

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

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **June 30, 2024**
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number **001-36174**

NMI Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

45-4914248
(I.R.S. Employer Identification No.)

2100 Powell Street Emeryville, CA
(Address of principal executive offices)

94608
(Zip Code)

(855) 530-6642
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01	NMIH	Nasdaq

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes **No**

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes **No**

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes **No**

The number of shares of common stock, \$0.01 par value per share, of the registrant outstanding on July 26, 2024 was 79,672,652 shares.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), and the U.S. Private Securities Litigation Reform Act of 1995. Any statements about our expectations, outlook, beliefs, plans, predictions, forecasts, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as “anticipate,” “believe,” “can,” “could,” “may,” “predict,” “assume,” “potential,” “should,” “will,” “estimate,” “perceive,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “intend” or words of similar meaning and include, but are not limited to, statements regarding the outlook for our future business and financial performance. All forward-looking statements are necessarily only estimates of future results, and actual results may differ materially from expectations. You are, therefore, cautioned not to place undue reliance on such statements, which should be read in conjunction with the other cautionary statements that are included elsewhere in this report. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, operating results, business strategy and financial needs. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements including, but not limited to:

- changes in general economic, market and political conditions and policies (including changes in interest rates and inflation) and investment results or other conditions that affect the U.S. housing market or the U.S. markets for home mortgages, mortgage insurance, reinsurance and credit risk transfer markets, including the risk related to geopolitical instability, inflation, an economic downturn (including any decline in home prices) or recession, and their impacts on our business, operations and personnel;
- changes in the charters, business practices, policies, pricing or priorities of Fannie Mae and Freddie Mac (collectively, the GSEs), which may include decisions that have the impact of decreasing or discontinuing the use of mortgage insurance as credit enhancement generally, or with first time homebuyers or on very high loan-to-value (LTV) mortgages; or changes in the direction of housing policy objectives of the Federal Housing Finance Agency (FHFA), such as the FHFA's priority to increase the accessibility to and affordability of homeownership for low-and-moderate income borrowers and underrepresented communities;
- our ability to remain an eligible mortgage insurer under the private mortgage insurer eligibility requirements (PMIERS) and other requirements imposed by the GSEs, which they may change at any time;
- retention of our existing certificates of authority in each state and the District of Columbia (D.C.) and our ability to remain a mortgage insurer in good standing in each state and D.C.;
- our future profitability, liquidity and capital resources;
- actions of existing competitors, including other private mortgage insurers and government mortgage insurers such as the Federal Housing Administration, the U.S. Department of Agriculture's Rural Housing Service and the U.S. Department of Veterans Affairs (collectively, government MIs), and potential market entry by new competitors or consolidation of existing competitors;
- adoption of new or changes to existing laws, rules and regulations that impact our business or financial condition directly or the mortgage insurance industry generally or their enforcement and implementation by regulators, including the implementation of the final rules defining and/or concerning “Qualified Mortgage” and “Qualified Residential Mortgage”;
- U.S. federal tax reform and other potential changes in tax law and their impact on us and our operations;
- legislative or regulatory changes to the GSEs' role in the secondary mortgage market or other changes that could affect the residential mortgage industry generally or mortgage insurance industry in particular;
- potential legal and regulatory claims, investigations, actions, audits or inquiries that could result in adverse judgements, settlements, fines or other reliefs that could require significant expenditures or have other negative effects on our business;

- uncertainty relating to the coronavirus (COVID-19) virus and its variants, including their impact on the global economy, the U.S. housing, real estate, housing finance and mortgage insurance markets, and our business, operations and personnel;
- our ability to successfully execute and implement our capital plans, including our ability to access the equity, credit and reinsurance markets and to enter into, and receive approval of, reinsurance arrangements on terms and conditions that are acceptable to us, the GSEs and our regulators;
- lenders, the GSEs, or other market participants seeking alternatives to private mortgage insurance;
- our ability to implement our business strategy, including our ability to write mortgage insurance on high quality low down payment residential mortgage loans, implement successfully and on a timely basis, complex infrastructure, systems, procedures, and internal controls to support our business and regulatory and reporting requirements of the insurance industry;
- our ability to attract and retain a diverse customer base, including the largest mortgage originators;
- failure of risk management or pricing or investment strategies;
- decrease in the length of time our insurance policies are in force;
- emergence of unexpected claim and coverage issues, including claims exceeding our reserves or amounts we had expected to experience;
- potential adverse impacts arising from natural disasters including, with respect to affected areas, a decline in new business, adverse effects on home prices, and an increase in notices of default on insured mortgages;
- climate risk and efforts to manage or regulate climate risk by government agencies could affect our business and operations;
- potential adverse impacts arising from the occurrence of any man-made disasters or public health emergencies, including pandemics;
- the inability of our counter-parties, including third-party reinsurers, to meet their obligations to us;
- failure to maintain, improve and continue to develop necessary information technology (IT) systems or the failure of technology providers to perform;
- effectiveness and security of our information technology systems and digital products and services, including the risks these systems, products or services may fail to operate as expected or planned, or expose us to cybersecurity or third-party risks (including exposure of our confidential customer and other information); and
- ability to recruit, train and retain key personnel.

For more information regarding these risks and uncertainties as well as certain additional risks that we face, you should refer to Part I, Item 2, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and elsewhere in this report on Form 10-Q, including the exhibits hereto. In addition, for additional discussion of those risks and uncertainties that have the potential to affect our business, financial condition, results of operations, cash flows or prospects in a material and adverse manner, you should review *Risk Factors* in Part II, Item 1A of this Report and in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2023 (2023 10-K), as subsequently updated in other reports we file from time to time with the U.S. Securities and Exchange Commission (SEC).

Unless expressly indicated or the context requires otherwise, the terms “we,” “our,” “us,” “Company” and “NMI” in this document refer to NMI Holdings, Inc., a Delaware corporation, and its wholly-owned subsidiaries on a consolidated basis.

PART I

Item 1. Financial Statements

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NMI HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 30, 2024	December 31, 2023
<i>(In Thousands, except for share data)</i>		
Assets		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$2,707,416 and \$2,542,862 as of June 30, 2024 and December 31, 2023, respectively)	\$ 2,520,990	\$ 2,371,021
Cash and cash equivalents (including restricted cash of \$1,152 and \$1,338 as of June 30, 2024 and December 31, 2023, respectively)	62,629	96,689
Premiums receivable	76,455	76,456
Accrued investment income	21,439	19,785
Deferred policy acquisition costs, net	63,248	62,905
Software and equipment, net	28,848	30,252
Intangible assets and goodwill	3,634	3,634
Reinsurance recoverable	27,336	27,514
Prepaid federal income taxes	235,286	235,286
Other assets	62,038	16,965
Total assets	\$ 3,101,903	\$ 2,940,507
Liabilities		
Debt	\$ 414,249	\$ 397,595
Unearned premiums	78,334	92,295
Accounts payable and accrued expenses	77,918	86,189
Reserve for insurance claims and claim expenses	125,443	123,974
Deferred tax liability, net	348,293	301,573
Other liabilities ⁽¹⁾	12,056	12,877
Total liabilities	1,056,293	1,014,503
Commitments and contingencies		
Shareholders' equity		
Common stock - \$0.01 par value; 87,900,888 shares issued and 79,763,893 shares outstanding as of June 30, 2024 and 87,334,138 shares issued and 80,881,280 shares outstanding as of December 31, 2023 (250,000,000 shares authorized)	879	873
Additional paid-in capital	993,143	990,816
Treasury Stock, at cost: 8,136,995 and 6,452,858 common shares as of June 30, 2024 and December 31, 2023, respectively	(201,323)	(148,921)
Accumulated other comprehensive loss, net of tax	(151,371)	(139,917)
Retained earnings	1,404,282	1,223,153
Total shareholders' equity	2,045,610	1,926,004
Total liabilities and shareholders' equity	\$ 3,101,903	\$ 2,940,507

(1) "Reinsurance funds withheld" has been reclassified as "Other liabilities" in the prior period.

See accompanying notes to condensed consolidated financial statements (unaudited).

NMI HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	<i>(In Thousands, except for per share data)</i>			
Revenues				
Net premiums earned	\$ 141,168	\$ 125,985	\$ 277,825	\$ 247,739
Net investment income	20,688	16,518	40,124	31,412
Net realized investment losses	—	—	—	(33)
Other revenues	266	182	426	346
Total revenues	162,122	142,685	318,375	279,464
Expenses				
Insurance claims and claim expenses	276	2,873	3,970	9,574
Underwriting and operating expenses	28,330	27,448	58,145	53,234
Service expenses	194	267	331	347
Interest expense	14,678	8,048	22,718	16,087
Total expenses	43,478	38,636	85,164	79,242
Income before income taxes	118,644	104,049	233,211	200,222
Income tax expense	26,565	23,765	52,082	45,480
Net income	\$ 92,079	\$ 80,284	\$ 181,129	\$ 154,742
Earnings per share				
Basic	\$ 1.15	\$ 0.97	\$ 2.25	\$ 1.86
Diluted	\$ 1.13	\$ 0.95	\$ 2.22	\$ 1.83
Weighted average common shares outstanding				
Basic	80,117	82,958	80,421	83,277
Diluted	81,300	84,190	81,703	84,504
Net income	\$ 92,079	\$ 80,284	\$ 181,129	\$ 154,742
Other comprehensive (loss) income, net of tax:				
Unrealized (losses) gains in accumulated other comprehensive income, net of tax (benefit) expense of \$(412) and \$(4,120) for the three months ended June 30, 2024 and 2023, and \$(3,141) and \$4,513 for the six months ended June 30, 2024 and 2023, respectively	(1,549)	(15,499)	(11,454)	16,977
Reclassification adjustment for realized losses included in net income, net of tax benefit of \$7 for the six months ended June 30, 2023	—	—	—	26
Other comprehensive (loss) income, net of tax	(1,549)	(15,499)	(11,454)	17,003
Comprehensive income	\$ 90,530	\$ 64,785	\$ 169,675	\$ 171,745

See accompanying notes to condensed consolidated financial statements (unaudited).

NMI HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

	Common Stock		Additional Paid-in Capital	Treasury Stock, At Cost	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount					
	<i>(In Thousands)</i>						
Balances, December 31, 2023	80,881	\$ 873	\$ 990,816	\$ (148,921)	\$ (139,917)	\$ 1,223,153	\$ 1,926,004
Common stock: shares issued under stock plans, net of shares withheld for employee taxes	505	5	(5,584)	—	—	—	(5,579)
Repurchase of common stock	(840)	—	—	(25,306)	—	—	(25,306)
Share-based compensation expense	—	—	4,117	—	—	—	4,117
Change in unrealized investment gains/losses, net of tax benefit of \$2,729	—	—	—	—	(9,905)	—	(9,905)
Net income	—	—	—	—	—	89,050	89,050
Balances, March 31, 2024	80,546	\$ 878	\$ 989,349	\$ (174,227)	\$ (149,822)	\$ 1,312,203	\$ 1,978,381
Common stock: shares issued under stock plans, net of shares withheld for employee taxes	62	1	(320)	—	—	—	(319)
Repurchase of common stock	(844)	—	—	(27,096)	—	—	(27,096)
Share-based compensation expense	—	—	4,114	—	—	—	4,114
Change in unrealized investment gains/losses, net of tax benefit of \$412	—	—	—	—	(1,549)	—	(1,549)
Net income	—	—	—	—	—	92,079	92,079
Balances, June 30, 2024	79,764	\$ 879	\$ 993,143	\$ (201,323)	\$ (151,371)	\$ 1,404,282	\$ 2,045,610

See accompanying notes to condensed consolidated financial statements (unaudited).

NMI HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

	Common Stock		Additional Paid-in Capital	Treasury Stock, At Cost	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount					
	<i>(In Thousands)</i>						
Balances, December 31, 2022	83,550	\$ 865	\$ 972,717	\$ (56,575)	\$ (204,323)	\$ 901,043	\$ 1,613,727
Common stock: shares issued under stock plans, net of shares withheld for employee taxes	396	4	(2,610)	—	—	—	(2,606)
Repurchase of common stock	(666)	—	—	(14,862)	—	—	(14,862)
Share-based compensation expense	—	—	3,492	—	—	—	3,492
Change in unrealized investment gains/losses, net of tax expense of \$8,640	—	—	—	—	32,502	—	32,502
Net income	—	—	—	—	—	74,458	74,458
Balances, March 31, 2023	83,280	\$ 869	\$ 973,599	\$ (71,437)	\$ (171,821)	\$ 975,501	\$ 1,706,711
Common stock: shares issued under stock plans, net of shares withheld for employee taxes	56	1	20	—	—	—	21
Repurchase of common stock	(1,046)	—	—	(26,238)	—	—	(26,238)
Share-based compensation expense	—	—	3,676	—	—	—	3,676
Change in unrealized investment gains/losses, net of tax benefit of \$4,120	—	—	—	—	(15,499)	—	(15,499)
Net income	—	—	—	—	—	80,284	80,284
Balances, June 30, 2023	82,290	\$ 870	\$ 977,295	\$ (97,675)	\$ (187,320)	\$ 1,055,785	\$ 1,748,955

See accompanying notes to condensed consolidated financial statements (unaudited).

NMI HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the six months ended June 30,	
	2024	2023
Cash flows from operating activities	<i>(In Thousands)</i>	
Net income	\$ 181,129	\$ 154,742
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized investment loss	—	33
Depreciation and amortization	5,990	5,642
Net amortization of premium on investment securities	785	2,077
Loss on extinguishment of debt	6,966	—
Amortization of debt discount and debt issuance costs	1,052	966
Deferred income taxes	49,861	43,765
Share-based compensation expense	8,231	7,168
Changes in operating assets and liabilities:		
Premiums receivable	1	(2,687)
Accrued investment income	(1,654)	(3,249)
Deferred policy acquisition costs, net	(343)	(2,598)
Reinsurance recoverable	178	(2,436)
Other assets	(793)	166
Unearned premiums	(13,961)	(17,968)
Reserve for insurance claims and claim expenses	1,469	10,612
Reinsurance balances, net	(314)	(691)
Accounts payable and accrued expenses	(9,234)	(3,802)
Net cash provided by operating activities	229,363	191,740
Cash flows from investing activities		
Purchase of short-term investments	(101,545)	(152,715)
Purchase of fixed-maturity investments, available-for-sale	(236,755)	(224,378)
Proceeds from maturities of short-term investments	37,700	189,670
Proceeds from maturities and redemptions of fixed-maturity investments, available-for-sale	92,260	72,503
Additions to software and equipment	(4,026)	(4,550)
Net cash used in investing activities	(212,366)	(119,470)
Cash flows from financing activities		
Proceeds from issuance of common stock related to employee equity plans	4,280	2,711
Taxes paid related to net share settlement of equity awards	(10,178)	(5,296)
Proceeds from senior unsecured notes	419,705	—
Repayments of senior secured notes	(405,080)	—
Payments of debt issuance costs	(7,730)	—
Repurchases of common stock	(52,054)	(40,792)
Net cash used in financing activities	(51,057)	(43,377)
Net (decrease) increase in cash, cash equivalents and restricted cash	(34,060)	28,893
Cash, cash equivalents and restricted cash, beginning of period	96,689	44,426
Cash, cash equivalents and restricted cash, end of period	\$ 62,629	\$ 73,319
Supplemental disclosures of cash flow information		
Interest paid	\$ 14,013	\$ 14,750
Income taxes paid	20	1

See accompanying notes to condensed consolidated financial statements (unaudited).

1. Organization, Basis of Presentation and Summary of Accounting Principles

NMI Holdings, Inc. (NMIH) is a Delaware corporation, incorporated in May 2011 to provide private mortgage guaranty insurance (which we refer to as mortgage insurance or MI) through its wholly-owned insurance subsidiaries, National Mortgage Insurance Corporation (NMIC) and National Mortgage Reinsurance Inc One (Re One). Our common stock is listed on the Nasdaq exchange under the ticker symbol “NMIH.”

NMIC, our primary insurance subsidiary, issued its first mortgage insurance policy in April 2013. NMIC is licensed to write mortgage insurance in all 50 states and the District of Columbia (D.C.). Re One historically provided reinsurance coverage to NMIC in accordance with certain statutory risk retention requirements. Such requirements have been repealed and the reinsurance coverage provided by Re One to NMIC has been commuted. Re One remains a wholly-owned, licensed insurance subsidiary; however, it does not currently have active insurance exposures. In August 2015, NMIH capitalized a wholly-owned subsidiary, NMI Services, Inc. (NMIS), through which we offer outsourced loan review services to mortgage loan originators. We operate as a single segment for the purposes of assessing performance and making operating decisions.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements, which include the results of NMIH and its wholly-owned subsidiaries, have been prepared in accordance with the instructions to Form 10-Q as prescribed by the SEC for interim reporting and include other information and disclosures required by accounting principles generally accepted in the U.S. (GAAP). Our accounts are maintained in U.S. dollars. These statements should be read in conjunction with our consolidated financial statements and notes thereto for the year ended December 31, 2023, included in our 2023 10-K. All intercompany transactions have been eliminated. Certain reclassifications to previously reported financial information have been made to conform to our current period presentation. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities as of the balance sheet date. Estimates also affect the reported amounts of income and expenses for the reporting period. Actual results could differ from those estimates. The results of operations for the interim period may not be indicative of the results that may be expected for the full year ending December 31, 2024.

Significant Accounting Principles

There have been no changes to our significant accounting principles as described in Item 8, “*Financial Statements and Supplementary Data - Notes to Consolidated Financial Statements - Note 2 - Summary of Accounting Principles*” of our 2023 10-K.

Recent Accounting Pronouncements – Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280). The update expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The standard will take effect for all public business entities, including those that have only a single reportable segment for fiscal years beginning after December 15, 2023, and interim periods beginning after December 31, 2024. We are currently evaluating the impact the adoption of this ASU will have, if any, on our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740). The update enhances the disclosure requirements related to tax rate reconciliations and income taxes paid. The standard will take effect for public business entities for fiscal years beginning after December 15, 2025. Early adoption is permitted. We are currently evaluating the impact the adoption of this ASU will have, if any, on our consolidated financial statements.

2. Investments

We hold all investments on an available-for-sale basis at fair value on our condensed consolidated balance sheets and evaluate each position quarterly for impairment. We recognize an impairment on a security through the statement of operations if (i) we intend to sell the impaired security; or (ii) it is more likely than not that we will be required to sell the impaired security prior to recovery of its amortized cost basis. If a sale is intended or likely to be required, we recognize an impairment loss equivalent to the difference of the amortized cost basis of the security and its fair value through the condensed consolidated statements of operations and comprehensive income as a “*Net Realized Investment Loss*.” In the event of an impairment of a security that we intend to and have the ability to hold to maturity, we evaluate the drivers of the impairment to determine the portion that is credit related and the portion that is non-credit related. The portion of impairment loss that is attributed to credit related factors is recognized through the statement of operations as a provision for credit loss and the portion that is attributed to non-credit related factors is recognized in other comprehensive income, net of taxes.

Fair Values and Gross Unrealized Gains and Losses on Investments

	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
<i>(In Thousands)</i>				
As of June 30, 2024				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 123,602	\$ 1,149	\$ (768)	\$ 123,983
Municipal debt securities	681,640	445	(59,469)	622,616
Corporate debt securities	1,767,760	2,083	(126,709)	1,643,134
Asset-backed securities	46,128	—	(3,143)	42,985
Total bonds	2,619,130	3,677	(190,089)	2,432,718
Short-term investments	88,286	—	(14)	88,272
Total investments	\$ 2,707,416	\$ 3,677	\$ (190,103)	\$ 2,520,990
	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
<i>(In Thousands)</i>				
As of December 31, 2023				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 164,278	\$ 3,374	\$ (1,264)	\$ 166,388
Municipal debt securities	678,339	1,253	(58,462)	621,130
Corporate debt securities	1,624,187	7,868	(120,576)	1,511,479
Asset-backed securities	52,242	1	(4,032)	48,211
Total bonds	2,519,046	12,496	(184,334)	2,347,208
Short-term investments	23,816	2	(5)	23,813
Total investments	\$ 2,542,862	\$ 12,498	\$ (184,339)	\$ 2,371,021

We did not own any mortgage-backed securities in our asset-backed securities portfolio at June 30, 2024 or December 31, 2023.

We periodically recognize unsettled trade receivables or payables in connection with our investing activity. Unsettled trade receivables represent funds due but not yet received for the sale or maturity of investments at period end. Unsettled trade payables represent funds due but not yet paid for investments purchased at period end. “*Other Assets*” on our condensed consolidated balance sheets included \$43.0 million of unsettled trade receivables related to the maturity of certain investment securities at June 30, 2024. No unsettled trade receivables or payables were outstanding at December 31, 2023.

The following table presents a breakdown of the fair value of our corporate debt securities by issuer industry group as of June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Financial	35 %	35 %
Consumer	27	26
Utilities	12	13
Industrial	10	9
Technology	8	8
Communications	8	9
Total	100 %	100 %

As of both June 30, 2024 and December 31, 2023, approximately \$5.3 million of our cash and investments were held in the form of U.S. Treasury securities on deposit with various state insurance departments to satisfy regulatory requirements.

Scheduled Maturities

The amortized cost and fair value of available-for-sale securities as of June 30, 2024 and December 31, 2023, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Because most asset-backed securities provide for periodic payments throughout their lives, they are listed below in a separate category.

