on Rating Watch Positive. On May 4, 2021, Standard & Poor's affirmed GMICO's rating and upgraded its outlook to CreditWatch Positive. Additionally, EHI's issuer default rating is "BB" by Fitch and "Ba3" by Moody's.

Contractual Obligations and Commitments

We experienced an increase in loss reserves during the three months ended March 31, 2021 driven mostly by new delinquencies from borrower forbearance programs due to COVID-19. We expect a large portion of these delinquencies to cure before becoming an active claim; however, reserves recorded related to borrower forbearance have a high degree of estimation. Therefore, it is possible we could have higher contractual obligations related to these loss reserves if they do not cure as we expect. Other than the aforementioned loss reserves, there have been no material additions or changes to our contractual obligations as compared to the amounts disclosed within our audited consolidated financial statements for the years ended December 31, 2020 and 2019.

New Accounting Standards

Refer to Note 2 in our unaudited condensed consolidated financial statements for the three months ended March 31, 2021 and 2020, and in our audited consolidated financial statements for the years ended December 31, 2020 and 2019, for a discussion of recently adopted and not yet adopted accounting standards.

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 material sources of revenues and the investment portfolio represents the primary source of cash flows 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 United States markets.

We manage market risk via our defined investment policy guidelines implemented by our Parent's investment team 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 that may require that the investment portfolio be restructured to better align it with future liabilities and claim payments. Such restructuring may cause investments to be liquidated when market conditions are adverse.

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

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

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

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

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

At March 31, 2021, the effective duration of our investments available-for-sale was 3.5 years, which means that an instantaneous parallel shift (movement up or down) in the yield curve of 100 basis points would result in a change of 3.5% in fair value of our investments available-for-sale. Excluding cash and cash equivalents, the effective duration on our investments available-for-sale was 3.6 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 3.6% in fair value of our investments available-for-sale.