As of June 30, 2024	Amortized Cost	Fair Value
	<i>(In Thousands)</i>	
Due in one year or less	\$ 216,476	\$ 214,664
Due after one through five years	1,418,059	1,331,158
Due after five through ten years	986,357	892,216
Due after ten years	40,396	39,967
Asset-backed securities	46,128	42,985
Total investments	\$ 2,707,416	\$ 2,520,990

As of December 31, 2023	Amortized Cost	Fair Value
	<i>(In Thousands)</i>	
Due in one year or less	\$ 191,375	\$ 189,729
Due after one through five years	1,237,192	1,162,259
Due after five through ten years	1,050,989	959,633
Due after ten years	11,064	11,189
Asset-backed securities	52,242	48,211
Total investments	\$ 2,542,862	\$ 2,371,021

Aging of Unrealized Losses

As of June 30, 2024, the investment portfolio had gross unrealized losses of \$190.1 million, of which \$184.8 million were associated with securities that had been in an unrealized loss position for a period of twelve months or longer. As of December 31, 2023, the investment portfolio had gross unrealized losses of \$184.3 million, of which \$183.1 million were associated with securities that had been in an unrealized loss position for a period of twelve months or longer. For those securities in an unrealized loss position, the length of time the securities were in such a position is as follows:

NMI HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

	Less Than Twelve Months			Twelve Months or Greater			Total		
	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses
As of June 30, 2024									
(\$ In Thousands)									
U.S. Treasury securities and obligations of U.S. government agencies	4	\$ 12,598	\$ (31)	11	\$ 21,274	\$ (737)	15	\$ 33,872	\$ (768)
Municipal debt securities	22	114,419	(1,825)	223	484,737	(57,644)	245	599,156	(59,469)
Corporate debt securities	52	305,550	(3,413)	245	1,104,989	(123,296)	297	1,410,539	(126,709)
Asset-backed securities	1	567	—	23	42,418	(3,143)	24	42,985	(3,143)
Short-term investments	5	87,891	(14)	—	—	—	5	87,891	(14)
Total	84	\$ 521,025	\$ (5,283)	502	\$ 1,653,418	\$ (184,820)	586	\$ 2,174,443	\$ (190,103)

	Less Than Twelve Months			Twelve Months or Greater			Total		
	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses
As of December 31, 2023									
(\$ In Thousands)									
U.S. Treasury securities and obligations of U.S. government agencies	8	\$ 5,022	\$ (62)	17	\$ 72,003	\$ (1,202)	25	\$ 77,025	\$ (1,264)
Municipal debt securities	14	56,280	(502)	217	467,098	(57,960)	231	523,378	(58,462)
Corporate debt securities	13	56,039	(705)	266	1,150,662	(119,871)	279	1,206,701	(120,576)
Asset-backed securities	—	—	—	23	47,426	(4,032)	23	47,426	(4,032)
Short-term investments	1	9,925	(5)	—	—	—	1	9,925	(5)
Total	36	\$ 127,266	\$ (1,274)	523	\$ 1,737,189	\$ (183,065)	559	\$ 1,864,455	\$ (184,339)

Allowance for Credit Losses

As of June 30, 2024 and December 31, 2023, we did not recognize an allowance for credit loss for any security in the investment portfolio and we did not record any provision for credit loss for investment securities during the three or six months ended June 30, 2024 or 2023.

We evaluated the securities in an unrealized loss position as of June 30, 2024, assessing their credit ratings as well as any adverse conditions specifically related to the security. Based upon our assessment of the amount and timing of cash flows to be collected over the remaining life of each instrument, we believe the unrealized losses as of June 30, 2024 are not indicative of the ultimate collectability of the current amortized cost of the securities. Rather, the unrealized losses on securities held as of June 30, 2024 were primarily driven by fluctuations in interest rates, and to a lesser extent, movements in credit spreads following the purchase of those securities.

Net Investment Income

The following table presents the components of net investment income:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
(In Thousands)				
Investment income ⁽¹⁾	\$ 20,954	\$ 16,591	\$ 40,651	\$ 31,765
Investment expenses	(266)	(73)	(527)	(353)
Net investment income	\$ 20,688	\$ 16,518	\$ 40,124	\$ 31,412

(1) Includes interest income recognized on cash and cash equivalents of \$1.8 million and \$2.9 million during the three and six months ended June 30, 2024, respectively, and \$0.4 million and \$0.7 million during the three and six months ended June 30, 2023, respectively.

The following table presents the components of net realized investment losses:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	<i>(In Thousands)</i>			
Gross realized investment gains	\$ —	\$ —	\$ —	\$ —
Gross realized investment losses	—	—	—	(33)
Net realized investment losses	\$ —	\$ —	\$ —	\$ (33)

3. Fair Value of Financial Instruments

The following describes the valuation techniques used by us to determine the fair value of our financial instruments:

We established a fair value hierarchy by prioritizing the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this standard are described below:

Level 1 - Fair value measurements based on quoted prices in active markets that we have the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. We do not adjust the quoted price for such instruments.

Level 2 - Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 - Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, we must make certain assumptions, which require significant management judgment or estimation about the inputs a hypothetical market participant would use to value that asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Assets Classified as Level 1 and Level 2

To determine the fair value of securities available-for-sale in Level 1 and Level 2 of the fair value hierarchy, independent pricing sources have been utilized. One price is provided per security based on observable market data. To ensure securities are appropriately classified in the fair value hierarchy, we review the pricing techniques and methodologies of the independent pricing sources and believe that their policies adequately consider market activity, either based on specific transactions for the issue valued or based on modeling of securities with similar credit quality, duration, yield and structure that were recently traded. A variety of inputs are utilized by the independent pricing sources including benchmark yields, reported trades, non-binding broker/dealer quotes, issuer spreads, two sided markets, benchmark securities, bids, offers and reference data including data published in market research publications. Inputs may be weighted differently for any security, and not all inputs are used for each security evaluation. Market indicators, industry and economic events are also considered. This information is evaluated using a multidimensional pricing model. Quality controls are performed by the independent pricing sources throughout this process, which include reviewing tolerance reports, trading information and data changes, and directional moves compared to market moves. This model combines all inputs to arrive at a value assigned to each security. We have not made any adjustments to the prices obtained from the independent pricing sources.

The following tables present the level within the fair value hierarchy at which our financial instruments were measured:

	Fair Value Measurements Using			Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>(In Thousands)</i>				
As of June 30, 2024				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 123,983	\$ —	\$ —	\$ 123,983
Municipal debt securities	—	622,616	—	622,616
Corporate debt securities	—	1,643,134	—	1,643,134
Asset-backed securities	—	42,985	—	42,985
Cash, cash equivalents and short-term investments	150,901	—	—	150,901
Total assets	\$ 274,884	\$ 2,308,735	\$ —	\$ 2,583,619

	Fair Value Measurements Using			Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>(In Thousands)</i>				
As of December 31, 2023				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 166,388	\$ —	\$ —	\$ 166,388
Municipal debt securities	—	621,130	—	621,130
Corporate debt securities	—	1,511,479	—	1,511,479
Asset-backed securities	—	48,211	—	48,211
Cash, cash equivalents and short-term investments	120,502	—	—	120,502
Total assets	\$ 286,890	\$ 2,180,820	\$ —	\$ 2,467,710

There were no transfers between Level 2 and Level 3 of the fair value hierarchy during the six months ended June 30, 2024 or the year ended December 31, 2023.

Financial Instruments Not Measured at Fair Value

On May 21, 2024, we issued \$425 million aggregate principal amount of senior unsecured notes that mature on August 15, 2029 (the 2024 Notes). Proceeds from the 2024 Notes offering were primarily used to repay our then outstanding \$400 million senior secured notes (the 2020 Notes). At June 30, 2024, the 2024 Notes were carried at a cost of \$414.2 million, net of unamortized debt issuance costs and an original issue discount totaling \$10.8 million, and had a fair value of \$421.6 million as assessed under our Level 2 hierarchy. At December 31, 2023, the 2020 Notes were carried at a cost of \$397.6 million, net of unamortized debt issuance costs of \$2.4 million, and had a fair value of \$401.9 million.

4. Debt

Senior Unsecured Notes

At June 30, 2024, we had \$425 million aggregate principal amount of senior unsecured notes outstanding. The 2024 Notes were issued pursuant to an indenture dated May 21, 2024 and bear interest at a rate of 6.00%, payable semi-annually on February 15 and August 15. Proceeds from the 2024 Notes offering were primarily used to repay the \$400 million aggregate principal amount outstanding and associated amounts due on the redemption of the 2020 Notes. Remaining proceeds are available for general corporate purposes.

The 2024 Notes mature on August 15, 2029. We may elect to redeem the 2024 Notes in whole or in part at any time prior to July 15, 2029 at a price equal to the greater of (1) the aggregate principal balance outstanding plus the present value of all

future interest payments due through July 15, 2029, and (2) the aggregate principal balance due plus any accrued and unpaid interest. We may elect to redeem the 2024 Notes in whole or in part at any time on or after July 15, 2029 at a price equal to 100% of the aggregate principal amount of the 2024 Notes to be redeemed plus accrued and unpaid interest thereon.

In connection with the 2024 Notes offering, we recorded capitalized debt issuance costs and an original issue discount of \$10.9 million. Such amounts will be amortized over the contractual life of the 2024 Notes using the effective interest method. The effective interest rate on the 2024 Notes is 6.583%. At June 30, 2024, \$10.8 million of unamortized debt issuance costs and original issue discounts remained. At December 31, 2023, \$2.4 million of unamortized debt issuance costs remained related to the 2020 Notes.

During the six months ended June 30, 2024, we recorded a \$6.8 million loss related to the redemption of the 2020 Notes in “*Interest Expense*” on our condensed consolidated statements of comprehensive income.

At June 30, 2024 and December 31, 2023, \$2.8 million and \$2.5 million, respectively, of accrued and unpaid interest was included in “*Accounts Payable and Accrued Expenses*” on our condensed consolidated balance sheets.

Revolving Credit Facility

On April 29, 2024, we entered into a new \$250 million five-year unsecured revolving credit facility (the 2024 Revolving Credit Facility) to replace our then outstanding \$250 million four-year secured revolving credit facility (the 2021 Revolving Credit Facility). The 2024 Revolving Credit Facility matures on May 21, 2029. Borrowings under the 2024 Revolving Credit Facility may be used for general corporate purposes, including to support growth, new business production and operations, and accrue interest at a variable rate equal to, at our discretion, (i) a Base Rate (as defined in the 2024 Revolving Credit Facility) subject to a floor of 1.00% per annum plus a margin of 0.375% to 1.875% per annum, or (ii) the Adjusted Term Secured Overnight Financing Rate (SOFR) (as defined in the 2024 Revolving Credit Facility) plus a margin of 1.375% to 2.875% per annum, with the margin in each of (i) or (ii) based on our applicable corporate credit rating at the time. As of June 30, 2024 and December 31, 2023, no amounts were drawn under the 2024 or 2021 Revolving Credit Facilities, respectively.

Under the 2024 Revolving Credit Facility, we are required to pay a quarterly commitment fee on the average daily undrawn amount of 0.175% to 0.525%, based on the applicable corporate credit rating at the time. As of June 30, 2024, the applicable commitment fee was 0.225%. For the three and six months ended June 30, 2024, we recorded \$0.2 million and \$0.3 million, respectively, of commitment fees in interest expense.

We incurred debt issuance costs of \$2.1 million in connection with the 2024 Revolving Credit Facility and had \$0.6 million of unamortized debt issuance costs associated with the 2021 Revolving Credit Facility remaining at the time of its replacement. Combined unamortized debt issuance costs are amortized through interest expense on a straight-line basis over the contractual life of the 2024 Revolving Credit Facility. At June 30, 2024 and December 31, 2023, unamortized deferred debt issuance costs of \$2.6 million and \$0.8 million, respectively, were recorded in “*Other Assets*” on our condensed consolidated balance sheets.

Under the 2024 Revolving Credit Facility we are subject to certain covenants, including a maximum debt-to-total capitalization ratio of 35%, a minimum consolidated net worth requirement (as defined therein), and a requirement to maintain compliance with the financial standards prescribed by the PMIERS (subject to any GSE approved waivers). We were in compliance with all covenants at June 30, 2024.

5. Reinsurance

We enter into third-party reinsurance transactions to actively manage our risk, ensure compliance with PMIERS, state regulatory and other applicable capital requirements, (respectively, as defined therein), and support the growth of our business. The Wisconsin Office of the Commissioner of Insurance (Wisconsin OCI) has approved and the GSEs have indicated their non-objection to all such transactions (subject to certain conditions and ongoing review).

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
<i>(In Thousands)</i>				
Net premiums written				
Direct	\$ 166,183	\$ 151,992	\$ 329,390	\$ 300,924
Ceded ⁽¹⁾	(32,369)	(34,848)	(65,331)	(70,804)
Net premiums written	\$ 133,814	\$ 117,144	\$ 264,059	\$ 230,120
Net premiums earned				
Direct	\$ 173,633	\$ 160,988	\$ 343,351	\$ 318,892
Ceded ⁽¹⁾	(32,465)	(35,003)	(65,526)	(71,153)
Net premiums earned	\$ 141,168	\$ 125,985	\$ 277,825	\$ 247,739

(1) Net of profit commission.

Excess-of-loss Reinsurance

Insurance-Linked Notes

NMIC is a party to reinsurance agreements with Oaktown Re III Ltd., Oaktown Re V Ltd., Oaktown Re VI Ltd., and Oaktown Re VII Ltd. (special purpose reinsurance entities collectively referred to as the Oaktown Re Vehicles) effective July 30, 2019, October 29, 2020, April 27, 2021, and October 26, 2021, respectively. Each agreement provides NMIC with aggregate excess-of-loss reinsurance coverage on a defined portfolio of mortgage insurance policies. Under each agreement, NMIC retains a first layer of aggregate loss exposure on covered policies and the respective Oaktown Re Vehicle then provides second layer loss protection up to a defined reinsurance coverage amount. NMIC then retains losses in excess of the respective reinsurance coverage amounts.

NMIC makes risk premium payments to the Oaktown Re Vehicles for the applicable outstanding reinsurance coverage amount and pays an additional amount for anticipated operating expenses (capped at \$250 thousand per year). NMIC ceded aggregate premiums to the Oaktown Re Vehicles of \$5.9 million and \$11.8 million during the three and six months ended June 30, 2024, respectively, and \$8.8 million and \$17.9 million during the three and six months ended June 30, 2023, respectively.

NMIC applies claims paid on covered policies against its first layer aggregate retained loss exposure under each excess-of-loss agreement. NMIC did not cede any incurred losses on covered policies to the Oaktown Re Vehicles during the three and six months ended June 30, 2024 and 2023, as the aggregate first layer risk retention for each applicable agreement was not exhausted during such periods.

Under the terms of each excess-of-loss reinsurance agreement, the Oaktown Re Vehicles are required to fully collateralize their outstanding reinsurance coverage amount to NMIC with funds deposited into segregated reinsurance trusts. Such trust funds are required to be invested in short-term U.S. Treasury money market funds at all times. Each Oaktown Re Vehicle financed its respective collateral requirement through the issuance of mortgage insurance-linked notes to unaffiliated investors. Such insurance-linked notes mature ten-years (in the case of the notes issued by Oaktown Re III Ltd. and Oaktown Re V Ltd.) and 12.5 years (in the case of the notes issued by Oaktown Re VI Ltd. and Oaktown Re VII Ltd.) from the inception date of their associated reinsurance agreement. We refer to NMIC's reinsurance agreements with and the insurance-linked note issuances by Oaktown Re Vehicles individually as the 2019 ILN Transaction, 2020-2 ILN Transaction, 2021-1 ILN Transaction, and 2021-2 ILN Transaction, and collectively as the ILN Transactions.

The respective reinsurance coverage amounts provided by the Oaktown Re Vehicles decrease (over a ten-year period in the case of Oaktown Re III Ltd. and Oaktown Re V Ltd. and 12.5-year period in the case of Oaktown Re VI Ltd. and Oaktown Re VII Ltd.) as the underlying insured mortgages are amortized or repaid, and/or the mortgage insurance coverage is canceled. As the reinsurance coverage decreases, a prescribed amount of collateral held in trust by the Oaktown Re Vehicles is distributed to ILN Transaction noteholders as amortization of the outstanding insurance-linked note principal balances. The outstanding reinsurance coverage amounts stop amortizing, and the distribution of collateral assets to ILN Transaction noteholders and amortization of

insurance-linked note principal is suspended if certain credit enhancement or delinquency thresholds, as defined in each agreement, are triggered (each, a Lock-Out Event).

NMIC holds optional termination rights under each ILN Transaction, including, among others, an optional call feature which provides NMIC the discretion to terminate the transaction on or after a prescribed date, and a clean-up call if the outstanding reinsurance coverage amount amortizes to 10% or less of the reinsurance coverage amount at inception or if NMIC reasonably determines that changes to GSE or rating agency asset requirements would cause a material and adverse effect on the capital treatment afforded to NMIC under a given agreement. In addition, there are certain events that trigger mandatory termination of an agreement, including NMIC's failure to pay premiums or consent to reductions in a trust account to make principal payments to noteholders, among others.

The following table presents the inception date, covered production period, initial and current reinsurance coverage amount, and initial and current first layer retained aggregate loss under each outstanding ILN Transaction. Current amounts are presented as of June 30, 2024.

<i>(\$ values in thousands)</i>	Inception Date	Covered Production	Initial Reinsurance Coverage	Current Reinsurance Coverage	Initial First Layer Retained Loss	Current First Layer Retained Loss ⁽¹⁾
2019 ILN Transaction	July 30, 2019	6/1/2018 – 6/30/2019	\$ 326,905	\$ 143,430	\$ 123,424	\$ 121,588
2020-2 ILN Transaction	October 29, 2020	4/1/2020 – 9/30/2020 ⁽²⁾	242,351	37,165	121,777	121,015
2021-1 ILN Transaction	April 27, 2021	10/1/2020 – 3/31/2021 ⁽³⁾	367,238	180,516	163,708	163,321
2021-2 ILN Transaction	October 26, 2021	4/1/2021 – 9/30/2021 ⁽⁴⁾	363,596	273,706	146,229	145,549

- (1) NMIC applies claims paid on covered policies against its first layer aggregate retained loss exposure and cedes reserves for incurred claims and claim expenses to each applicable ILN Transaction and recognizes a reinsurance recoverable if such incurred claims and claim expenses exceed its current first layer retained loss.
- (2) Approximately 1% of the production covered by the 2020-2 ILN Transaction has coverage reporting dates between July 1, 2019 and March 31, 2020.
- (3) Approximately 1% of the production covered by the 2021-1 ILN Transaction has coverage reporting dates between July 1, 2019 and September 30, 2020.
- (4) Approximately 2% of the production covered by the 2021-2 ILN Transaction has coverage reporting dates between July 1, 2019 and March 31, 2021.

Under the terms of our ILN Transactions, we are required to maintain a certain level of restricted funds in premium deposit accounts with Bank of New York Mellon until the respective notes have been redeemed in full. “*Cash and Cash Equivalents*” on our condensed consolidated balance sheets includes restricted amounts of \$1.2 million and \$1.3 million as of June 30, 2024 and December 31, 2023, respectively. The restricted balances required under these transactions will decline over time as the outstanding principal balance of the respective insurance-linked notes are amortized.

Traditional Reinsurance

NMIC is party to six excess-of-loss reinsurance agreements with broad panels of third-party reinsurers – the 2022-1 XOL Transaction, effective April 1, 2022, the 2022-2 XOL Transaction, effective July 1, 2022, the 2022-3 XOL Transaction, effective October 1, 2022, the 2023-1 XOL Transaction, effective January 1, 2023, the 2023-2 XOL Transaction, effective July 1, 2023, and the 2024 XOL Transaction, effective January 1, 2024 – which we refer to collectively as the XOL Transactions. Each XOL Transaction provides NMIC with aggregate excess-of-loss reinsurance coverage on a defined portfolio of mortgage insurance policies. Under each agreement, NMIC retains a first layer of aggregate loss exposure on covered policies and the reinsurers then provide second layer loss protection up to a defined reinsurance coverage amount. The reinsurance coverage amount of each XOL Transaction is set to approximate the PMIERS minimum required assets of its reference pool and decreases from its peak over a ten-year period in the event the PMIERS minimum required assets of the pool declines. NMIC retains losses in excess of the outstanding reinsurance coverage amount.

Under the terms of the XOL Transactions, NMIC makes risk premium payments to its third-party reinsurance providers for the outstanding reinsurance coverage amount and ceded aggregate premiums of \$9.4 million and \$18.6 million during the three and six months ended June 30, 2024, respectively, and \$7.7 million and \$14.9 million during the three and six months ended June 30, 2023, respectively. NMIC applies claims paid on covered policies against its first layer aggregate retained loss exposure under each agreement. NMIC did not cede any incurred losses on covered policies under the XOL Transactions during the three and six months ended June 30, 2024 and 2023, as the aggregate first layer risk retention for each agreement was not exhausted during such periods.

NMIC holds optional termination rights which provide it the discretion to terminate each XOL Transaction on or after a specified date. NMIC may also elect to terminate the XOL Transactions at any point if the outstanding reinsurance coverage

amount amortizes to 10% or less of the reinsurance coverage amount provided at inception, or if it determines that it will no longer be able to take full PMIERS asset credit for the coverage. Additionally, under the terms of the treaties, NMIC may selectively terminate its engagement with individual reinsurers under certain circumstances. Such selective termination rights arise when, among other reasons, a reinsurer experiences a deterioration in its capital position below a prescribed threshold, and/or a reinsurer breaches (and fails to cure) its collateral posting obligation.

Each of the third-party reinsurance providers that is party to the XOL Transactions has an insurer financial strength rating of A- or better by S&P Global Ratings (S&P), A.M. Best Company Inc. (A.M. Best) or both.

The following table presents the inception date, covered production period, initial and current reinsurance coverage amount, and initial and current first layer retained aggregate loss under each outstanding XOL Transaction. Current amounts are presented as of June 30, 2024.

<i>(\$ values in thousands)</i>	Inception Date	Covered Production	Initial Reinsurance Coverage	Current Reinsurance Coverage	Initial First Layer Retained Loss	Current First Layer Retained Loss ⁽¹⁾
2022-1 XOL Transaction	April 1, 2022	10/1/2021 – 3/31/2022 ⁽²⁾	\$ 289,741	\$ 213,416	\$ 133,366	\$ 132,863
2022-2 XOL Transaction	July 1, 2022	4/1/2022 – 6/30/2022 ⁽³⁾	154,306	135,669	78,906	78,518
2022-3 XOL Transaction	October 1, 2022	7/1/2022 – 9/30/2022	96,779	96,197	106,265	105,961
2023-1 XOL Transaction	January 1, 2023	10/1/2022 – 6/30/2023	89,864	88,351	146,513	146,218
2023-2 XOL Transaction	July 1, 2023	7/1/2023 – 12/31/2023	100,777	100,777	136,875	136,875
2024 XOL Transaction ⁽⁴⁾	January 1, 2024	1/1/2024 – 12/31/2024	86,477	86,477	151,609	151,609

- (1) NMIC applies claims paid on covered policies against its first layer aggregate retained loss exposure and cedes reserves for incurred claims and claim expenses to each applicable XOL Transaction and recognizes a reinsurance recoverable if such incurred claims and claim expenses exceed its current first layer retained loss.
- (2) Approximately 1% of the production covered by the 2022-1 XOL Transaction has coverage reporting dates between October 21, 2019 and September 30, 2021.
- (3) Approximately 1% of the production covered by the 2022-2 XOL Transaction has coverage reporting dates between January 4, 2021 and March 31, 2022.
- (4) The initial reinsurance coverage, current reinsurance coverage, initial first layer retained loss and current first layer retained loss for the 2024 XOL Transaction will increase as incremental covered production is ceded under the transaction through December 31, 2024.

Quota Share Reinsurance

NMIC is party to eight quota share reinsurance treaties – the 2016 QSR Transaction, effective September 1, 2016 and as modified April 1, 2019, the 2018 QSR Transaction, effective January 1, 2018, the 2020 QSR Transaction, effective April 1, 2020 and as amended January 1, 2024, the 2021 QSR Transaction, effective January 1, 2021, the 2022 QSR Transaction, effective October 1, 2021, the 2022 Seasoned QSR Transaction, effective July 1, 2022, the 2023 QSR Transaction, effective January 1, 2023 and the 2024 QSR Transaction, effective January 1, 2024 – which we refer to collectively as the QSR Transactions. Under each of the QSR Transactions, NMIC cedes a proportional share of its risk on eligible policies to panels of third-party reinsurance providers. Each of the third-party reinsurance providers that is party to the QSR Transactions has an insurer financial strength rating of A- or better by S&P, A.M. Best or both.

Under the terms of the 2016 QSR Transaction, NMIC cedes premiums written related to 20.5% of the risk on eligible primary policies written for all periods through December 31, 2017 and 100% of the risk under our pool agreement with Fannie Mae. The 2016 QSR Transaction is scheduled to terminate on December 31, 2027, except with respect to the ceded pool risk, which expired on August 31, 2023. NMIC has the option, based on certain conditions and subject to a termination fee, to terminate the agreement as of December 31, 2020, or at the end of any calendar quarter thereafter, which could result in NMIC recapturing the related risk.

Under the terms of the 2018 QSR Transaction, NMIC cedes premiums earned related to 25% of the risk on eligible policies written in 2018 and 20% of the risk on eligible policies written in 2019. The 2018 QSR Transaction is scheduled to terminate on December 31, 2029. NMIC has the option, based on certain conditions and subject to a termination fee, to terminate the agreement as of December 31, 2022, or at the end of any calendar quarter thereafter, which could result in NMIC recapturing the related risk.

Under the terms of the 2020 QSR Transaction, NMIC cedes premiums earned related to 21% of the risk on eligible policies written between April 1, 2020 and December 31, 2020. The 2020 QSR Transaction is scheduled to terminate on December 31, 2030. NMIC had the option, based on certain conditions and subject to a termination fee, to terminate the agreement as of December 31, 2025, or at the end of any calendar quarter thereafter, which could result in NMIC recapturing the related risk.

Under the terms of the 2021 QSR Transaction, NMIC cedes premiums earned related to 22.5% of the risk on eligible policies written from January 1, 2021 to October 30, 2021. The 2021 QSR Transaction is scheduled to terminate on December 31, 2031. NMIC has the option, based on certain conditions and subject to a termination fee, to terminate the agreement as of December 31, 2024, or at the end of any calendar quarter thereafter, which could result in NMIC recapturing the related risk.

Under the terms of the 2022 QSR Transaction, NMIC cedes premiums earned related to 20% of the risk on eligible policies written primarily between October 30, 2021 and December 31, 2022. The 2022 QSR Transaction is scheduled to terminate on December 31, 2032. NMIC has the option, based on certain conditions and subject to a termination fee, to terminate the agreement as of December 31, 2024 or semi-annually thereafter, which could result in NMIC recapturing the related risk.

Under the terms of the 2022 Seasoned QSR Transaction, NMIC cedes premiums earned related to 95% of the net risk on eligible policies primarily for a seasoned pool of mortgage insurance policies that had previously been covered under the retired Oaktown Re Ltd. and Oaktown Re IV Ltd. reinsurance transactions, after the consideration of coverage provided by other QSR Transactions. The 2022 Seasoned QSR Transaction is scheduled to terminate on June 30, 2032. NMIC has the option, based on certain conditions, to terminate the agreement as of June 30, 2025 or quarterly thereafter through December 31, 2027 with the payment of a termination fee, and as of March 31, 2028 or quarterly thereafter without the payment of a termination fee. Such termination could result in NMIC recapturing the related risk.

Under the terms of the 2023 QSR Transaction, NMIC cedes premiums earned related to 20% of the risk on eligible policies written in 2023. The 2023 QSR Transaction is scheduled to terminate on December 31, 2033. NMIC has the option, based on certain conditions and subject to a termination fee, to terminate the agreement as of December 31, 2025 or semi-annually thereafter, which could result in NMIC recapturing the related risk.

Under the terms of the 2024 QSR Transaction, NMIC cedes premiums earned related to 20% of the risk on eligible policies written in 2024. The 2024 QSR Transaction is scheduled to terminate on December 31, 2034. NMIC has the option, based on certain conditions and subject to a termination fee, to terminate the agreement as of December 31, 2027, or at the end of any calendar quarter thereafter, which could result in NMIC recapturing the related risk.

NMIC may terminate any or all of the QSR Transactions without penalty if, due to a change in PMIERS requirements, it is no longer able to take full PMIERS asset credit for the risk-in-force (RIF) ceded under the respective agreements. Additionally, under the terms of the QSR Transactions, NMIC may elect to selectively terminate its engagement with individual reinsurers on a run-off basis (*i.e.*, reinsurers continue providing coverage on all risk ceded prior to the termination date, with no new cessions going forward) or cut-off basis (*i.e.*, the reinsurance arrangement is completely terminated with NMIC recapturing all previously ceded risk) under certain circumstances. Such selective termination rights arise when, among other reasons, a reinsurer experiences a deterioration in its capital position below a prescribed threshold and/or a reinsurer breaches (and fails to cure) its collateral posting obligations under the relevant agreement.

The following table shows amounts related to the QSR Transactions:

	As of and for the three months ended		As of and for the six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	<i>(In Thousands)</i>			
Ceded risk-in-force	\$ 12,815,434	\$ 12,761,294	\$ 12,815,434	\$ 12,761,294
Ceded premiums earned	(41,555)	(42,002)	(82,824)	(84,098)
Ceded claims and claim (benefits) expenses	(138)	803	521	2,768
Ceding commission earned	10,222	9,877	20,514	19,842
Profit commission	24,351	23,486	47,758	45,765

Ceded premiums written under the 2016 QSR Transaction are recorded as prepaid reinsurance premiums in “*Other Assets*” on our consolidated balance sheets and amortized to ceded premiums earned in a manner consistent with the recognition of revenue on direct premiums. Under all other QSR Transactions, premiums are ceded on an earned basis as defined in the agreement. NMIC receives a 20% ceding commission for premiums ceded under the QSR Transactions, except with respect to the 2022 Seasoned QSR Transaction under which it receives a 35% ceding commission and the 2020 QSR Transaction under which it receives a 36% ceding commission. NMIC also receives a profit commission under each of the QSR Transactions, provided that the loss ratios on loans covered under the 2016, 2018, 2020, 2021, 2022, 2022 Seasoned, 2023 and 2024 QSR Transactions, generally remain below 60%, 61%, 50%, 57.5%, 62%, 55%, 62% and 56%, respectively, as measured annually. Ceded claims and claim expenses under each of the QSR Transactions reduce the respective profit commission received by NMIC on a dollar-for-dollar basis.

In accordance with the terms of the 2016 QSR Transaction, rather than making a cash payment or transferring investments for ceded premiums written, NMIC established a funds withheld liability, which also includes amounts due to NMIC for ceding and profit commissions. Any loss recoveries and any potential profit commission to NMIC are realized from this account until exhausted. NMIC’s reinsurance recoverable balance is further supported by trust accounts established and maintained by each reinsurer in accordance with the PMIERS funding requirements for risk ceded to non-affiliates. The reinsurance recoverable on loss reserves related to the 2016 QSR Transaction was \$1.4 million and \$1.7 million as of June 30, 2024 and December 31, 2023, respectively.

In accordance with the terms of the 2018, 2020, 2021, 2022, 2022 Seasoned, 2023 and 2024 QSR Transactions, cash payments for ceded premiums earned are settled on a quarterly basis, offset by amounts due to NMIC for ceding and profit commissions. Any loss recoveries and any potential profit commission to NMIC are also recognized quarterly. NMIC’s reinsurance recoverable balance is supported by trust accounts established and maintained by each reinsurer in accordance with the PMIERS funding requirements for risk ceded to non-affiliates. The aggregate reinsurance recoverable on loss reserves related to the 2018, 2020, 2021, 2022, 2022 Seasoned, 2023, and 2024 QSR Transactions was \$25.9 million and \$25.8 million as of June 30, 2024 and December 31, 2023, respectively.

We remain directly liable for all claim payments if we are unable to collect the recoverables due from our reinsurers and, as such, we actively monitor and manage our counterparty credit exposure to our reinsurance providers. We establish an allowance for expected credit loss against our reinsurance recoverable if we do not expect to recover amounts due from one or more of our reinsurance counterparties, and report our reinsurance recoverable net of such allowance, if any. We actively monitor the counterparty credit profiles of our reinsurers and each is required to partially collateralize its obligations under the terms of the QSR Transactions. The allowance for credit loss established against our reinsurance recoverable was deemed immaterial as of June 30, 2024 and December 31, 2023.

6. Reserves for Insurance Claims and Claim Expenses

We hold gross reserves in an amount equal to the estimated liability for insurance claims and claim expenses related to defaults on insured mortgage loans. A loan is considered to be in “default” as of the payment date at which a borrower has missed the preceding two or more consecutive monthly payments. We establish reserves for loans that have been reported to us in default by servicers, referred to as case reserves, and additional loans that we estimate (based on actuarial review and other factors) to be in default that have not yet been reported to us by servicers, referred to as incurred but not reported (IBNR) reserves. We also establish reserves for claim expenses, which represent the estimated cost of the claim administration process, including legal and other fees, as well as other general expenses of administering the claim settlement process. As of June 30, 2024, we held gross reserves for insurance claims and claim expenses of \$125.4 million. During the six months ended June 30, 2024, we paid 101 claims totaling \$3.0 million, including 97 claims covered under the QSR Transactions representing \$0.7 million of ceded claims and claim expenses.

We had 4,904 loans in default in our primary insured portfolio as of June 30, 2024, which represented a 0.76% default rate against 645,276 total policies in-force and 5,099 loans in default in our primary portfolio as of December 31, 2023, which represented a 0.81% default rate against 629,690 total policies in-force. The size of the reserve we establish for each defaulted loan (and by extension our aggregate reserve for claims and claim expenses) reflects our best estimate of the future claim payment to be made for each individual loan in default. Our future claims exposure is a function of the number of defaulted loans that progress to claim payment (which we refer to as frequency) and the amount to be paid to settle such claims (which we refer to as severity). Our estimates of claims frequency and severity are not formulaic, rather they are broadly synthesized based on historical observed experience for similarly situated loans and assumptions about future macroeconomic factors.

The following table provides a reconciliation of the beginning and ending gross reserve balances for primary insurance claims and claim expenses:

	For the six months ended June 30,	
	2024	2023
	<i>(In Thousands)</i>	
Beginning balance	\$ 123,974	\$ 99,836
Less reinsurance recoverables ⁽¹⁾	(27,514)	(21,587)
Beginning balance, net of reinsurance recoverables	<u>96,460</u>	<u>78,249</u>
Add claims incurred:		
Claims and claim expenses incurred:		
Current year ⁽²⁾	50,372	44,870
Prior years ⁽³⁾	(46,402)	(35,296)
Total claims and claim expenses incurred	<u>3,970</u>	<u>9,574</u>
Less claims paid:		
Claims and claim expenses paid:		
Current year ⁽²⁾	—	54
Prior years ⁽³⁾	2,323	1,344
Total claims and claim expenses paid	<u>2,323</u>	<u>1,398</u>
Reserve at end of period, net of reinsurance recoverables	98,107	86,425
Add reinsurance recoverables ⁽¹⁾	27,336	24,023
Ending balance	<u>\$ 125,443</u>	<u>\$ 110,448</u>

- (1) Related to ceded losses recoverable under the QSR Transactions. See Note 5, “*Reinsurance*” for additional information.
- (2) Related to insured loans with their most recent defaults occurring in the current year. For example, if a loan defaulted in a prior year and subsequently cured and later re-defaulted in the current year, the default would be included in the current year. Amounts are presented net of reinsurance and included \$43.1 million attributed to net case reserves and \$6.4 million attributed to net IBNR reserves for the six months ended June 30, 2024 and \$39.1 million attributed to net case reserves and \$5.0 million attributed to net IBNR reserves for the six months ended June 30, 2023.
- (3) Related to insured loans with defaults occurring in prior years, which have been continuously in default before the start of the current year. Amounts are presented net of reinsurance and included \$39.2 million attributed to net case reserves and \$6.3 million attributed to net IBNR reserves for the six months ended June 30, 2024 and \$30.3 million attributed to net case reserves and \$4.5 million attributed to net IBNR reserves for the six months ended June 30, 2023.

The “claims incurred” section of the table above shows claims and claim expenses incurred on defaults occurring in current and prior years, including IBNR reserves, and is presented net of reinsurance. The amount of claims incurred relating to current year defaults increased during the six months ended June 30, 2024, compared to the same period in the prior year, primarily due to an increase in the total number of new delinquencies emerging during the period tied to the growth and natural seasoning of our portfolio, partially offset by a decrease in the average case reserve established against newly defaulted loans. Our provision for claims and claim expenses during both the six months ended June 30, 2024 and 2023 benefited from favorable development on prior year defaults. We recognized \$46.4 million and \$35.3 million of favorable prior year development during the six months ended June 30, 2024 and 2023, respectively, primarily due to cure activity and ongoing analysis of recent loss development trends. We may increase or decrease our claim estimates and reserves as we learn additional information about individual defaulted loans, and continue to observe and analyze loss development trends in our portfolio. Gross reserves of \$61.4 million related to prior year defaults remained as of June 30, 2024.

7. Earnings per Share (EPS)

Basic EPS is based on the weighted average number of shares of common stock outstanding. Diluted EPS is based on the weighted average number of shares of common stock outstanding and common stock equivalents that would be issuable upon the vesting of service-based and performance and service-based restricted stock units (RSUs), and the exercise of vested and unvested stock options.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	<i>(In Thousands, except for per share data)</i>			
Net income – basic and diluted	\$ 92,079	\$ 80,284	\$ 181,129	\$ 154,742
Basic weighted average shares outstanding	80,117	82,958	80,421	83,277
Dilutive effect of issuable shares	1,183	1,232	1,282	1,227
Diluted weighted average shares outstanding	81,300	84,190	81,703	84,504
Earnings per share				
Basic	\$ 1.15	\$ 0.97	\$ 2.25	\$ 1.86
Diluted	\$ 1.13	\$ 0.95	\$ 2.22	\$ 1.83
Anti-dilutive shares	9	4	3	1

8. Income Taxes

We are a U.S. taxpayer and are subject to a statutory U.S. federal corporate income tax rate of 21%. Taxable income is reported on our consolidated U.S. federal and various state income tax returns, filed by NMIH on behalf of itself and its subsidiaries. Our effective tax rate on pre-tax income was 22.4% and 22.3% for the three and six months ended June 30, 2024, respectively, compared to 22.8% and 22.7% for the three and six months ended June 30, 2023, respectively. Our provision for income taxes for interim reporting periods is established based on our estimated annual effective tax rate for a given year. Our effective tax rate may fluctuate between interim periods due to the impact of discrete items not included in our estimated annual effective tax rate, including the tax effects associated with the vesting of RSUs and exercise of options. Such items are treated on a discrete basis in the reporting period in which they occur.

As a mortgage guaranty insurance company, we are eligible to claim a tax deduction for our statutory contingency reserve balance, subject to certain limitations outlined under IRC Section 832(e), and only to the extent we acquire tax and loss bonds in an amount equal to the tax benefit derived from the claimed deduction, which is our intent. As a result, our interim provision for income taxes for the three and six months ended June 30, 2024 and 2023 primarily represents a change in our net deferred tax liability. As of June 30, 2024 and December 31, 2023, we held \$235.3 million of tax and loss bonds in "Prepaid Federal Income Taxes" on our condensed consolidated balance sheets.

9. Stockholders' Equity

On February 10, 2022, our Board of Directors authorized a \$125 million share repurchase program (excluding associated costs and applicable taxes) effective through December 31, 2023. On July 31, 2023, our Board of Directors authorized a new \$200 million share repurchase program (excluding associated costs and applicable taxes) effective through December 31, 2025. Concurrent with the new authorization, our Board of Directors also approved an extension of our initial \$125 million share repurchase program through December 31, 2025 to align its remaining tenor with that of the \$200 million program. The authorization provides us the flexibility, based on market and business conditions, stock price and other factors, to repurchase stock from time to time through open market purchases, privately negotiated transactions, or other means, including pursuant to Rule 10b5-1 trading plans.

During the six months ended June 30, 2024, we repurchased 1.7 million shares at an average price of \$30.89 per share (excluding associated costs and applicable taxes). During the year ended December 31, 2023, we repurchased 3.5 million shares at an average price of \$25.93 per share (excluding associated costs and applicable taxes). As of June 30, 2024, we had \$124.9 million of repurchase authority remaining under our program.

10. Litigation

We record a litigation liability when we determine that it is probable a litigation loss will be incurred and the amount of such anticipated loss can be reasonably estimated. In the event we determine that a litigation loss is reasonably possible (though not probable), we disclose an estimate of the possible loss if such estimate can be reasonably established or disclose the matter with no estimate if such estimate cannot be reasonably made. We evaluate litigation and other legal developments that could affect our accrual for probable losses or our estimated disclosure of possible losses and make ongoing adjustments to our accruals and disclosures as appropriate. Significant judgment is required to determine both the likelihood and the estimated amount of potential losses related to such matters.

We are currently named as a defendant in a litigation proceeding pertaining to the refund of certain mortgage insurance premiums under the Homeowners Protection Act. The case was dismissed in September 2023 and is currently pending appeal. We do not currently expect that we will incur a material loss in connection with the case and have not recorded a litigation liability for this matter.

11. Premiums Receivable

Premiums receivable consists of premiums due on our mortgage insurance policies. If a mortgage insurance premium is unpaid for more than 120 days, the associated receivable is written off against earned premium and the related insurance policy is canceled. Premiums receivable may be written off prior to 120 days in the ordinary course of business for non-credit events including, but not limited to, the modification or refinancing of an underlying insured loan. We established a \$2.2 million and \$2.7 million reserve for premium write-offs at June 30, 2024 and December 31, 2023, respectively.

We separately recognize an allowance for credit losses for premiums receivable based on credit losses expected to arise over the life of the receivable. Due to the nature of our insurance policies (a necessary precondition for access to mortgage credit for covered borrowers) and the short duration of the related receivables, we do not typically experience credit losses against our premium receivables and the allowance for credit loss established on premium receivable was deemed immaterial at June 30, 2024 and December 31, 2023.

12. Regulatory Information

Statutory Requirements

Our insurance subsidiaries, NMIC and Re One, file financial statements in conformity with statutory accounting principles (SAP) prescribed or permitted by the Wisconsin OCI, NMIC's principal regulator. Prescribed SAP includes state laws, regulations and general administrative rules, as well as a variety of publications of the National Association of Insurance Commissioners (NAIC). The Wisconsin OCI recognizes only statutory accounting practices prescribed or permitted by the state of Wisconsin for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under Wisconsin insurance laws.

NMIC and Re One generated combined statutory net income of \$36.0 million and \$70.7 million for the three and six months ended June 30, 2024, respectively, compared to \$28.1 million and \$49.9 million for the three and six months ended June 30, 2023, respectively.

The Wisconsin OCI has imposed a prescribed accounting practice for the treatment of statutory contingency reserves that differs from the treatment promulgated by the NAIC. Under Wisconsin OCI's prescribed practice mortgage guaranty insurers are required to reflect changes in their contingency reserves through statutory income. Such approach contrasts with the NAIC's treatment, which records changes to contingency reserves directly to unassigned funds. As a Wisconsin-domiciled insurer, NMIC's statutory net income reflects an expense associated with the change in its contingency reserve. While such treatment impacts NMIC's statutory net income, it does not have an effect on NMIC's statutory capital position.

The following table presents NMIC's statutory surplus, contingency reserve, statutory capital and risk-to-capital (RTC) ratio as of June 30, 2024 and December 31, 2023.

	June 30, 2024	December 31, 2023
	<i>(In Thousands)</i>	
Statutory surplus	\$ 932,419	\$ 963,085
Contingency reserve	1,737,120	1,573,360
Statutory capital ⁽¹⁾	\$ 2,669,539	\$ 2,536,445
Risk-to-capital	12.4:1	11.4:1

(1) Represents the total of the statutory surplus and contingency reserve.

Re One had \$2.1 million and \$2.0 million of statutory capital at June 30, 2024 and December 31, 2023, respectively.

NMIH is not subject to any limitations on its ability to pay dividends except those generally applicable to corporations that are incorporated in Delaware. Delaware law provides that dividends are only payable out of a corporation's capital surplus or, subject to certain limitations, recent net profits.

NMIC and Re One are subject to certain rules and regulations prescribed by jurisdictions in which they are authorized to operate and the GSEs that may restrict their ability to pay dividends to NMIH. NMIC has the capacity to pay \$96.3 million of aggregate ordinary dividends to NMIH during the twelve-month period ending December 31, 2024, and on May 30, 2024, NMIC paid a \$96.3 million ordinary course dividend to NMIH.

13. Subsequent Events

Effective July 25, 2024, NMIC exercised its optional call to terminate the 2019 ILN Transaction. In connection with the termination of the transaction, NMIC's excess of loss reinsurance agreement with Oaktown Re III Ltd. was commuted and the insurance-linked notes issued by Oaktown Re III Ltd. were redeemed in full with a distribution of remaining collateral assets.

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

The following analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto included in this report and our audited financial statements, notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2023 10-K, for a more complete understanding of our financial position and results of operations. In addition, investors should review the "Cautionary Note Regarding Forward-Looking Statements" above and the "Risk Factors" detailed in Part II, Item 1A of this report and in Part I, Item 1A of our 2023 10-K, as subsequently updated in other reports we file with the SEC, for a discussion of those risks and uncertainties that have the potential to affect our business, financial condition, results of operations, cash flows or prospects in a material and adverse manner. Our results of operations for interim periods are not necessarily indicative of results to be expected for a full fiscal year or for any other period.

Overview

We provide private MI through our primary insurance subsidiary, NMIC. NMIC is wholly-owned, domiciled in Wisconsin and principally regulated by the Wisconsin OCI. NMIC is approved as an MI provider by the GSEs and is licensed to write coverage in all 50 states and D.C. Our subsidiary, NMIS, provides outsourced loan review services to mortgage loan originators and our subsidiary, Re One, historically provided reinsurance coverage to NMIC in accordance with certain statutory risk retention requirements. Such requirements have been repealed and the reinsurance coverage provided by Re One to NMIC has been commuted. Re One remains a wholly-owned, licensed insurance subsidiary; however, it does not currently have active insurance exposures.

MI protects lenders and investors from default-related losses on a portion of the unpaid principal balance of a covered mortgage. MI plays a critical role in the U.S. housing market by mitigating mortgage credit risk and facilitating the secondary market sale of high- loan-to-value (LTV) (*i.e.*, above 80%) residential loans to the GSEs, who are otherwise restricted by their charters from purchasing or guaranteeing high-LTV mortgages that are not covered by certain credit protections. Such credit protection and secondary market sales allow lenders to increase their capacity for mortgage commitments and expand financing access to existing and prospective homeowners.

NMIH, a Delaware corporation, was incorporated in May 2011, and we began start-up operations in 2012 and wrote our first MI policy in 2013. Since formation, we have sought to establish customer relationships with a broad group of mortgage lenders and build a diversified, high-quality insured portfolio. As of June 30, 2024, we had issued master policies with 2,022 customers, including national and regional mortgage banks, money center banks, credit unions, community banks, builder-owned mortgage lenders, internet-sourced lenders and other non-bank lenders. As of June 30, 2024, we had \$203.5 billion of primary insurance-in-force (IIF) and \$54.0 billion of primary risk-in-force (RIF).

We believe that our success in acquiring a large and diverse group of lender customers and growing a portfolio of high-quality IIF traces to our founding principles, whereby we aim to help qualified individuals achieve their homeownership goals, ensure that we remain a strong and credible counterparty, deliver a high-quality customer service experience, establish a differentiated risk management approach that emphasizes the individual underwriting review or validation of the vast majority of the loans we insure, utilizing our proprietary Rate GPS® pricing platform to dynamically evaluate risk and price our policies, and foster a culture of collaboration and excellence that helps us attract and retain experienced industry leaders.

Our strategy is to continue to build on our position in the private MI market, expand our customer base and grow our insured portfolio of high-quality residential loans by focusing on long-term customer relationships, disciplined and proactive risk selection and pricing, fair and transparent claim payment practices, responsive customer service, and financial strength and profitability.

Our common stock trades on the Nasdaq under the symbol "NMIH." Our headquarters is located in Emeryville, California. As of June 30, 2024, we had 228 employees. Our corporate website is located at www.nationalmi.com. Our website and the information contained on or accessible through our website are not incorporated by reference into this report.

We discuss below our results of operations for the periods presented, as well as the conditions and trends that have impacted or are expected to impact our business, including new insurance writings, the composition of our insurance portfolio and other factors that we expect to impact our results.

Conditions and Trends Affecting Our Business

Macroeconomic Developments

Macroeconomic factors, including persistent inflation, elevated interest rates, flagging consumer confidence and increasing jobless claims could have a pronounced impact on the housing market, the mortgage insurance industry and our business in future periods. A marked decline in housing demand, a significant and protracted decrease in house prices or a sustained increase in unemployment could reduce the pace of new business activity in the private mortgage insurance market and negatively impact our future new insurance written (NIW) volume, or contribute to an increase in our future default and claim experience.

Key Factors Affecting Our Results

New Insurance Written, Insurance-In-Force and Risk-In-Force

NIW is the aggregate unpaid principal balance of mortgages underpinning new policies written during a given period. Our NIW is affected by the overall size of the mortgage origination market and the volume of high-LTV mortgage originations. Our NIW is also affected by the percentage of such high-LTV originations covered by private versus government MI or other alternative credit enhancement structures and our share of the private MI market. NIW, together with persistency, drives our IIF. IIF is the aggregate unpaid principal balance of the mortgages we insure, as reported to us by servicers at a given date, and represents the sum total of NIW from all prior periods less principal payments on insured mortgages and policy cancellations (including for prepayment, nonpayment of premiums, coverage rescission and claim payments). RIF is related to IIF and represents the aggregate amount of coverage we provide on all outstanding policies at a given date. RIF is calculated as the sum total of the coverage percentage of each individual policy in our portfolio applied to the unpaid principal balance of such insured mortgage. RIF is affected by IIF and the LTV profile of our insured mortgages, with lower LTV loans generally having a lower coverage percentage and higher LTV loans having a higher coverage percentage. Gross RIF represents RIF before consideration of reinsurance. Net RIF is gross RIF net of ceded reinsurance.

Net Premiums Written and Net Premiums Earned

We set our premium rates on individual policies based on the risk characteristics of the underlying mortgage loans and borrowers, and in accordance with our filed rates and applicable rating rules. On June 4, 2018, we introduced a proprietary risk-based pricing platform, which we refer to as Rate GPS[®]. Rate GPS[®] considers a broad range of individual variables, including property type, type of loan product, borrower credit characteristics, and lender and market factors, and provides us with the ability to set and charge premium rates commensurate with the underlying risk of each loan that we insure. We introduced Rate GPS[®] in June 2018 to replace our previous rate card pricing system. While most of our new business is priced through Rate GPS[®], we also continue to offer a rate card pricing option to a limited number of lender customers who require a rate card for operational reasons. We believe the introduction and utilization of Rate GPS[®] provides us with a more granular and analytical approach to evaluating and pricing risk, and that this approach enhances our ability to continue building a high-quality mortgage insurance portfolio and delivering attractive risk-adjusted returns.

Premiums are generally fixed for the duration of our coverage of the underlying loans. Net premiums written are equal to gross premiums written minus ceded premiums written under our reinsurance arrangements, less premium refunds and premium write-offs. As a result, net premiums written are generally influenced by:

- NIW;
- premium rates and the mix of premium payment type, which are either single, monthly or annual premiums, as described below;
- cancellation rates of our insurance policies, which are impacted by payments or prepayments on mortgages, refinancings (which are affected by prevailing mortgage interest rates as compared to interest rates on loans underpinning our in force policies), levels of claim payments and home prices; and
- cession of premiums under third-party reinsurance arrangements.

Premiums are paid either by the borrower (borrower-paid mortgage insurance or BPMI) or the lender (lender-paid mortgage insurance or LPMI) in a single payment at origination (single premium), on a monthly installment basis (monthly premium) or on an annual installment basis (annual premium). Our net premiums written will differ from our net premiums earned due to policy payment type. For single premiums, we receive a single premium payment at origination, which is earned over the estimated life of the policy. Substantially all of our single premium policies in force as of June 30, 2024 were non-

refundable under most cancellation scenarios. If non-refundable single premium policies are canceled, we immediately recognize the remaining unearned premium balances as earned premium revenue. Monthly premiums are recognized in the month billed and when the coverage is effective. Annual premiums are earned on a straight-line basis over the year of coverage. Substantially all of our policies provide for either single or monthly premiums.

The percentage of IIF that remains on our books after any twelve-month period is defined as our persistency rate. Because our insurance premiums are earned over the life of a policy, higher persistency rates can have a significant impact on our net premiums earned and profitability. Generally, faster speeds of mortgage prepayment lead to lower persistency. Prepayment speeds and the relative mix of business between single and monthly premium policies also impact our profitability. Our premium rates include certain assumptions regarding repayment or prepayment speeds of the mortgages underlying our policies. Because premiums are paid at origination on single premium policies and our single premium policies are generally non-refundable on cancellation, assuming all other factors remain constant, if single premium loans are prepaid earlier than expected, our profitability on these loans is likely to increase and, if loans are repaid slower than expected, our profitability on these loans is likely to decrease. By contrast, if monthly premium loans are repaid earlier than anticipated, we do not earn any more premium with respect to those loans and, unless we replace the repaid monthly premium loan with a new loan at the same premium rate or higher, our revenue is likely to decline.

Effect of Reinsurance on Our Results

We utilize third-party reinsurance to actively manage our risk, ensure compliance with PMIERS, state regulatory and other applicable capital requirements, and support the growth of our business. We currently have both quota share and excess-of-loss reinsurance agreements in place, which impact our results of operations and regulatory capital and PMIERS asset positions. Under a quota share reinsurance agreement, the reinsurer receives a premium in exchange for covering an agreed-upon portion of incurred losses. Such a quota share arrangement reduces premiums written and earned and also reduces RIF, providing capital relief to the ceding insurance company and reducing incurred claims in accordance with the terms of the reinsurance agreement. In addition, reinsurers typically pay ceding commissions as part of quota share transactions, which offset the ceding company's acquisition and underwriting expenses. Certain quota share agreements include profit commissions that are earned based on loss performance and serve to reduce ceded premiums. Under an excess-of-loss agreement, the ceding insurer is typically responsible for losses up to an agreed-upon threshold and the reinsurer then provides coverage in excess of such threshold up to a maximum agreed-upon limit. We expect to continue to evaluate reinsurance opportunities in the normal course of business.

Excess-of-Loss Reinsurance

Insurance-Linked Notes

NMIC is party to reinsurance agreements with the Oaktown Re Vehicles that provide it with aggregate excess-of-loss reinsurance coverage on defined portfolios of mortgage insurance policies. Under each agreement, NMIC retains a first layer of aggregate loss exposure on covered policies and the respective Oaktown Re Vehicle then provides second layer loss protection up to a defined reinsurance coverage amount. NMIC then retains losses in excess of the respective reinsurance coverage amounts.

The respective reinsurance coverage amounts provided by the Oaktown Re Vehicles decrease (over a ten-year period in the case of Oaktown Re III Ltd. and Oaktown Re V Ltd. and 12.5-year period in the case of Oaktown Re VI Ltd. and Oaktown Re VII Ltd.) as the underlying insured mortgages are amortized or repaid, and/or the mortgage insurance coverage is canceled. As the reinsurance coverage decreases, a prescribed amount of collateral held in trust by the Oaktown Re Vehicles is distributed to ILN Transaction noteholders as amortization of the outstanding insurance-linked note principal balances. The outstanding reinsurance coverage amounts stop amortizing, and the distribution of collateral assets to ILN Transaction noteholders and amortization of insurance-linked note principal is suspended if certain credit enhancement or delinquency thresholds, as defined in each agreement, are triggered (each, a Lock-Out Event).

NMIC holds optional termination rights under each ILN Transaction, including, among others, an optional call feature which provides NMIC the discretion to terminate the transaction on or after a prescribed date, and a clean-up call if the outstanding reinsurance coverage amount amortizes to 10% or less of the reinsurance coverage amount at inception or if NMIC reasonably determines that changes to GSE or rating agency asset requirements would cause a material and adverse effect on the capital treatment afforded to NMIC under a given agreement. In addition, there are certain events that trigger mandatory termination of an agreement, including NMIC's failure to pay premiums or consent to reductions in a trust account to make principal payments to noteholders, among others.

The following table presents the inception date, covered production period, initial and current reinsurance coverage amount, and initial and current first layer retained aggregate loss under each outstanding ILN Transaction. Current amounts are

presented as of June 30, 2024.

<i>(\$ values in thousands)</i>	Inception Date	Covered Production	Initial Reinsurance Coverage	Current Reinsurance Coverage	Initial First Layer Retained Loss	Current First Layer Retained Loss ⁽¹⁾
2019 ILN Transaction	July 30, 2019	6/1/2018 – 6/30/2019	\$ 326,905	\$ 143,430	\$ 123,424	\$ 121,588
2020-2 ILN Transaction	October 29, 2020	4/1/2020 – 9/30/2020 ⁽²⁾	242,351	37,165	121,777	121,015
2021-1 ILN Transaction	April 27, 2021	10/1/2020 – 3/31/2021 ⁽³⁾	367,238	180,516	163,708	163,321
2021-2 ILN Transaction	October 26, 2021	4/1/2021 – 9/30/2021 ⁽⁴⁾	363,596	273,706	146,229	145,549

(1) NMIC applies claims paid on covered policies against its first layer aggregate retained loss exposure and cedes reserves for incurred claims and claim expenses to each applicable ILN Transaction and recognizes a reinsurance recoverable if such incurred claims and claim expenses exceed its current first layer retained loss.

(2) Approximately 1% of the production covered by the 2020-2 ILN Transaction has coverage reporting dates between July 1, 2019 and March 31, 2020.

(3) Approximately 1% of the production covered by the 2021-1 ILN Transaction has coverage reporting dates between July 1, 2019 and September 30, 2020.

(4) Approximately 2% of the production covered by the 2021-2 ILN Transaction has coverage reporting dates between July 1, 2019 and March 31, 2021.

Effective July 25, 2024, NMIC exercised its optional call to terminate the 2019 ILN Transaction. In connection with the termination of the transaction, NMIC's excess of loss reinsurance agreement with Oaktown Re III Ltd. was commuted and the insurance-linked notes issued by Oaktown Re III Ltd. were redeemed in full with a distribution of remaining collateral assets.

Traditional Reinsurance

NMIC is party to six excess-of-loss reinsurance agreements with broad panels of third-party reinsurers – the 2022-1 XOL Transaction, effective April 1, 2022, the 2022-2 XOL Transaction, effective July 1, 2022, the 2022-3 XOL Transaction, effective October 1, 2022, the 2023-1 XOL Transaction, effective January 1, 2023, the 2023-2 XOL Transaction, effective July 1, 2023, and the 2024 XOL Transaction, effective January 1, 2024 – which we refer to collectively as the XOL Transactions. Each XOL Transaction provides NMIC with aggregate excess-of-loss reinsurance coverage on a defined portfolio of mortgage insurance policies. Under each agreement, NMIC retains a first layer of aggregate loss exposure on covered policies and the reinsurers then provide second layer loss protection up to a defined reinsurance coverage amount. The reinsurance coverage amount of each XOL Transaction is set to approximate the PMIERS minimum required assets of its reference pool and decreases from its peak over a ten-year period in the event the PMIERS minimum required assets of the pool declines. NMIC retains losses in excess of the outstanding reinsurance coverage amount.

NMIC holds optional termination rights which provide it the discretion to terminate each XOL Transaction on or after a specified date. NMIC may elect to terminate the XOL Transactions at any point if the outstanding reinsurance coverage amount amortizes to 10% or less of the reinsurance coverage amount provided at inception, or if it determines that it will no longer be able to take full PMIERS asset credit for the coverage. Additionally, under the terms of the treaties, NMIC may selectively terminate its engagement with individual reinsurers under certain circumstances. Such selective termination rights arise when, among other reasons, a reinsurer experiences a deterioration in its capital position below a prescribed threshold, and/or a reinsurer breaches (and fails to cure) its collateral posting obligation.

Each of the third-party reinsurance providers that is party to the XOL Transactions has an insurer financial strength rating of A- or better by S&P, A.M. Best or both.

The following table presents the inception date, covered production period, initial and current reinsurance coverage amount, and initial and current first layer retained aggregate loss under each outstanding XOL Transaction. Current amounts are presented as of June 30, 2024.

<i>(\$ values in thousands)</i>	Inception Date	Covered Production	Initial Reinsurance Coverage	Current Reinsurance Coverage	Initial First Layer Retained Loss	Current First Layer Retained Loss ⁽¹⁾
2022-1 XOL Transaction	April 1, 2022	10/1/2021 – 3/31/2022 ⁽²⁾	\$ 289,741	\$ 213,416	\$ 133,366	\$ 132,863
2022-2 XOL Transaction	July 1, 2022	4/1/2022 – 6/30/2022 ⁽³⁾	154,306	135,669	78,906	78,518
2022-3 XOL Transaction	October 1, 2022	7/1/2022 – 9/30/2022	96,779	96,197	106,265	105,961
2023-1 XOL Transaction	January 1, 2023	10/1/2022 – 6/30/2023	89,864	88,351	146,513	146,218
2023-2 XOL Transaction	July 1, 2023	7/1/2023 – 12/31/2023	100,777	100,777	136,875	136,875
2024 XOL Transaction ⁽⁴⁾	January 1, 2024	1/1/2024 – 12/31/2024	86,477	86,477	151,609	151,609

- (1) NMIC applies claims paid on covered policies against its first layer aggregate retained loss exposure and cedes reserves for incurred claims and claim expenses to each applicable XOL Transaction and recognizes a reinsurance recoverable if such incurred claims and claim expenses exceed its current first layer retained loss.
- (2) Approximately 1% of the production covered by the 2022-1 XOL Transaction has coverage reporting dates between October 21, 2019 and September 30, 2021.
- (3) Approximately 1% of the production covered by the 2022-2 XOL Transaction has coverage reporting dates between January 4, 2021 and March 31, 2022.
- (4) The initial reinsurance coverage, current reinsurance coverage, initial first layer retained loss and current first layer retained loss for the 2024 XOL Transaction will increase as incremental covered production is ceded under the transaction through December 31, 2024.

Quota Share Reinsurance

NMIC is party to eight quota share reinsurance treaties – the 2016 QSR Transaction, effective September 1, 2016 and as modified April 1, 2019, the 2018 QSR Transaction, effective January 1, 2018, the 2020 QSR Transaction, effective April 1, 2020 and as amended January 1, 2024, the 2021 QSR Transaction, effective January 1, 2021, the 2022 QSR Transaction, effective October 1, 2021, the 2022 Seasoned QSR Transaction, effective July 1, 2022, the 2023 QSR Transaction, effective January 1, 2023 and the 2024 QSR Transaction, effective January 1, 2024 – which we refer to collectively as the QSR Transactions. Under each of the QSR Transactions, NMIC cedes a proportional share of its risk on eligible policies to panels of third-party reinsurance providers. Each of the third-party reinsurance providers that is party to the QSR Transactions has an insurer financial strength rating of A- or better by S&P, A.M. Best or both.

Under the terms of the 2016 QSR Transaction, NMIC cedes premiums written related to 20.5% of the risk on eligible primary policies written for all periods through December 31, 2017 in exchange for reimbursement of ceded claims and claim expenses on covered policies, a 20% ceding commission, and a profit commission of up to 60% that varies directly and inversely with ceded claims. NMIC previously ceded 100% of the risk under its pool agreement with Fannie Mae; however, such agreement expired on August 31, 2023 and NMIC no longer cedes pool risk under the 2016 QSR Transaction.

Under the terms of the 2018 QSR Transaction, NMIC cedes premiums earned related to 25% of the risk on eligible policies written in 2018 and 20% of the risk on eligible policies written in 2019, in exchange for reimbursement of ceded claims and claim expenses on covered policies, a 20% ceding commission, and a profit commission of up to 61% that varies directly and inversely with ceded claims.

Under the terms of the 2020 QSR Transaction, NMIC cedes premiums earned related to 21% of the risk on eligible policies written between April 1, 2020 and December 31, 2020, in exchange for reimbursement of ceded claims and claim expenses on covered policies, a 36% ceding commission, and a profit commission of up to 50% that varies directly and inversely with ceded claims.

Under the terms of the 2021 QSR Transaction, NMIC cedes premiums earned related to 22.5% of the risk on eligible policies written in 2021 (subject to an aggregate risk written limit which was exhausted on October 30, 2021), in exchange for reimbursement of ceded claims and claim expenses on covered policies, a 20% ceding commission, and a profit commission of up to 57.5% that varies directly and inversely with ceded claims.

Under the terms of the 2022 QSR Transaction, NMIC cedes premiums earned related to 20% of the risk on eligible policies written between October 30, 2021 and December 31, 2022, in exchange for reimbursement of ceded claims and claim expenses on covered policies, a 20% ceding commission, and a profit commission of up to 62% that varies directly and inversely with ceded claims.

Under the terms of the 2022 Seasoned QSR Transaction, NMIC cedes premiums earned related to 95% of the net risk on eligible policies primarily for a seasoned pool of mortgage insurance policies that had previously been covered under the retired Oaktown Re Ltd. and Oaktown Re IV Ltd. reinsurance transactions, after the consideration of coverage provided by other QSR Transactions, in exchange for reimbursement of ceded claims and claim expenses on covered policies, a 35% ceding commission, and a profit commission of up to 55% that varies directly and inversely with ceded claims.

Under the terms of the 2023 QSR Transaction, NMIC cedes premiums earned related to 20% of the risk on eligible policies written in 2023, in exchange for reimbursement of ceded claims and claim expenses on covered policies, a 20% ceding commission, and a profit commission of up to 62% that varies directly and inversely with ceded claims.

Under the terms of the 2024 QSR Transaction, NMIC cedes premiums earned related to 20% of the risk on eligible policies written in 2024, in exchange for reimbursement of ceded claims and claim expenses on covered policies, a 20% ceding commission, and a profit commission of up to 56% that varies directly and inversely with ceded claims.

NMIC may terminate any or all of the QSR Transactions without penalty if, due to a change in PMIERS requirements, it is no longer able to take full PMIERS asset credit for the RIF ceded under the respective agreements. Additionally, under the terms of the QSR Transactions, NMIC may elect to selectively terminate its engagement with individual reinsurers on a run-off basis (*i.e.*, reinsurers continue providing coverage on all risk ceded prior to the termination date, with no new cessions going forward) or cut-off basis (*i.e.*, the reinsurance arrangement is completely terminated with NMIC recapturing all previously ceded risk) under certain circumstances. Such selective termination rights arise when, among other reasons, a reinsurer experiences a deterioration in its capital position below a prescribed threshold and/or a reinsurer breaches (and fails to cure) its collateral posting obligations under the relevant agreement.

See Item 1, “*Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 5, Reinsurance*” for further discussion of these third-party reinsurance arrangements.

Portfolio Data

The following table presents NIW and primary and pool IIF as of the dates and for the periods indicated. Unless otherwise noted, the tables below do not include the effects of our third-party reinsurance arrangements described above.

NIW and primary and pool IIF	As of and for the three months ended				For the six months ended	
	June 30, 2024		June 30, 2023		June 30, 2024	June 30, 2023
	NIW	IIF	NIW	IIF	NIW	
	<i>(In Millions)</i>					
Monthly	\$ 12,288	\$ 184,862	\$ 11,266	\$ 171,685	\$ 21,463	\$ 19,816
Single	215	18,639	212	19,621	438	396
Primary	12,503	203,501	11,478	191,306	21,901	20,212
Pool	—	—	—	1,000	—	—
Total	\$ 12,503	\$ 203,501	\$ 11,478	\$ 192,306	\$ 21,901	\$ 20,212

NIW for the three and six months ended June 30, 2024 was \$12.5 billion and \$21.9 billion, respectively, compared to \$11.5 billion and \$20.2 billion for the three and six months ended June 30, 2023, respectively. NIW increased year-on-year primarily due to growth in our customer franchise and market presence tied to the increased penetration of existing customer accounts and new customer activations.

Primary IIF increased 6% at June 30, 2024 compared to June 30, 2023, primarily due to the NIW generated between such measurement dates, partially offset by the run-off of in-force policies. Our persistency rate was 85.4% at June 30, 2024 and 86.0% at June 30, 2023. Our persistency rate remains historically high due to a continued slowdown in the pace of mortgage refinancing activity tied to the prevailing interest and mortgage rate environment.

The following table presents net premiums written and earned for the periods indicated:

Primary premiums written and earned	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	(In Thousands)			
Net premiums written	\$ 133,814	\$ 117,144	\$ 264,059	\$ 230,120
Net premiums earned	141,168	125,985	277,825	247,739

Net premiums written increased 14% and 15%, respectively, and net premiums earned increased 12%, consecutively, during the three and six months ended June 30, 2024 compared to the three and six months ended June 30, 2023, primarily driven by growth in our monthly IIF and monthly pay premium receipts, as well as a decline in the total premiums ceded under our reinsurance treaties.

Portfolio Statistics

Unless otherwise noted, the portfolio statistics tables presented below do not include the effects of our third-party reinsurance arrangements described above. The table below highlights trends in our primary portfolio as of the dates and for the periods indicated.

Primary portfolio trends	As of and for the three months ended				
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
	(\$ Values In Millions, except as noted below)				
New insurance written	\$ 12,503	\$ 9,398	\$ 8,927	\$ 11,334	\$ 11,478
Percentage of monthly premium	98 %	98 %	96 %	97 %	98 %
Percentage of single premium	2 %	2 %	4 %	3 %	2 %
New risk written	\$ 3,335	\$ 2,486	\$ 2,354	\$ 3,027	\$ 3,022
Insurance-in-force ⁽¹⁾	\$ 203,501	\$ 199,373	\$ 197,029	\$ 194,781	\$ 191,306
Percentage of monthly premium	91 %	90 %	90 %	90 %	90 %
Percentage of single premium	9 %	10 %	10 %	10 %	10 %
Risk-in-force ⁽¹⁾	\$ 53,956	\$ 52,610	\$ 51,796	\$ 51,011	\$ 49,875
Policies in force (count) ⁽¹⁾	645,276	635,662	629,690	622,993	611,441
Average loan size (\$ value in thousands) ⁽¹⁾	\$ 315	\$ 314	\$ 313	\$ 313	\$ 313
Coverage percentage ⁽²⁾	26.5 %	26.4 %	26.3 %	26.2 %	26.1 %
Loans in default (count) ⁽¹⁾	4,904	5,109	5,099	4,594	4,349
Default rate ⁽¹⁾	0.76 %	0.80 %	0.81 %	0.74 %	0.71 %
Risk-in-force on defaulted loans ⁽¹⁾	\$ 401	\$ 414	\$ 408	\$ 359	\$ 335
Average net premium yield ⁽³⁾	0.28 %	0.28 %	0.27 %	0.27 %	0.27 %
Earnings from cancellations	\$ 1.0	\$ 0.6	\$ 1.0	\$ 0.9	\$ 1.1
Annual persistency ⁽⁴⁾	85.4 %	85.8 %	86.1 %	86.2 %	86.0 %
Quarterly run-off ⁽⁵⁾	4.2 %	3.6 %	3.4 %	4.1 %	3.7 %

(1) Reported as of the end of the period.

(2) Calculated as end of period RIF divided by end of period IIF.

(3) Calculated as net premiums earned divided by average primary IIF for the period, annualized.

(4) Defined as the percentage of IIF that remains on our books after a given twelve-month period.

(5) Defined as the percentage of IIF that is no longer on our books after a given three-month period.

The table below presents a summary of the change in total primary IIF for the dates and periods indicated.

Primary IIF	As of and for the three months ended June 30,		As of and for the six months ended June 30,	
	2024	2023	2024	2023
	<i>(In Millions)</i>			
IIF, beginning of period	\$ 199,373	\$ 186,724	\$ 197,029	\$ 183,968
NIW	12,503	11,478	21,901	20,212
Cancellations, principal repayments and other reductions	(8,375)	(6,896)	(15,429)	(12,874)
IIF, end of period	<u>\$ 203,501</u>	<u>\$ 191,306</u>	<u>\$ 203,501</u>	<u>\$ 191,306</u>

We consider a “book” to be a collective pool of policies insured during a particular period, normally a calendar year. In general, the majority of underwriting profit, calculated as earned premium revenue minus claims and underwriting and operating expenses, generated by a particular book year emerges in the years immediately following origination. This pattern generally occurs because relatively few of the claims that a book will ultimately experience typically occur in the first few years following origination, when premium revenue is highest, while subsequent years are affected by declining premium revenues, as the number of insured loans decreases (primarily due to loan prepayments), and by increasing losses.

The table below presents a summary of our primary IIF and RIF by book year as of the dates indicated.

Primary IIF and RIF	As of June 30,			
	2024		2023	
	IIF	RIF	IIF	RIF
Book year	<i>(In Millions)</i>			
2024	\$ 21,445	\$ 5,700	\$ —	\$ —
2023	36,792	9,694	19,811	5,176
2022	50,462	13,420	54,739	14,496
2021	56,248	14,868	68,016	17,553
2020	24,096	6,475	30,799	7,978
2019 and before	14,458	3,799	17,941	4,672
Total	<u>\$ 203,501</u>	<u>\$ 53,956</u>	<u>\$ 191,306</u>	<u>\$ 49,875</u>

We utilize certain risk principles that form the basis of how we underwrite and originate NIW. We have established prudential underwriting standards and loan-level eligibility matrices which prescribe the maximum LTV, minimum borrower FICO score, maximum borrower debt-to-income (DTI) ratio, maximum loan size, property type, loan type, loan term and occupancy status of loans that we will insure and memorialized these standards and eligibility matrices in our Underwriting Guideline Manual that is publicly available on our website. Our underwriting standards and eligibility criteria are designed to limit the layering of risk in a single insurance policy. “Layered risk” refers to the accumulation of borrower, loan and property risk. For example, we have higher credit score and lower maximum allowed LTV requirements for investor-owned properties, compared to owner-occupied properties. We monitor the concentrations of various risk attributes in our insurance portfolio, which may change over time, in part, as a result of regional conditions or public policy shifts.

The tables below present our primary NIW by FICO, LTV and purchase/refinance mix for the periods indicated. We calculate the LTV of a loan as the percentage of the original loan amount to the original purchase value of the property securing the loan.

Primary NIW by FICO	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	<i>(In Millions)</i>			
>= 760	\$ 6,797	\$ 6,919	\$ 11,685	\$ 12,170
740-759	2,154	1,836	3,951	3,350
720-739	1,537	1,541	2,757	2,648
700-719	1,084	668	1,864	1,124
680-699	635	413	1,165	755
<=679	296	101	479	165
Total	\$ 12,503	\$ 11,478	\$ 21,901	\$ 20,212
Weighted average FICO	757	763	757	762

Primary NIW by LTV	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	<i>(In Millions)</i>			
95.01% and above	\$ 1,768	\$ 1,003	\$ 2,830	\$ 1,361
90.01% to 95.00%	5,645	5,323	10,059	9,408
85.01% to 90.00%	3,739	3,891	6,670	7,125
85.00% and below	1,351	1,261	2,342	2,318
Total	\$ 12,503	\$ 11,478	\$ 21,901	\$ 20,212
Weighted average LTV	92.3 %	92.0 %	92.3 %	91.9 %

Primary NIW by purchase/refinance mix	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	<i>(In Millions)</i>			
Purchase	\$ 12,257	\$ 11,233	\$ 21,414	\$ 19,727
Refinance	246	245	487	485
Total	\$ 12,503	\$ 11,478	\$ 21,901	\$ 20,212

The tables below present our total primary IIF and RIF by FICO and LTV, and total primary RIF by loan type as of the dates indicated.

Primary IIF by FICO

	As of June 30,			
	2024		2023	
	(\$ Values In Millions)			
>= 760	\$ 101,531	50 %	\$ 94,931	50 %
740-759	36,135	18	33,841	18
720-739	28,479	14	26,862	14
700-719	19,295	10	18,261	9
680-699	13,138	6	12,506	6
<=679	4,923	2	4,905	3
Total	\$ 203,501	100 %	\$ 191,306	100 %

Primary RIF by FICO

	As of June 30,			
	2024		2023	
	(\$ Values In Millions)			
>= 760	\$ 26,692	49 %	\$ 24,472	49 %
740-759	9,624	18	8,888	18
720-739	7,634	14	7,090	14
700-719	5,217	10	4,865	10
680-699	3,530	7	3,315	7
<=679	1,259	2	1,245	2
Total	\$ 53,956	100 %	\$ 49,875	100 %

Primary IIF by LTV

	As of June 30,			
	2024		2023	
	(\$ Values In Millions)			
95.01% and above	\$ 21,556	10 %	\$ 18,141	10 %
90.01% to 95.00%	99,355	49	91,719	48
85.01% to 90.00%	62,461	31	58,210	30
85.00% and below	20,129	10	23,236	12
Total	\$ 203,501	100 %	\$ 191,306	100 %

Primary RIF by LTV

	As of June 30,			
	2024		2023	
	(\$ Values In Millions)			
95.01% and above	\$ 6,698	12 %	\$ 5,600	11 %
90.01% to 95.00%	29,354	54	27,097	54
85.01% to 90.00%	15,500	29	14,400	29
85.00% and below	2,404	5	2,778	6
Total	\$ 53,956	100 %	\$ 49,875	100 %

Primary RIF by Loan Type

	As of June 30,	
	2024	2023
Fixed	98 %	98 %
Adjustable rate mortgages:		
Less than five years	—	—
Five years and longer	2	2
Total	100 %	100 %

The table below presents selected primary portfolio statistics, by book year, as of June 30, 2024.

Book Year	As of June 30, 2024									
	Original Insurance Written	Remaining Insurance in Force	% Remaining of Original Insurance	Policies Ever in Force	Number of Policies in Force	Number of Loans in Default	# of Claims Paid	Incurred Loss Ratio (Inception to Date) ⁽¹⁾	Cumulative Default Rate ⁽²⁾	Current Default Rate ⁽³⁾
<i>(\$ Values In Millions)</i>										
2015 and prior	\$ 16,035	\$ 1,000	6 %	67,989	5,690	82	201	2.7 %	0.4 %	1.4 %
2016	21,187	1,773	8 %	83,626	9,600	177	177	1.8 %	0.4 %	1.8 %
2017	21,582	2,169	10 %	85,897	12,167	266	169	2.1 %	0.5 %	2.2 %
2018	27,295	2,671	10 %	104,043	14,271	383	165	2.6 %	0.5 %	2.7 %
2019	45,141	6,845	15 %	148,423	29,876	437	76	2.0 %	0.3 %	1.5 %
2020	62,702	24,096	38 %	186,174	82,730	516	30	1.5 %	0.3 %	0.6 %
2021	85,574	56,248	66 %	257,972	183,369	1,331	48	3.6 %	0.5 %	0.7 %
2022	58,734	50,462	86 %	163,281	145,728	1,352	20	17.1 %	0.8 %	0.9 %
2023	40,473	36,792	91 %	111,994	104,423	346	2	11.4 %	0.3 %	0.3 %
2024	21,901	21,445	98 %	58,320	57,422	14	—	2.3 %	— %	— %
Total	\$ 400,624	\$ 203,501		1,267,719	645,276	4,904	888			

- (1) Calculated as total claims incurred (paid and reserved) divided by cumulative premiums earned, net of reinsurance.
(2) Calculated as the sum of the number of claims paid ever to date and number of loans in default divided by policies ever in force.
(3) Calculated as the number of loans in default divided by number of policies in force.

Geographic Dispersion

The following table shows the distribution by state of our primary RIF as of the dates indicated. The distribution of our primary RIF as of June 30, 2024 is not necessarily representative of the geographic distribution we expect in the future.

Top 10 primary RIF by state	As of June 30,	
	2024	2023
California	10.1 %	10.4 %
Texas	8.8	8.7
Florida	7.5	7.9
Georgia	4.2	4.1
Washington	3.9	4.0
Illinois	3.9	3.9
Virginia	3.8	4.0
Pennsylvania	3.4	3.4
Colorado	3.2	3.4
Maryland	3.1	3.3
Total	51.9 %	53.1 %

Insurance Claims and Claim Expenses

Insurance claims and claim expenses incurred represent estimated future payments on newly defaulted insured loans and any change in our claim estimates for previously existing defaults. Claims incurred are generally affected by a variety of factors, including the macroeconomic environment, national and regional unemployment trends, changes in housing values, borrower risk characteristics, LTV ratios and other loan level risk attributes, the size and type of loans insured, the percentage of coverage on insured loans, and the level of reinsurance coverage maintained against insured exposures.

Reserves for claims and claim expenses are established for mortgage loans that are in default. A loan is considered to be in default as of the payment date at which a borrower has missed the preceding two or more consecutive monthly payments. We

establish reserves for loans that have been reported to us in default by servicers, referred to as case reserves, and additional loans that we estimate (based on actuarial review and other factors) to be in default that have not yet been reported to us by servicers, referred to as IBNR. We also establish reserves for claim expenses, which represent the estimated cost of the claim administration process, including legal and other fees and other general expenses of administering the claim settlement process. Reserves are not established for future claims on insured loans which are not currently reported or which we estimate are not currently in default.

Reserves are established by estimating the number of loans in default that will result in a claim payment, which is referred to as claim frequency, and the amount of the claim payment expected to be paid on each such loan in default, which is referred to as claim severity. Claim frequency and severity estimates are established based on historical observed experience regarding certain loan factors, such as age of the default, cure rates, size of the loan and estimated change in property value. Reserves are released the month in which a loan in default is brought current by the borrower, which is referred to as a cure. Adjustments to reserve estimates are reflected in the period in which the adjustment is made. Reserves are also ceded to reinsurers under the QSR Transactions, ILN Transactions and XOL Transactions as applicable under each treaty. We have not yet ceded reserves under any of the ILN Transactions or XOL Transactions as incurred claims and claim expenses on each respective reference pool remain within our retained coverage layer for each transaction.

Our reserve setting process considers the beneficial impact of forbearance, foreclosure moratorium and other assistance programs that may be made available to certain defaulted borrowers. The effectiveness of forbearance and other such assistance programs can be further enhanced by the availability of various repayment and loan modification options which typically allow borrowers to amortize or, in certain instances, outright defer payments otherwise missed during a period of dislocation over an extended length of time. We generally observe that forbearance, repayment and modification, and other assistance programs are an effective tool to bridge dislocated borrowers from a time of acute stress to a future date when they can resume timely payment of their mortgage obligations, and note higher cure rates on defaults benefitting from broad-based assistance programs than would otherwise be expected on similarly situated loans that did not benefit from such programs.

In response to the COVID-19 pandemic, politicians, regulators, lenders, loan servicers and others offered extraordinary assistance to dislocated borrowers through, among other programs, the forbearance, foreclosure moratorium and other assistance programs codified under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The FHFA and GSEs offered further assistance by introducing new repayment and loan modification options to assist borrowers with their transition out of forbearance programs and default status.

The actual claims we incur as our portfolio matures are difficult to predict and depend on the specific characteristics of our current in-force book (including the credit score and DTI ratio of the borrower, the LTV ratio of the mortgage and geographic concentrations, among others), as well as the risk profile of new business we write in the future. In addition, claims experience will be affected by macroeconomic factors such as housing prices, interest rates, unemployment rates and other events, such as natural disasters or global pandemics, and any federal, state or local governmental response thereto.

Macroeconomic factors, including persistent inflation, elevated interest rates, flagging consumer confidence and increasing jobless claims could have a pronounced impact on the housing market, the mortgage insurance industry and our business in future periods. A marked decline in housing demand, a significant and protracted decrease in house prices, or a sustained increase in unemployment could contribute to an increase in our future default and claims experience.

The following table provides a reconciliation of the beginning and ending gross reserve balances for primary insurance claims and claim expenses:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	<i>(In Thousands)</i>			
Beginning balance	\$ 127,182	\$ 108,157	\$ 123,974	\$ 99,836
Less reinsurance recoverables ⁽¹⁾	(27,880)	(23,479)	(27,514)	(21,587)
Beginning balance, net of reinsurance recoverables	99,302	84,678	96,460	78,249
Add claims incurred:				
Claims and claim expenses incurred:				
Current year ⁽²⁾	17,396	17,262	50,372	44,870
Prior years ⁽³⁾	(17,120)	(14,389)	(46,402)	(35,296)
Total claims and claim expenses incurred	276	2,873	3,970	9,574
Less claims paid:				
Claims and claim expenses paid:				
Current year ⁽²⁾	—	54	—	54
Prior years ⁽³⁾	1,471	1,072	2,323	1,344
Total claims and claim expenses paid	1,471	1,126	2,323	1,398
Reserve at end of period, net of reinsurance recoverables	98,107	86,425	98,107	86,425
Add reinsurance recoverables ⁽¹⁾	27,336	24,023	27,336	24,023
Ending balance	\$ 125,443	\$ 110,448	\$ 125,443	\$ 110,448

(1) Related to ceded losses recoverable under the QSR Transactions. See Item 1, “Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 5, Reinsurance” for additional information.

(2) Related to insured loans with their most recent defaults occurring in the current year. For example, if a loan defaulted in a prior year and subsequently cured and later re-defaulted in the current year, the default would be included in the current year. Amounts are presented net of reinsurance and included \$43.1 million attributed to net case reserves and \$6.4 million attributed to net IBNR reserves for the six months ended June 30, 2024 and \$39.1 million attributed to net case reserves and \$5.0 million attributed to net IBNR reserves for the six months ended June 30, 2023.

(3) Related to insured loans with defaults occurring in prior years, which have been continuously in default before the start of the current year. Amounts are presented net of reinsurance and included \$39.2 million attributed to net case reserves and \$6.3 million attributed to net IBNR reserves for the six months ended June 30, 2024 and \$30.3 million attributed to net case reserves and \$4.5 million attributed to net IBNR reserves for the six months ended June 30, 2023.

The “claims incurred” section of the table above shows claims and claim expenses incurred on defaults occurring in current and prior years, including IBNR reserves and is presented net of reinsurance. We may increase or decrease our claim estimates and reserves as we learn additional information about individual defaulted loans and continue to observe and analyze loss development trends in our portfolio. Gross reserves of \$61.4 million related to prior year defaults remained as of June 30, 2024.

The following table provides a reconciliation of the beginning and ending count of loans in default:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Beginning default inventory	5,109	4,475	5,099	4,449
Plus: new defaults	1,728	1,417	3,604	2,975
Less: cures	(1,869)	(1,493)	(3,686)	(3,000)
Less: claims paid	(59)	(46)	(101)	(67)
Less: rescission and claims denied	(5)	(4)	(12)	(8)
Ending default inventory	4,904	4,349	4,904	4,349

Ending default inventory increased from June 30, 2023 to June 30, 2024, primarily due to the growth and natural seasoning of our insured portfolio, largely offset by cure activity within our default population during the intervening period.

The following table provides details of our claims paid, before giving effect to claims ceded under the QSR Transactions for the periods indicated:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	<i>(\$ Values In Thousands)</i>			
Number of claims paid ⁽¹⁾	59	46	101	67
Total amount paid for claims	\$ 1,877	\$ 1,386	\$ 3,022	\$ 1,730
Average amount paid per claim	\$ 32	\$ 30	\$ 30	\$ 26
Severity ⁽²⁾	54 %	62 %	54 %	56 %

(1) Count includes 19 and 35 claims settled without payment during the three and six months ended June 30, 2024, respectively, and 17 and 24 claims settled without payment during the three and six months ended June 30, 2023, respectively.

(2) Severity represents the total amount of claims paid including claim expenses divided by the related RIF on the loan at the time the claim is perfected, and is calculated including claims settled without payment.

We paid 59 and 101 claims during the three and six months ended June 30, 2024, respectively, and 46 and 67 claims during the three and six months ended June 30, 2023, respectively. The number of claims paid in each period was modest relative to the size of our insured portfolio and we generally observe that the borrowers of the loans we insure are well-situated with strong credit profiles, stable 30-year fixed rate mortgages, manageable debt service obligations and significant appreciated equity in their homes. An increase in the value of the homes collateralizing the mortgages we insure provides defaulted borrowers with alternative paths and incentives to cure their loan prior to the development of a claim.

Our claims severity was 54% for both the three and six months ended June 30, 2024 compared to 62% and 56% for the three and six months ended June 30, 2023, respectively. Our claims severity for each period was below long-term industry norms and benefited from the same broad national house price appreciation that supported our claims paid experience. An increase in the value of the homes collateralizing the mortgages we insure provides additional equity support to our risk exposure and raises the prospect of a third-party sale of a foreclosed property, which can mitigate the severity of our settled claims.

The number of claims paid and our severity experience in future periods may be impacted if developing economic cycles impose financial strain on borrowers, and each could increase if house price declines serve to limit the alternative paths and incentives to cure delinquencies that are available to defaulted borrowers or erode the equity value of the homes collateralizing the mortgages we insure.

The following table provides detail on our average reserve per default, before giving effect to reserves ceded under the QSR Transactions, as of the dates indicated:

Average reserve per default:	As of June 30,			
	2024		2023	
	(In Thousands)			
Case ⁽¹⁾	\$	23.6	\$	23.5
IBNR ⁽¹⁾⁽²⁾		2.0		1.9
Total	\$	25.6	\$	25.4

(1) Defined as the gross reserve per insured loan in default.

(2) Amount includes claims adjustment expenses.

Average reserve per default increased modestly from June 30, 2023 to June 30, 2024, primarily due to changes in the composition of our default inventory as measured by the size, vintage and current estimated LTV of defaulted loans. Average reserves per default were further impacted by changes in observed and forecasted housing market conditions and macroeconomic factors between the measurement dates.

GSE Oversight

As an *approved insurer*, NMIC is subject to ongoing compliance with the PMIERS established by each of the GSEs (*italicized terms have the same meaning that such terms have in the PMIERS, as described below*). The PMIERS establish operational, business, remedial and financial requirements applicable to *approved insurers*. The PMIERS financial requirements prescribe a risk-based methodology whereby the amount of assets required to be held against each insured loan is determined based on certain loan-level risk characteristics, such as FICO, vintage (year of origination), performing vs. non-performing (*i.e.*, current vs. delinquent), LTV ratio and other risk features. In general, higher quality loans carry lower asset charges.

Under the PMIERS, *approved insurers* must maintain *available assets* that equal or exceed *minimum required assets*, which is an amount equal to the greater of (i) \$400 million or (ii) a total *risk-based required asset* amount. The *risk-based required asset* amount is a function of the risk profile of an *approved insurer's* RIF, assessed on a loan-by-loan basis and considered against certain risk-based factors derived from tables set out in the PMIERS, which is then adjusted on an aggregate basis for reinsurance transactions approved by the GSEs, such as with respect to our ILN Transactions, XOL Transactions and QSR Transactions. The *aggregate gross risk-based required asset* amount for performing, primary insurance is subject to a floor of 5.6% of *performing primary adjusted RIF*.

By April 15th of each year, NMIC must certify it met all PMIERS requirements as of December 31st of the prior year. We certified to the GSEs by April 15, 2024 that NMIC was in full compliance with the PMIERS as of December 31, 2023. NMIC also has an ongoing obligation to immediately notify the GSEs in writing upon discovery of a failure to meet one or more of the PMIERS requirements. We continuously monitor NMIC's compliance with the PMIERS.

The following table provides a comparison of the PMIERS *available assets* and net *risk-based required asset* amount as reported by NMIC as of the dates indicated:

	As of June 30,			
	2024		2023	
	(In Thousands)			
Available assets	\$	2,827,721	\$	2,491,280
Net risk-based required assets		1,651,569		1,317,961

Available assets were \$2.8 billion at June 30, 2024, compared to \$2.5 billion at June 30, 2023. The \$336 million increase in *available assets* between the dates presented was primarily driven by NMIC's positive cash flow from operations during the intervening period, partially offset by the payment of an ordinary course dividend from NMIC to NMIH in May 2024. *Available assets* at June 30, 2024 excludes \$43 million of unsettled trade receivables due on the maturity of certain investments.

Net *risk-based required assets* were \$1.7 billion at June 30, 2024, compared to \$1.3 billion at June 30, 2023. The \$334 million increase in the *risk-based required asset* amount between the dates presented was primarily due to the growth in our gross RIF and aggregate gross *risk-based required asset* amount.

Consolidated Results of Operations

Consolidated statements of operations	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Revenues	(\$ In Thousands, except for per share data)			
Net premiums earned	\$ 141,168	\$ 125,985	\$ 277,825	\$ 247,739
Net investment income	20,688	16,518	40,124	31,412
Net realized investment losses	—	—	—	(33)
Other revenues	266	182	426	346
Total revenues	162,122	142,685	318,375	279,464
Expenses				
Insurance claims and claim expenses	276	2,873	3,970	9,574
Underwriting and operating expenses	28,330	27,448	58,145	53,234
Service expenses	194	267	331	347
Interest expense	14,678	8,048	22,718	16,087
Total expenses	43,478	38,636	85,164	79,242
Income before income taxes	118,644	104,049	233,211	200,222
Income tax expense	26,565	23,765	52,082	45,480
Net income	\$ 92,079	\$ 80,284	\$ 181,129	\$ 154,742
Earnings per share - Basic	\$ 1.15	\$ 0.97	\$ 2.25	\$ 1.86
Earnings per share - Diluted	\$ 1.13	\$ 0.95	\$ 2.22	\$ 1.83
Loss ratio ⁽¹⁾	0.2 %	2.3 %	1.4 %	3.9 %
Expense ratio ⁽²⁾	20.1 %	21.8 %	20.9 %	21.5 %
Combined ratio ⁽³⁾	20.3 %	24.1 %	22.4 %	25.4 %

Non-GAAP financial measures ⁽⁴⁾	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	(\$ In Thousands, except for per share data)			
Adjusted income before tax	\$ 125,610	\$ 104,049	\$ 240,177	\$ 200,255
Adjusted net income	97,582	80,284	186,632	154,768
Adjusted diluted EPS	1.20	0.95	2.28	1.83

- (1) Loss ratio is calculated by dividing insurance claims and claim expenses by net premiums earned.
(2) Expense ratio is calculated by dividing underwriting and operating expenses by net premiums earned.
(3) Combined ratio may not foot due to rounding.
(4) See "Explanation and Reconciliation of Our Use of Non-GAAP Financial Measures," below.

Revenues

Net premiums earned were \$141.2 million and \$277.8 million for the three and six months ended June 30, 2024, respectively, compared to \$126.0 million and \$247.7 million for the three and six months ended June 30, 2023, respectively. The year-on-year increase in net premiums earned in each respective period was primarily driven by growth in our monthly IIF and monthly pay premium receipts, as well as a decline in the total premiums ceded under our reinsurance treaties.

Net investment income was \$20.7 million and \$40.1 million for the three and six months ended June 30, 2024, respectively, compared to \$16.5 million and \$31.4 million for the three and six months ended June 30, 2023, respectively. The year-on-year increase in net investment income in each respective period was primarily driven by an increase in the book yield of our investment portfolio tied to the deployment of new cash flows and reinvestment of rolling maturities at incrementally higher rates, as well as growth in the size of our total invested asset base.

Other revenues were \$0.3 million and \$0.4 million for the three and six months ended June 30, 2024, respectively, compared to \$0.2 million and \$0.3 million for the three and six months ended June 30, 2023, respectively. Other revenues represent underwriting fee revenue generated by our subsidiary, NMIS, which provides outsourced loan review services to mortgage loan originators. Changes in other revenues primarily reflect changes in NMIS' outsourced loan review volume. Amounts recognized in other revenues generally correspond with amounts incurred as service expenses for outsourced loan review activities in the same periods.

Expenses

We recognize insurance claims and claim expenses in connection with the loss experience of our insured portfolio and incur other underwriting and operating expenses, including employee compensation and benefits, policy acquisition costs, and technology, professional services and facilities expenses, in connection with the development and operation of our business. We also incur service expenses in connection with NMIS' outsourced loan review activities.

Insurance claims and claim expenses were \$0.3 million and \$4.0 million for the three and six months ended June 30, 2024, respectively, compared to \$2.9 million and \$9.6 million for the three and six months ended June 30, 2023, respectively. The decrease in insurance claims and claim expenses in each respective period was primarily driven by the release of a portion of the reserves we established for anticipated claims payments in prior periods (in connection with cure activity and ongoing analysis of loss development trends), partially offset by the establishment of initial reserves on newly defaulted loans during the periods, as well as an increase in the average case reserve held against previously defaulted loans that aged in their delinquent status.

Underwriting and operating expenses were \$28.3 million and \$58.1 million for the three and six months ended June 30, 2024, respectively, compared to \$27.4 million and \$53.2 million for the three and six months ended June 30, 2023, respectively. The increase in underwriting and operating expenses in each respective period primarily reflects an adjustment to the pace of amortization of certain deferred policy acquisition costs, as well as an increase in employee compensation costs, partially offset by an increase in ceding commissions received under our QSR Transactions and a decline in certain technology expenses.

Service expenses were \$0.2 million and \$0.3 million for the three and six months ended June 30, 2024, respectively, compared to \$0.3 million for both the three and six months ended June 30, 2023. Service expenses represent third-party costs incurred by NMIS in connection with the services it provides. Changes in service expenses primarily reflect changes in NMIS' outsourced loan review volume. Amounts incurred as service expenses generally correspond with amounts recognized in other revenues in the same periods.

Interest expense was \$14.7 million and \$22.7 million for the three and six months ended June 30, 2024, respectively, compared to \$8.0 million and \$16.1 million for the three and six months ended June 30, 2023, respectively. Interest expense for the three and six months ended June 30, 2024 includes \$7.0 million of non-recurring costs related to the refinancing of the 2020 Notes and 2021 Revolving Credit Facility. See Item 1, "*Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 4, Debt.*"

Income tax expense was \$26.6 million and \$52.1 million for the three and six months ended June 30, 2024, respectively, compared to \$23.8 million and \$45.5 million for the three and six months ended June 30, 2023, respectively. The increase in income tax expense in each respective period was primarily driven by growth in our pre-tax income. Our effective tax rate on pre-tax income was 22.4% and 22.3% for the three and six months ended June 30, 2024, respectively, compared to 22.8% and 22.7% for the three and six months ended June 30, 2023, respectively. As a U.S. taxpayer, we are subject to a statutory U.S. federal corporate income tax rate of 21%. Our provision for income taxes for interim periods is established based on our estimated annual effective tax rate for a given year and reflects the impact of discrete tax effects in the period in which they occur. Our effective tax rates for the three and six months ended June 30, 2024 and 2023 reflect the discrete tax effects of the vesting of RSUs and exercise of options. See Item 1, "*Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 8, Income Taxes.*"

Net Income

Net income was \$92.1 million and \$181.1 million for the three and six months ended June 30, 2024, respectively, compared to \$80.3 million and \$154.7 million for the three and six months ended June 30, 2023, respectively. Adjusted net income was \$97.6 million and \$186.6 million for the three and six months ended June 30, 2024, respectively, compared to \$80.3 million and \$154.8 million for the three and six months ended June 30, 2023, respectively. The increase in net income and adjusted net income in each respective period were primarily driven by growth in our total revenues, as well as a decline in our insurance claims and claim expenses, partially offset by increases in income tax expense and underwriting and operating expenses. The increase in net income in each respective period was further offset by an increase in our interest expense related to

non-recurring costs incurred in connection with the refinancing of the 2020 Notes and 2021 Revolving Credit Facility. Such amounts are excluded from the calculation of adjusted net income.

Diluted EPS was \$1.13 and \$2.22 for the three and six months ended June 30, 2024, respectively, compared to \$0.95 and \$1.83 for the three and six months ended June 30, 2023, respectively. Adjusted diluted EPS was \$1.20 and \$2.28 for the three and six months ended June 30, 2024, respectively, compared to \$0.95 and \$1.83 for the three and six months ended June 30, 2023, respectively. Diluted and adjusted diluted EPS increased in each respective period primarily due to growth in our net income and adjusted net income, as well as a decline in the number of weighted average diluted shares outstanding tied to share repurchase activity.

The non-GAAP financial measures of adjusted income before tax, adjusted net income and adjusted diluted EPS are presented to enhance the comparability of financial results between periods.

Non-GAAP Financial Measure Reconciliations	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
<i>(\$ In Thousands, except for per share data)</i>				
As reported				
Income before income taxes	\$ 118,644	\$ 104,049	\$ 233,211	\$ 200,222
Income tax expense	26,565	23,765	52,082	45,480
Net income	\$ 92,079	\$ 80,284	\$ 181,129	\$ 154,742
Adjustments				
Net realized investment losses	—	—	—	33
Capital markets transaction costs	6,966	—	6,966	—
Adjusted income before tax	\$ 125,610	\$ 104,049	\$ 240,177	\$ 200,255
Income tax expense on adjustments ⁽¹⁾	1,463	—	1,463	7
Adjusted net income	\$ 97,582	\$ 80,284	\$ 186,632	\$ 154,768
Weighted average diluted shares outstanding	81,300	84,190	81,703	84,504
Adjusted diluted EPS	\$ 1.20	\$ 0.95	\$ 2.28	\$ 1.83

(1) Marginal tax impact of non-GAAP adjustments is calculated based on our statutory U.S. federal corporate income tax rate of 21%, except for those items that are not eligible for an income tax deduction.

Explanation and Reconciliation of Our Use of Non-GAAP Financial Measures

We believe the use of the non-GAAP measures of adjusted income before tax, adjusted net income and adjusted diluted EPS enhances the comparability of our fundamental financial performance between periods, and provides relevant information to investors. These non-GAAP financial measures align with the way the company's business performance is evaluated by management. These measures are not prepared in accordance with GAAP and should not be viewed as alternatives to GAAP measures of performance. These measures have been presented to increase transparency and enhance the comparability of our fundamental operating trends across periods. Other companies may calculate these measures differently; their measures may not be comparable to those we calculate and present.

Adjusted income before tax is defined as GAAP income before tax, excluding the pre-tax effects of net realized gains or losses from our investment portfolio, periodic costs incurred in connection with capital markets transactions, and other infrequent, unusual or non-operating items in the periods in which such items are incurred.

Adjusted net income is defined as GAAP net income, excluding the after-tax effects of net realized gains or losses from our investment portfolio, periodic costs incurred in connection with capital markets transactions, and other infrequent, unusual or non-operating items in the periods in which such items are incurred. Adjustments to components of pre-tax income are tax effected using the applicable federal statutory tax rate for the respective periods.

Adjusted diluted EPS is defined as adjusted net income divided by adjusted weighted average diluted shares outstanding. Adjusted weighted average diluted shares outstanding is defined as weighted average diluted shares outstanding, adjusted for changes in the dilutive effect of non-vested shares that would otherwise have occurred had GAAP net income been

calculated in accordance with adjusted net income. There will be no adjustment to weighted average diluted shares outstanding in the years that non-vested shares are anti-dilutive under GAAP.

Although adjusted income before tax, adjusted net income and adjusted diluted EPS exclude certain items that have occurred in the past and are expected to occur in the future, the excluded items: (1) are not viewed as part of the operating performance of our primary activities; or (2) are impacted by market, economic or regulatory factors and are not necessarily indicative of operating trends, or both. These adjustments, and the reasons for their treatment, are described below.

- *Net realized investment gains and losses.* The recognition of the net realized investment gains or losses can vary significantly across periods as the timing is highly discretionary and is influenced by factors such as market opportunities, tax and capital profile, and overall market cycles that do not reflect our current period operating results.
- *Capital markets transaction costs.* Capital markets transaction costs result from activities that are undertaken to improve our debt profile or enhance our capital position through activities such as debt refinancing and capital markets reinsurance transactions that may vary in their size and timing due to factors such as market opportunities, tax and capital profile, and overall market cycles.
- *Other infrequent, unusual or non-operating items.* Items that are the result of unforeseen or uncommon events, and are not expected to recur with frequency in the future. Identification and exclusion of these items provides clarity about the impact special or rare occurrences may have on our current financial performance. Past adjustments under this category include infrequent, unusual or non-operating adjustments related to severance, restricted stock modification and other expenses incurred in connection with the CEO transition announced in September 2021 and the effects of the release of the valuation allowance recorded against our net federal and certain state net deferred tax assets in 2016 and the re-measurement of our net deferred tax assets in connection with tax reform in 2017. We believe such items are infrequent or non-recurring in nature, and are not indicative of the performance of, or ongoing trends in, our primary operating activities or business.

Consolidated balance sheets

	June 30, 2024	December 31, 2023
	<i>(In Thousands)</i>	
Total investment portfolio	\$ 2,520,990	\$ 2,371,021
Cash and cash equivalents	62,629	96,689
Premiums receivable	76,455	76,456
Deferred policy acquisition costs, net	63,248	62,905
Software and equipment, net	28,848	30,252
Reinsurance recoverable	27,336	27,514
Prepaid federal income taxes	235,286	235,286
Other assets	87,111	40,384
Total assets	\$ 3,101,903	\$ 2,940,507
Debt	\$ 414,249	\$ 397,595
Unearned premiums	78,334	92,295
Accounts payable and accrued expenses	77,918	86,189
Reserve for insurance claims and claim expenses	125,443	123,974
Deferred tax liability, net	348,293	301,573
Other liabilities ⁽¹⁾	12,056	12,877
Total liabilities	1,056,293	1,014,503
Total shareholders' equity	2,045,610	1,926,004
Total liabilities and shareholders' equity	\$ 3,101,903	\$ 2,940,507

(1) "Reinsurance funds withheld" has been reclassified as "Other liabilities" in the prior period.

Total cash and investments were \$2.6 billion as of June 30, 2024, compared to \$2.5 billion as of December 31, 2023. Cash and investments at June 30, 2024 included \$149.2 million held by NMIH. The increase in total cash and investments reflects the addition of incremental cash provided by operating activities, partially offset by share repurchase activity and an increase in the unrealized loss position of our fixed income portfolio primarily tied to changes in interest rates during the six months ended June 30, 2024.

Premiums receivable was \$76.5 million as of both June 30, 2024 and December 31, 2023. Premiums receivable represents premiums due on our mortgage insurance policies and may fluctuate based on changes in our monthly premium policies in force, where premiums are generally paid one month in arrears, and the pace of settlement of previously outstanding receivables in a given period.

Net deferred policy acquisition costs were \$63.2 million as of June 30, 2024, compared to \$62.9 million as of December 31, 2023. The increase was primarily driven by the deferral of certain costs associated with the origination of new policies between the respective balance sheet dates, and was partially offset by the recognition of previously deferred policy acquisition costs.

Reinsurance recoverable was \$27.3 million as of June 30, 2024, compared to \$27.5 million as of December 31, 2023. The decrease was driven by a decline in ceded losses recoverable under our QSR Transactions.

Prepaid federal income taxes were \$235.3 million as of June 30, 2024 and December 31, 2023. Prepaid federal income taxes represent tax and loss bonds purchased in connection with our claimed tax deduction for our statutory contingency reserve position. See Item 1, "*Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 8, Income Taxes.*"

Other assets were \$87.1 million as of June 30, 2024, compared to \$40.4 million as of December 31, 2023. The increase was primarily driven by a \$43.0 million increase in unsettled trade receivables due on the maturity of certain investments at June 30, 2024.

Debt was \$414.2 million as of June 30, 2024, compared to \$397.6 million as of December 31, 2023. Debt as of June 30, 2024 represented the carrying value of the \$425 million aggregate principal amount 2024 Notes which issued in May 2024. Debt at December 31, 2023 represented the carrying value of the \$400 million aggregate principal amount 2020 Notes, which were redeemed in full upon the completion of the 2024 Notes offering. For more information see Item 1, "*Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 4, Debt.*"

Unearned premiums were \$78.3 million as of June 30, 2024, compared to \$92.3 million as of December 31, 2023. The decrease was driven by the amortization of existing unearned premiums through earnings in accordance with the expiration of risk on related single premium policies and the cancellations of other single premium policies, partially offset by single premium policy originations during the six months ended June 30, 2024.

Accounts payable and accrued expenses were \$77.9 million as of June 30, 2024, compared to \$86.2 million as of December 31, 2023. The decrease was primarily driven by the settlement of previously accrued compensation expenses and certain vendor payables, partially offset by an increase in current tax and reinsurance premium payables.

Reserve for insurance claims and claim expenses was \$125.4 million as of June 30, 2024, compared to \$124.0 million as of December 31, 2023. The increase was primarily driven by the establishment of initial reserves on newly defaulted loans during the six months ended June 30, 2024, as well as an increase in the average case reserve held against previously defaulted loans that aged in their delinquent status. The increase in the reserves for insurance claims and claim expenses was partially offset by the release of a portion of the reserves we established for anticipated claims payments in prior periods (in connection with cure activity and ongoing analysis of recent loss development trends), as well as the payment of previously reserved claims during the period. See “*Insurance Claims and Claim Expenses*,” above for further details.

Net deferred tax liability was \$348.3 million as of June 30, 2024, compared to \$301.6 million as of December 31, 2023. The increase was primarily due to an increase in the claimed deductibility of our statutory contingency reserve, partially offset by the increase in unrealized losses recorded in other comprehensive income. For further information regarding income taxes and their impact on our results of operations and financial position, see Item 1, “*Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 8, Income Taxes*.”

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

Consolidated cash flows	For the six months ended June 30,	
	2024	2023
Net cash provided by (used in):	<i>(In Thousands)</i>	
Operating activities	\$ 229,363	\$ 191,740
Investing activities	(212,366)	(119,470)
Financing activities	(51,057)	(43,377)
Net (decrease) increase in cash and cash equivalents	\$ (34,060)	\$ 28,893

Net cash provided by operating activities was \$229.4 million for the six months ended June 30, 2024, compared to \$191.7 million for the six months ended June 30, 2023. Cash provided by operating activities increased during the six months ended June 30, 2024, primarily due to an increase in our net premium receipts, growth in our investment income and a reduction in technology service costs paid under our long-term IT services agreement with Tata Consultancy Services, partially offset by an increase in short-term employee incentive payments, premium taxes paid and net claim settlement costs.

Cash used in investing activities for the six months ended June 30, 2024 and 2023 reflects the purchase of fixed and short-term maturities with cash provided by operating activities, and the reinvestment of coupon payments, maturities and sale proceeds within our investment portfolio.

Cash used in financing activities was \$51.1 million for the six months ended June 30, 2024, compared to \$43.4 million for the six months ended June 30, 2023. Cash used in financing activities primarily relates to the repurchase of common stock and taxes paid on the net share settlement of equity awards for certain employees. Cash used in financing activities for the six months ended June 30, 2024 further reflects the net impact of the redemption of the 2020 Notes and issuance of the 2024 Notes during the period.

Liquidity and Capital Resources

NMIH serves as the holding company for our insurance subsidiaries and does not have any significant operations of its own. NMIH's principal liquidity demands include funds for (i) payment of certain corporate expenses; (ii) payment of certain reimbursable expenses of its insurance subsidiaries; (iii) payment of the interest related to the 2024 Notes and 2024 Revolving Credit Facility; (iv) tax payments to the Internal Revenue Service; (v) capital support for its subsidiaries; (vi) repurchase of its common stock; and (vii) payment of dividends, if any, on its common stock. NMIH is not subject to any limitations on its ability to pay dividends except those generally applicable to corporations that are incorporated in Delaware. Delaware law provides that dividends are only payable out of a corporation's surplus or recent net profits (subject to certain limitations).

As of June 30, 2024, NMIH had \$149.2 million of cash and investments. NMIH's principal sources of net cash are dividends from its subsidiaries and investment income. NMIC paid a \$96.3 million ordinary course dividend to NMIH on May 30, 2024, representing its full ordinary course dividend capacity payable under Wisconsin insurance laws for the twelve-month period ending December 31, 2024. NMIH also has access to \$250 million of undrawn revolving credit capacity under the 2024 Revolving Credit Facility.

On February 10, 2022, our Board of Directors authorized a \$125 million share repurchase program (excluding associated costs and applicable taxes) effective through December 31, 2023. On July 31, 2023, our Board of Directors authorized a new \$200 million share repurchase program (excluding associated costs and applicable taxes) effective through December 31, 2025. Concurrent with the new authorization, our Board of Directors also approved an extension of our existing \$125 million share repurchase program through December 31, 2025 to align its remaining tenor with that of the new \$200 million program. The authorization provides NMIH the flexibility, based on market and business conditions, stock price and other factors, to repurchase stock from time to time through open market repurchases, privately negotiated transactions, or other means, including pursuant to Rule 10b5-1 trading plans.

During the six months ended June 30, 2024, NMIH repurchased 1.7 million shares of common stock at a total cost of \$52.4 million, including associated costs and applicable taxes. As of June 30, 2024, NMIH had \$124.9 million of repurchase authority remaining.

On May 21, 2024, NMIH completed the \$425 million sale of the 2024 Notes, raising net proceeds of \$414.1 million after giving effect to offering expenses and an initial underwriting discount. Net proceeds from the offering were primarily used to effect the redemption of the \$400 million aggregate principal amount 2020 Notes. In June 2024, NMIH contributed remaining net proceeds of the offering to NMIC. For more information, see Item 1, "*Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 4, Debt.*"

NMIH has entered into tax and expense-sharing agreements with its subsidiaries which have been approved by the Wisconsin OCI, with such approvals subject to change or revocation at any time. Among such agreements, the Wisconsin OCI has approved the allocation of interest expense on the 2024 Notes and 2024 Revolving Credit Facility to NMIC, to the extent proceeds from such offering and facility are contributed to NMIC or used to repay, redeem or otherwise defease amounts raised by NMIC under prior credit arrangements that have previously been distributed to NMIC.

The 2024 Notes mature on August 15, 2029 and bear interest at a rate of 6.00%, payable semi-annually on February 15 and August 15. The 2024 Revolving Credit Facility matures on May 21, 2029, and accrues interest at a variable rate equal to, at our discretion, (i) a Base Rate (as defined in the 2024 Revolving Credit Facility, subject to a floor of 1.00% per annum) plus a margin of 0.375% to 1.875% per annum, or (ii) the Adjusted Term SOFR Rate (as defined in the 2024 Revolving Credit Facility) plus a margin of 1.375% to 2.875% per annum, with the margin in each of (i) or (ii) based on our applicable corporate credit rating at the time. Borrowings under the 2024 Revolving Credit Facility may be used for general corporate purposes, including to support the growth of our new business production and operations.

Under the 2024 Revolving Credit Facility, NMIH is required to pay a quarterly commitment fee on the average daily undrawn amount of 0.175% to 0.525%, based on the applicable corporate credit rating at the time. As of June 30, 2024, the applicable commitment fee was 0.225%.

We are subject to certain covenants under the 2024 Revolving Credit Facility, including: a maximum debt-to-total capitalization ratio of 35%, a minimum consolidated net worth requirement (as defined therein), and a requirement to maintain compliance with the financial standards prescribed by the PMIERS (subject to any GSE approved waivers). We were in compliance with all covenants at June 30, 2024.

NMIC and Re One are subject to certain capital and dividend rules and regulations prescribed by jurisdictions in which they are authorized to operate and by the GSEs. Under Wisconsin insurance laws, NMIC and Re One may pay dividends up to specified levels (*i.e.*, "ordinary" dividends) with 30 days' prior notice to the Wisconsin OCI. Dividends in larger amounts, or "extraordinary" dividends, are subject to the Wisconsin OCI's prior approval. Under Wisconsin insurance laws, an extraordinary dividend is defined as any payment or distribution that, together with other dividends and distributions made within the preceding twelve months, exceeds the lesser of (i) 10% of the insurer's statutory policyholders' surplus as of the preceding December 31 or (ii) adjusted statutory net income for the twelve-month period ending the preceding December 31. On May 30, 2024, NMIC paid a \$96.3 million ordinary course dividend to NMIH, representing its full ordinary course dividend capacity payable under Wisconsin insurance laws for the twelve-month period ending December 31, 2024.

As an *approved insurer* under PMIERS, NMIC would generally be subject to additional restrictions on its ability to pay dividends to NMIH if it failed to meet the financial requirements prescribed by PMIERS. Approved insurers that fail to meet the

prescribed PMIERS financial requirements are not permitted to pay dividends without prior approval from the GSEs.

NMIH may require liquidity to fund the capital needs of its insurance subsidiaries. NMIC's capital needs depend on many factors including its ability to successfully write new business, establish premium rates at levels sufficient to cover claims and operating costs, access the reinsurance markets and meet *minimum required asset* thresholds under the PMIERS and minimum state capital requirements (respectively, as defined therein).

As an approved mortgage insurer and Wisconsin-domiciled carrier, NMIC is required to satisfy financial and/or capitalization requirements stipulated by each of the GSEs and the Wisconsin OCI. The financial requirements stipulated by the GSEs are outlined in the PMIERS. Under the PMIERS, NMIC must maintain available assets that are equal to or exceed a minimum *risk-based required asset* amount, subject to a minimum floor of \$400 million. At June 30, 2024, NMIC reported \$2,828 million *available assets* against \$1,652 million net *risk-based required assets* for a \$1,176 million "excess" funding position. Available assets at June 30, 2024 excludes \$43 million of unsettled trade receivables due on the maturity of certain investments.

The *risk-based required asset* amount under PMIERS is determined at an individual policy-level based on the risk characteristics of each insured loan. Loans with higher risk factors, such as higher LTVs or lower borrower FICO scores, are assessed a higher charge. Non-performing loans that have missed two or more payments are generally assessed a significantly higher charge than performing loans, regardless of the underlying borrower or loan risk profile; however, special consideration is given under PMIERS to loans that are delinquent on homes located in an area declared by the Federal Emergency Management Agency to be a Major Disaster zone eligible for Individual Assistance. In June 2020, the GSEs issued guidance (which was subsequently amended and restated) on the risk-based treatment of loans affected by the COVID-19 pandemic. Under the guidance, non-performing loans that are subject to a forbearance program granted in response to a financial hardship related to COVID-19 will benefit from a 70% *risk-based required asset* haircut for the duration of the forbearance period and subsequent repayment plan or trial modification period.

NMIC's PMIERS minimum *risk-based required asset* amount is also adjusted for its reinsurance transactions (as approved by the GSEs). Under NMIC's quota share reinsurance treaties, it receives credit for the PMIERS *risk-based required asset* amount on ceded RIF. As its gross PMIERS *risk-based required asset* amount on ceded RIF increases, the PMIERS credit for ceded RIF automatically increases as well (in an unlimited amount). Under NMIC's ILN and XOL Transactions, it generally receives credit for the PMIERS *risk-based required asset* amount on ceded RIF to the extent such requirement is within the subordinated coverage (excess of loss detachment threshold) afforded by the transaction.

NMIC is also subject to state regulatory minimum capital requirements based on its RIF. Formulations of this minimum capital vary by state, however, the most common measure allows for a maximum ratio of RIF to statutory capital (commonly referred to as RTC) of 25:1. The RTC calculation does not assess a different charge or impose a different threshold RTC limit based on the underlying risk characteristics of the insured portfolio. Non-performing loans are treated the same as performing loans under the RTC framework. As such, the PMIERS generally imposes a stricter financial requirement than the state RTC standard.

As of June 30, 2024, NMIC had a RTC ratio of 12.4:1 with \$33.1 billion of performing primary RIF, net of reinsurance, and \$2.7 billion of total statutory capital, including contingency reserves. Re One has no risk in force remaining and no longer reports a RTC ratio.

NMIC's principal sources of liquidity include (i) premium receipts on its insured portfolio and new business production, (ii) interest income on its investment portfolio and principal repayments on maturities therein, and (iii) existing cash and cash equivalent holdings. At June 30, 2024, NMIC had \$2.4 billion of cash and investments, including \$23.4 million of cash and cash equivalents. NMIC's principal liquidity demands include funds for the payment of (i) reimbursable holding company expenses, (ii) premiums ceded under our reinsurance transactions (iii) claims payments, and (iv) taxes as due or otherwise deferred through the purchase of tax and loss bonds. NMIC's cash inflow is generally significantly in excess of its cash outflow in any given period. During the twelve-month period ended June 30, 2024, NMIC generated \$360 million of cash flow from operations and received an additional \$298 million of cash flow on the maturity, sale and redemption of securities held in its investment portfolio. NMIC is not a party to any contracts (derivative or otherwise) that require it to post an increasing amount of collateral to any counterparty and NMIC's principal liquidity demands (other than claims payments) generally develop along a scheduled path (*i.e.*, are of a contractually predetermined amount and due at a contractually predetermined date). NMIC's only use of cash with the potential to develop along an unscheduled path is claims payments. Given the relatively small size of our current population of defaulted policies, the generally extended duration of the default-to-foreclosure-to-claim cycle, and the potential availability of forbearance, foreclosure moratorium and other borrower assistance programs (which were broadly applied in response to the

COVID-19 pandemic and serve to further extend the default-to-foreclosure-to-claim cycle timeline), we do not expect NMIC to use a meaningful amount of cash to settle claims in the near-term.

Debt and Financial Strength Ratings

NMIC's financial strength is rated "A-" by Fitch Ratings (Fitch), "A3" by Moody's and "BBB+" by S&P. NMIH's 2024 Notes are rated "BBB-" by Fitch and "Baa3" by Moody's. The outlook for all ratings provided by Fitch, Moody's and S&P is stable.

Consolidated Investment Portfolio

The primary objectives of our investment activity are to generate investment income and preserve capital, while maintaining sufficient liquidity to cover our operating needs. We aim to achieve diversification by type, quality, maturity, and industry. We have adopted an investment policy that defines, among other things, eligible and ineligible investments; concentration limits for asset types, industry sectors, single issuers, and certain credit ratings; and benchmarks for asset duration.

Our investment portfolio is comprised entirely of fixed maturity instruments. As of June 30, 2024, the fair value of our investment portfolio was \$2.5 billion and we held an additional \$62.6 million of cash and cash equivalents. Pre-tax book yield on the investment portfolio for the six months ended June 30, 2024 was 2.9%. Book yield is calculated as period-to-date net investment income divided by the average amortized cost of the investment portfolio. The yield on our investment portfolio is likely to change over time based on movements in interest rates, credit spreads, the duration or mix of our holdings and other factors.

The following tables present a breakdown of our investment portfolio and cash and cash equivalents by investment type and credit rating:

Percentage of portfolio's fair value	June 30, 2024	December 31, 2023
Corporate debt securities	63 %	61 %
Municipal debt securities	24	25
Cash, cash equivalents, and short-term investments	6	5
U.S. Treasury securities and obligations of U.S. government agencies	5	7
Asset-backed securities	2	2
Total	100 %	100 %

Investment portfolio ratings at fair value ⁽¹⁾	June 30, 2024	December 31, 2023
AAA ⁽²⁾	10 %	9 %
AA ⁽³⁾	34	34
A ⁽³⁾	45	44
BBB ⁽³⁾	11	13
BB ⁽⁴⁾	—	—
Total	100 %	100 %

(1) Excluding certain operating cash accounts.

(2) Includes short-term securities rated A-1+.

(3) Includes +/- ratings.

(4) We held one security with a BB+ rating at June 30, 2024 and December 31, 2023, which is not identifiable in the table due to rounding.

All of our investments are rated by one or more nationally recognized statistical rating organizations. If three or more ratings are available, we assign the middle rating for classification purposes, otherwise we assign the lowest rating.

Investment Securities - Allowance for credit losses

We did not recognize an allowance for credit loss for any security in the investment portfolio as of June 30, 2024 or December 31, 2023, and we did not record any provision for credit loss for investment securities during the three or six month periods ended June 30, 2024 or 2023.

As of June 30, 2024, the investment portfolio had gross unrealized losses of \$190.1 million, of which \$184.8 million were associated with securities that had been in an unrealized loss position for a period of twelve months or longer. As of

December 31, 2023, the investment portfolio had gross unrealized losses of \$184.3 million, of which \$183.1 million were associated with securities that had been in an unrealized loss position for a period of twelve months or longer.

We evaluated the securities in an unrealized loss position as of June 30, 2024, assessing their credit ratings as well as any adverse conditions specifically related to the security. Based upon our assessment of the amount and timing of cash flows to be collected over the remaining life of each instrument, we believe the unrealized losses as of June 30, 2024 are not indicative of the ultimate collectability of the current amortized cost of the securities. Rather, the unrealized losses on securities held as of June 30, 2024 were primarily driven by fluctuations in interest rates, and to a lesser extent, movements in credit spreads following the purchase of those securities.

Critical Accounting Estimates

We use accounting principles and methods that conform to GAAP. We are required to apply significant judgment and make material estimates in the preparation of our financial statements and with regard to various accounting, reporting and disclosure matters. Assumptions and estimates are required to apply these principles where actual measurement is not possible or practical. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that the assumptions and estimates associated with revenue recognition, our investment portfolio, deferred policy acquisition costs, premium deficiency reserves, and reserves for insurance claims and claim expenses have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting estimates. There have not been any material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our 2023 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We own and manage a large investment portfolio of various holdings, types and maturities. NMIH's principal source of operating cash is investment income. The assets within the investment portfolio are exposed to the same factors that affect overall financial market performance.

We manage market risk via a defined investment policy implemented by our treasury function with oversight from our Board's Risk Committee. 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 of our insurance portfolio, and as a result we may determine that our investment portfolio needs to 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. Additionally, the changes in SOFR based interest rates affect the interest expense related to the Company's debt.
- *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 or investment advisors) 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.

The carrying value of our investment portfolio as of June 30, 2024 and December 31, 2023 was \$2.5 billion and \$2.4 billion, respectively, of which 100% was invested in fixed maturity securities. The primary market risk to our investment portfolio is interest rate risk associated with investments in fixed maturity securities. We mitigate the market risk associated with our fixed maturity securities portfolio by matching the duration of our fixed maturity securities with the expected duration of the liabilities that those securities are intended to support.

As of June 30, 2024, the duration of our fixed income portfolio, including cash and cash equivalents, was 3.77 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 3.77% in fair value of our fixed income portfolio. Excluding cash, our fixed income portfolio duration was 3.86 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 3.86% in fair value of our fixed income portfolio.

We are also subject to market risk related to the 2024 Revolving Credit Facility and the ILN Transactions. As discussed in Item 1, "*Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 4, Debt*" the 2024 Revolving Credit Facility bears interest at a variable rate and, as a result, increases in market interest rates would generally result in increased interest expense on any outstanding drawn balance.

The risk premium amounts under the ILN Transactions are calculated by multiplying the outstanding reinsurance coverage amount at the beginning of any payment period by a coupon rate, which is the sum of one-month SOFR, as applicable, and a risk margin, and then subtracting actual investment income earned on the trust balance during that payment period. An increase in one-month SOFR, as applicable, would generally increase the risk premium payments, while an increase to money market rates, which directly affect investment income earned on the trust balance, would generally decrease them. Although we expect the two rates to move in tandem, to the extent they do not, it could increase or decrease the risk premium payments that otherwise would be due.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of June 30, 2024, pursuant to Rule 13a-15(e) under the Exchange Act. Management applied its judgment in assessing the costs and benefits of such controls and procedures, which by their nature, can provide only reasonable assurance regarding management's control objectives. Management does not expect that our disclosure controls and procedures will prevent or detect all errors and fraud. A control system, irrespective of how well it is designed and operated, can only provide reasonable assurance and cannot guarantee that it will succeed in its stated objectives.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2024, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

Certain lawsuits and claims arising in the ordinary course of business may be filed or pending against us or our affiliates from time to time. In accordance with applicable accounting guidance, we establish accruals for all lawsuits, claims and expected settlements when we believe it is probable that a loss has been incurred and the amount of the loss is reasonably estimable. When a loss contingency is not both probable and estimable, we do not establish an accrual. Any such loss estimates are inherently uncertain, based on currently available information and are subject to management's judgment and various assumptions. Due to the inherent subjectivity of these estimates and unpredictability of outcomes of legal proceedings, any amounts accrued may not represent the ultimate resolution of such matters.

To the extent we believe any potential loss relating to such lawsuits and claims may have a material impact on our liquidity, consolidated financial position, results of operations, and/or our business as a whole and is reasonably possible but not probable, we will disclose information relating to any such potential loss, whether in excess of any established accruals or where there is no established accrual. We will also disclose information relating to any material potential loss that is probable but not reasonably estimable. Where reasonably practicable, we will provide an estimate of loss or range of potential loss. No disclosures are generally made for any loss contingencies that are deemed to be remote.

As we have previously disclosed, we were named as a defendant in one litigation case that involves refunds of mortgage insurance premiums under the Homeowners Protection Act. In September 2023, the United States District Court for the Eastern District of Virginia granted our motion to dismiss the case. Subsequently, the plaintiff filed a notice of appeal in October 2023, appealing the District Court's decision to the United States Court of Appeals for the Fourth Circuit. The appeal is currently pending. Based upon information available to us and our review of lawsuits and claims filed or pending against us to date, we have not recognized a material accrual liability for these matters, nor do we currently expect it is reasonably possible that these matters will result in a material liability to the Company. However, the outcome of litigation and other legal and regulatory matters is inherently uncertain, and it is possible that one or more of such matters currently pending or threatened could have an unanticipated material adverse effect on our liquidity, consolidated financial position, results of operations, and/or our business as a whole, in the future.

Item 1A. Risk Factors

Risk factors that affect our business and financial results are discussed in Part I, Item 1A of our 2023 10-K. As of the date of this report, we are not aware of any material changes in our risk factors from the risk factors disclosed in our 2023 10-K. You should carefully consider the risks and uncertainties described herein and in our 2023 10-K, which have the potential to affect our business, financial condition, results of operations, cash flows or prospects in a material and adverse manner. The risks described herein and in our 2023 10-K are not the only risks we face, as there are additional risks and uncertainties not currently known to us or that we currently deem to be immaterial which may in the future adversely affect our business, financial condition and/or operating results.

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

Issuer Purchases of Equity Securities

The following table provides information about purchases of NMI Holdings, Inc. common stock by us during the three months ended June 30, 2024.

<i>(\$ In Thousands, except for per share data)</i>	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Program ⁽¹⁾
Period:				
4/1/2024 to 4/30/2024	372,341	\$ 30.56	372,341	\$ 140,373
5/1/2024 to 5/31/2024	245,120	32.79	245,120	132,336
6/1/2024 to 6/30/2024	226,467	32.74	226,467	124,920
Total	<u>843,928</u>		<u>843,928</u>	

- (1) On February 10, 2022, our Board of Directors approved a \$125 million share repurchase program effective through December 31, 2023, excluding associated costs and applicable taxes. On July 31, 2023, our Board of Directors approved an extension of the \$125 million repurchase program through December 31, 2025. On July 31, 2023, the Board also approved a new \$200 million share repurchase program (excluding associated costs and applicable taxes) effective through December 31, 2025. As of June 30, 2024, no repurchase authority remained available under the February 2022 share repurchase program and \$124.9 million repurchase authority remained under the July 2023 share repurchase program. See Part I, Item 1, “*Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 9, Stockholder’s Equity*” for additional information.

Item 6. Exhibits

Exhibit Number	Description
1.1	Underwriting Agreement, dated May 7, 2024, among the Company, RBC Capital Markets, LLC, Goldman Sachs & Co. LLC, BMO Capital Markets Corp., Citigroup Global Markets Inc. and Truist Securities, Inc. acting as representatives of several underwriters named therein (incorporated herein by reference to Exhibit 1.1 to our Form 8-K, filed on May 8, 2024)
3.1	Third Amended and Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to our Form 8-K, filed on May 10, 2024)
3.2	Fifth Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.2 to our Form 8-K, filed on May 10, 2024)
4.1	Indenture, dated as of June 19, 2020, among NMI Holdings, Inc., NMI Services, Inc. as the Initial Guarantor, and the Bank of New York Mellon Trust Company, N.A. as Trustee and Notes Collateral Agent (incorporated herein by reference to Exhibit 4.1 to our Form 8-K, filed on June 19, 2020)
4.2	Indenture, dated as of May 21, 2024, by and between NMI Holdings, Inc. and The Bank of New York Mellon Trust Company, N.A. as Trustee (incorporated herein by reference to Exhibit 4.1 to our Form 8-K, filed on May 21, 2024)
4.3	Supplemental Indenture, dated as of May 21, 2024, by and between NMI Holdings, Inc. and The Bank of New York Mellon Trust Company, N.A. as Trustee (including the form of the Notes) (incorporated herein by reference to Exhibit 4.2 to our Form 8-K, filed on May 21, 2024)
4.4*	Description of Securities
10.1 ~	NMI Holdings, Inc. 2012 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to our Form S-1 Registration Statement (Registration No. 333-191635), filed on October 9, 2013)
10.2 ~	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Nonqualified Stock Option Award Agreement (For CEO and CFO) (incorporated herein by reference to Exhibit 10.5 to our Form S-1 Registration Statement (Registration No. 333-191635), filed on October 9, 2013)
10.3 ~	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Nonqualified Stock Option Award Agreement (For Management) (incorporated herein by reference to Exhibit 10.6 to our Form S-1 Registration Statement (Registration No. 333-191635), filed on October 9, 2013)
10.4 ~	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Nonqualified Stock Option Award Agreement (For Non-Employee Directors) (incorporated herein by reference to Exhibit 10.7 to our Form S-1 Registration Statement (Registration No. 333-191635), filed on October 9, 2013)
10.5 ~	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Nonqualified Stock Option Award Agreement (For CEO/CFO) (incorporated herein by reference to Exhibit 10.8 to our Form 10-K, filed on February 17, 2017)
10.6 ~	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Nonqualified Stock Option Award Agreement (For Employees) (incorporated herein by reference to Exhibit 10.9 to our Form 10-K, filed on February 17, 2017)
10.7 ~	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Nonqualified Stock Option Agreement (For Employees) (incorporated herein by reference to Exhibit 10.32 to our Form 10-Q, filed on May 2, 2019)
10.8 ~	NMI Holdings, Inc. Amended and Restated 2014 Omnibus Incentive Plan (incorporated herein by reference to Appendix A to our 2022 Annual Proxy Statement, filed on March 29, 2022)
10.9 ~	Form of NMI Holdings, Inc. Amended and Restated 2014 Omnibus Incentive Plan Nonqualified Stock Option Award Agreement (For CEO) (incorporated herein by reference to Exhibit 10.23 to our Form 10-Q filed on August 1, 2017)
10.10 ~	Form of NMI Holdings, Inc. Amended and Restated 2014 Omnibus Incentive Plan Nonqualified Stock Option Award Agreement (For Executive Officers and Employees) (incorporated herein by reference to Exhibit 10.24 to our Form 10-Q filed on August 1, 2017)
10.11 ~	Form of NMI Holdings, Inc. Amended and Restated 2014 Omnibus Incentive Plan Restricted Stock Unit Award Agreement (Performance Based) (incorporated herein by reference to Exhibit 10.38 to our Form 10-Q, filed on May 7, 2020)
10.12 ~	Form of NMI Holdings, Inc. Amended and Restated 2014 Omnibus Incentive Plan Restricted Stock Unit Award Agreement (For Independent Directors) (incorporated herein by reference to Exhibit 10.33 to our Form 10-Q, filed on May 2, 2019)
10.13 ~	Form of NMI Holdings, Inc. Amended and Restated 2014 Omnibus Incentive Plan Restricted Stock Unit Award Agreement (For Independent Directors) (incorporated herein by reference to Exhibit 10.20 to our Form 10-K, filed on February 15, 2024)

- 10.14 ~ [Form of NMI Holdings, Inc. Amended and Restated 2014 Omnibus Incentive Plan Restricted Stock Unit Award Agreement \(For Employees\)](#) (incorporated herein by reference to Exhibit 10.34 to our Form 10-Q, filed on May 2, 2019)
- 10.15 ~ [Form of NMI Holdings, Inc. Amended and Restated 2014 Omnibus Incentive Plan Restricted Stock Unit Award Agreement \(For Executives\)](#) (incorporated herein by reference to Exhibit 10.22 to our Form 10-K, filed on February 15, 2024)
- 10.16 ~ [Form of NMI Holdings, Inc. Amended and Restated 2014 Omnibus Incentive Plan Restricted Stock Unit Award Agreement \(For Employees\)](#) (incorporated herein by reference to Exhibit 10.23 to our Form 10-K, filed on February 15, 2024)
- 10.17 ~ [Form of NMI Holdings, Inc. Amended and Restated 2014 Omnibus Incentive Plan Restricted Stock Unit Award Agreement \(Performance Based\)](#) (incorporated herein by reference to Exhibit 10.24 to our Form 10-K, filed on February 15, 2024)
- 10.18 ~ [Form of NMI Holdings, Inc. Amended and Restated 2014 Omnibus Incentive Plan Nonqualified Stock Option Agreement \(For Employees\)](#) (incorporated herein by reference to Exhibit 10.35 to our Form 10-Q, filed on May 2, 2019)
- 10.19 ~ [Form of Indemnification Agreement between NMI Holdings, Inc. and its directors and certain executive officers](#) (incorporated herein by reference to Exhibit 10.1 to our Form 8-K, filed on November 25, 2014)
- 10.20 ~ [NMI Holdings, Inc. Severance Benefit Plan](#) (incorporated herein by reference to Exhibit 10.1 to our Form 8-K, filed on February 17, 2016)
- 10.21 ~ [NMI Holdings, Inc. Amended and Restated Change in Control Severance Benefit Plan](#) (incorporated herein by reference to Exhibit 10.30 to our Form 10-Q, filed on October 30, 2018)
- 10.22 ~ [NMI Holdings, Inc. Clawback Policy](#) (incorporated herein by reference to Exhibit 10.2 to our Form 8-K, filed on February 23, 2017)
- 10.23 ~ [Offer Letter by and between NMI Holdings, Inc. and William Leatherberry, dated July 11, 2014](#) (incorporated herein by reference to Exhibit 10.10 to our Form 10-Q, filed on April 28, 2016)
- 10.24 ~ [Employment Letter by and between NMI Holdings, Inc. and Bradley M. Shuster, effective as of January 1, 2019](#) (incorporated herein by reference to Exhibit 10.1 to our Form 8-K, filed on December 28, 2018)
- 10.25 ~ [Offer Letter by and between NMI Holdings, Inc. and Adam Pollitzer, dated September 9, 2021](#) (incorporated herein by reference to Exhibit 10.1 to our Form 8-K, filed on September 9, 2021)
- 10.26 ~ [Offer letter by and between NMI Holdings, Inc. and Ravi Mallela, dated December 20, 2021](#) (incorporated herein by reference to Exhibit 10.1 to our Form 8-K, filed on December 21, 2021)
- 10.27 ~ [Offer Letter by and between NMI Holdings, Inc. and Aurora Swithenbank, dated March 1, 2024](#) (incorporated herein by reference to Exhibit 10.1 to our Form 8-K, filed on March 4, 2024)
- 10.28 ~ [Separation Agreement by and between NMI Holdings, Inc. and Ravi Mallela, dated March 1, 2024](#) (incorporated herein by reference to Exhibit 10.2 to our Form 8-K, filed on March 4, 2024)
- 10.29 + [Commitment Letter dated July 12, 2013 for Bulk Fannie Mae-Paid Loss-on-Sale Mortgage Insurance on the Portfolio of approximately \\$5.46 billion Purchased by Fannie Mae and Identified by Fannie Mae as Deal No. 2013 MIRT 01 and by the Company as Policy No. P-0001-01](#) (incorporated herein by reference to Exhibit 10.14 to our Form S-1 Registration Statement (Registration No. 333-191635), filed on October 9, 2013)
- 10.30 [Amended and Restated Credit Agreement, dated as of November 29, 2021, by and among the Company, the lender parties thereto and JPMorgan Chase Bank, N.A., as administrative agent](#) (incorporated herein by reference to Exhibit 10.1 to our Form 8-K filed on November 30, 2021)
- 10.31 [Credit Agreement, dated as of April 29, 2024, by and among the Company, the lenders party hereto, and Royal Bank of Canada, as the Agent](#) (incorporated herein by reference to Exhibit 10.31 to our Form 10-Q, filed on May 1, 2024)
- 21.1 [Subsidiaries of NMI Holdings, Inc.](#) (incorporated herein by reference to Exhibit 21.1 to our Form 10-Q, filed on October 30, 2015)
- 31.1 [Principal Executive Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Principal Financial Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 # [Certifications of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 97.1 [NMI Holdings, Inc. Compensation Recovery Policy, Effective September 13, 2023](#) (incorporated herein by reference to Exhibit 97.1 to our Form 10-K, filed on February 15, 2024)

- 101 The following financial information from NMI Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (Unaudited) formatted in XBRL (eXtensible Business Reporting Language):
- (i) Condensed Consolidated Balance Sheets as of June 30, 2024 (Unaudited) and December 31, 2023;
 - (ii) Condensed Consolidated Statements of Operations and Comprehensive Income for the three and six months ended June 30, 2024 and 2023 (Unaudited);
 - (iii) Condensed Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31 and June 30, 2024 and 2023 (Unaudited);
 - (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2024 and 2023 (Unaudited); and
 - (v) Notes to Condensed Consolidated Financial Statements (Unaudited). The instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
- 104 The cover page from NMI Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

~ Indicates a management contract or compensatory plan or contract.

+ Confidential treatment granted as to certain portions, which portions have been filed separately with the SEC.

In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act or deemed to be incorporated by reference into any filing under the Exchange Act or the Securities Act except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

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

Date: July 30, 2024

NMI HOLDINGS, INC.

By: /s/ Aurora Swithenbank

Name: Aurora Swithenbank

Title: Chief Financial Officer and Duly Authorized Signatory

DESCRIPTION OF COMMON STOCK

NMI Holdings, Inc. (“NMIH”) has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: NMIH’s common stock, \$0.01 par value per share (“common stock”).

The following description of NMIH’s common stock is a summary and does not purport to be complete. This description is qualified in its entirety by reference to NMIH’s Third Amended and Restated Certificate of Incorporation (“Certificate of Incorporation”) and Fifth Amended and Restated Bylaws (“Bylaws”), each of which is incorporated by reference as an exhibit to NMIH’s Current Report on Form 8-K, filed on May 10, 2024. The terms of NMIH’s Certificate of Incorporation and Bylaws are more detailed than the general information provided below. NMIH encourages you to read its Certificate of Incorporation and Bylaws and the applicable provisions of the General Corporation Law of the State of Delaware (“DGCL”) for additional information.

Authorized and Outstanding Capital Stock

NMIH’s Certificate of Incorporation authorizes NMIH to issue 250,000,000 shares of common stock, \$0.01 per share and 10,000,000 shares of preferred stock, \$0.01 per share.

Description of Common Stock

Voting Power. Except as otherwise required by law or as otherwise provided in any certificate of designation for any series of preferred stock, the holders of NMIH common stock possess all voting power for the election of NMIH’s directors and all other matters requiring stockholder action. Each holder of NMIH common stock is entitled to one vote for each share on all matters to be voted upon by the stockholders, and there are no cumulative voting rights. Except as otherwise provided by law, NMIH’s Certificate of Incorporation or Bylaws or in respect of the election of directors, all matters to be voted on by NMIH stockholders must be approved by a majority of the shares present in person or by proxy at the meeting and entitled to vote on the subject matter. In the case of an election of directors, where a quorum is present, a plurality of the votes cast shall be sufficient to elect each director.

Dividends. Holders of common stock are entitled to receive ratably the dividends, if any, as may be declared from time to time by the board of directors out of funds legally available therefor. In no event will any stock dividends or stock splits or combinations of stock be declared or made on NMIH’s common stock unless all shares of common stock at the time outstanding are treated equally and identically.

Liquidation. If NMIH liquidates, dissolves or winds up, (i) the rights of the holders of any outstanding shares of preferred stock will first be satisfied; and (ii) thereafter, the holders of common stock will be entitled to receive all of NMIH’s remaining assets of whatever kind available for distributions to such holders.

Preemptive or Other Rights. Holders of common stock have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which NMIH may designate in the future.

Certain Anti-Takeover Provisions

Special Meetings of Stockholders. NMIH’s Bylaws generally provide that special meetings of stockholders may be called only by the chairman of the board, the chief executive officer or by resolution of NMIH’s board of directors. Stockholders are not permitted to call a special meeting or require NMIH’s board of directors to call a special meeting. At any special meeting of NMIH’s stockholders, only such business will be conducted as has been specified in the notice of meeting given by or at the direction of the NMIH board of directors or otherwise properly brought before the special meeting by or at the direction of the board of directors.

No Cumulative Voting. The DGCL provides that stockholders are not entitled to the right to cumulative voting in the election of directors unless a corporation’s certificate of incorporation provides otherwise. NMIH’s Certificate of Incorporation does not provide for cumulative voting in the election of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations. NMIH’s Bylaws provide that stockholders seeking to bring business before a meeting of stockholders, or to nominate candidates for election

as directors at a meeting of stockholders, must provide timely notice of their intent in writing. To be timely, a stockholder's notice must be delivered to NMIH's principal executive offices, in the case of an annual meeting, no fewer than 90 days nor more than 120 days prior to the anniversary date of the annual meeting in the preceding year, subject to changes if the annual meeting date is advanced more than 30 days before or delayed more than 60 days after the anniversary date of the preceding year's annual meeting, or, in the case of a special meeting, no fewer than 90 days nor more than 120 days prior to the special meeting, subject to changes if the first public announcement of the date of such special meeting is less than 100 days prior to the date of such special meeting. NMIH's Bylaws also specify certain requirements as to the form and content of a stockholder's notice, including the stockholder's ownership of NMIH, synthetic equity transactions engaged in by the stockholder related to NMIH, any proxies or voting agreements pursuant to which such stockholder has a right to vote shares of NMIH, any stock borrowing agreements entered into by the stockholder related to NMIH, any performance related fees the stockholder is entitled to based upon changes in the value of NMIH and any other information that would be required to be made in connection with a solicitation of proxies by such stockholder pursuant to Section 14(a) of the Exchange Act. NMIH's Bylaws also provide that such stockholder must provide information concerning each item of business proposed by the stockholder and individuals nominated for election as a director, as applicable. These provisions may preclude NMIH's stockholders from bringing matters before an NMIH annual meeting of stockholders or from making nominations for directors at NMIH's annual meeting of stockholders.

No Stockholder Action by Written Consent. NMIH's Certificate of Incorporation provides that, subject to the rights of the holders of any series of preferred stock with respect to such series of preferred stock, any action required or permitted to be taken by NMIH's stockholders must be effected at a duly called annual or special meeting of NMIH's stockholders and may not be effected by any consent in writing by such stockholders.

Bylaw Amendments. NMIH's Bylaws may be adopted, amended, altered or repealed by stockholders only upon approval of at least two-thirds of the voting power of all the then outstanding shares of common stock. Additionally, NMIH's Bylaws may be amended, altered or repealed by the NMIH board of directors by a majority vote.

Authorized but Unissued Shares. NMIH's authorized but unissued shares of common stock are available for future issuances without stockholder approval, subject to applicable stock exchange rules, and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Section 203 of the DGCL. NMIH is subject to Section 203 of the DGCL. Subject to certain exceptions, Section 203 of the DGCL prohibits a public Delaware corporation from engaging in a "business combination" (as defined in such section) with an "interested stockholder" (defined generally as any person who beneficially owns 15% or more of the outstanding voting stock of such corporation or any person affiliated with such person) for a period of three years following the time that such stockholder became an interested stockholder, unless: (a) prior to such time the board of directors of such corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (b) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of such corporation at the time the transaction commenced, excluding for purposes of determining the voting stock of such corporation outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers of such corporation and (ii) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or (c) on or subsequent to such time, the business combination is approved by the board of directors of such corporation and authorized at a meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock of such corporation not owned by the interested stockholder.

Restrictions on Ownership Under Insurance Laws. The application of various state insurance laws could be a significant deterrent to any person or persons acting in concert interested in acquiring control of NMIH. The insurance and insurance holding company laws of each of the jurisdictions in which NMIH's insurance subsidiaries are incorporated or commercially domiciled govern any acquisition of control of NMIH's insurance subsidiaries or of NMIH. In general, these laws provide that no person or entity (or persons acting in concert) may directly or

indirectly acquire control of an insurance company unless that person or entity has received the prior approval of the insurance regulatory authorities. An acquisition of control would be presumed in the case of any person or entity who purchases or controls 10% or more of NMIH's outstanding common stock or the outstanding common stock of such insurance company, unless a request for an exemption from the acquisition of control is filed by the acquirer and subsequently approved by all of the applicable insurance regulatory authorities.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is American Stock Transfer & Trust Company.

**PRINCIPAL EXECUTIVE OFFICER'S CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Adam S. Pollitzer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NMI Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 30, 2024

/s/ Adam S. Pollitzer
Adam S. Pollitzer
Chief Executive Officer
(Principal Executive Officer)

**PRINCIPAL FINANCIAL OFFICER'S CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ravi Mallela, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NMI Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 30, 2024

/s/ Ravi Mallela
Ravi Mallela
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of NMI Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of such officer's knowledge:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

July 30, 2024

/s/ Adam S. Pollitzer
Adam S. Pollitzer
Chief Executive Officer
(Principal Executive Officer)

July 30, 2024

/s/ Aurora Swithenbank
Aurora Swithenbank
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to NMI Holdings, Inc. and will be retained by NMI Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.