

**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 **March 31, 2023**

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
Class A 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 April 28, 2023 was 83,279,910 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 rising 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, policy, 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 (FHA), the U.S. Department of Agriculture's Rural Housing Service (USDA) and the U.S. Department of Veterans Affairs (VA) (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 or the measures taken by governmental authorities and other third-parties to contain the spread of COVID-19, 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 confidential 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, 2022 (2022 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)

	March 31, 2023	December 31, 2022
	<i>(In Thousands, except for share data)</i>	
Assets		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$2,383,982 and \$2,352,747 as of March 31, 2023 and December 31, 2022, respectively)	\$ 2,171,766	\$ 2,099,389
Cash and cash equivalents (including restricted cash of \$2,197 and \$2,176 as of March 31, 2023 and December 31, 2022, respectively)	83,104	44,426
Premiums receivable	70,198	69,680
Accrued investment income	15,702	14,144
Deferred policy acquisition costs, net	59,921	58,564
Software and equipment, net	31,830	31,930
Intangible assets and goodwill	3,634	3,634
Reinsurance recoverable	23,479	21,587
Prepaid federal income taxes	154,409	154,409
Other assets	19,733	18,267
Total assets	\$ 2,633,776	\$ 2,516,030
Liabilities		
Debt	\$ 396,426	\$ 396,051
Unearned premiums	114,064	123,035
Accounts payable and accrued expenses	70,341	74,576
Reserve for insurance claims and claim expenses	108,157	99,836
Reinsurance funds withheld	2,313	2,674
Deferred tax liability, net	223,368	193,859
Other liabilities	12,396	12,272
Total liabilities	927,065	902,303
Commitments and contingencies		
Shareholders' equity		
Common stock - class A shares, \$0.01 par value; 86,869,169 shares issued and 83,279,886 shares outstanding as of March 31, 2023 and 86,472,742 shares issued and 83,549,879 shares outstanding as of December 31, 2022 (250,000,000 shares authorized)	869	865
Additional paid-in capital	973,599	972,717
Treasury Stock, at cost: 3,589,283 and 2,922,863 common shares as of March 31, 2023 and December 31, 2022, respectively	(71,437)	(56,575)
Accumulated other comprehensive loss, net of tax	(171,821)	(204,323)
Retained earnings	975,501	901,043
Total shareholders' equity	1,706,711	1,613,727
Total liabilities and shareholders' equity	\$ 2,633,776	\$ 2,516,030

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

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

	For the three months ended March 31,	
	2023	2022
<i>(In Thousands, except for per share data)</i>		
Revenues		
Net premiums earned	\$ 121,754	\$ 116,495
Net investment income	14,894	10,199
Net realized investment (losses) gains	(33)	408
Other revenues	164	339
Total revenues	136,779	127,441
Expenses		
Insurance claims and claim expenses (benefits)	6,701	(619)
Underwriting and operating expenses	25,786	32,935
Service expenses	80	430
Interest expense	8,039	8,041
Gain from change in fair value of warrant liability	—	(93)
Total expenses	40,606	40,694
Income before income taxes	96,173	86,747
Income tax expense	21,715	19,067
Net income	\$ 74,458	\$ 67,680
Earnings per share		
Basic	\$ 0.89	\$ 0.79
Diluted	\$ 0.88	\$ 0.77
Weighted average common shares outstanding		
Basic	83,600	85,953
Diluted	84,840	87,310
Net income	\$ 74,458	\$ 67,680
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) in accumulated other comprehensive income (loss), net of tax expense (benefit) of \$8,633 and \$(26,176) for the quarters ended March 31, 2023 and 2022, respectively	32,476	(98,471)
Reclassification adjustment for realized losses (gains) included in net income, net of tax (benefit) expense of \$(7) and \$86 for the quarters ended March 31, 2023 and 2022, respectively	26	(323)
Other comprehensive income (loss), net of tax	32,502	(98,794)
Comprehensive income (loss)	\$ 106,960	\$ (31,114)

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

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

	Common Stock - Class A		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: class A 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 - Class A		Additional Paid-in Capital	Treasury Stock, At Cost	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amount					
<i>(In Thousands)</i>							
Balances, December 31, 2021	85,793	\$ 858	\$ 955,302	\$ —	\$ 1,485	\$ 608,141	\$ 1,565,786
Common stock: class A shares issued related to warrant exercises	51	1	1,143	—	—	—	1,144
Common stock: class A shares issued under stock plans, net of shares withheld for employee taxes	430	4	26	—	—	—	30
Repurchase of common stock	(235)	—	—	(5,000)	—	—	(5,000)
Share-based compensation expense	—	—	4,196	—	—	—	4,196
Change in unrealized investment gains/losses, net of tax benefit of \$26,262	—	—	—	—	(98,794)	—	(98,794)
Net income	—	—	—	—	—	67,680	67,680
Balances, March 31, 2022	86,039	\$ 863	\$ 960,667	\$ (5,000)	\$ (97,309)	\$ 675,821	\$ 1,535,042

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

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

	For the three months ended March 31,	
	2023	2022
	<i>(In Thousands)</i>	
Cash flows from operating activities		
Net income	\$ 74,458	\$ 67,680
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized investment losses (gains)	33	(408)
Gain from change in fair value of warrant liability	—	(93)
Depreciation and amortization	2,798	3,093
Net amortization of premium on investment securities	966	1,707
Amortization of debt discount and debt issuance costs	480	451
Deferred income taxes	20,869	19,054
Share-based compensation expense	3,492	4,196
Changes in operating assets and liabilities:		
Premiums receivable	(518)	(168)
Accrued investment income	(1,558)	(521)
Deferred policy acquisition costs, net	(1,357)	(143)
Reinsurance recoverable	(1,892)	240
Other assets ⁽¹⁾	(1,612)	(1,299)
Unearned premiums	(8,971)	(844)
Reserve for insurance claims and claim expenses	8,321	(1,179)
Reinsurance balances, net	(196)	79
Accounts payable and accrued expenses	(5,478)	(11,535)
Net cash provided by operating activities	89,835	80,310
Cash flows from investing activities		
Purchase of short-term investments	(106,614)	(2)
Purchase of fixed-maturity investments, available-for-sale	(133,971)	(66,513)
Proceeds from maturity of short-term investments	179,297	10,640
Proceeds from redemptions, maturities and sale of fixed-maturity investments, available-for-sale	29,054	36,479
Software and equipment	(1,517)	(1,974)
Net cash used in investing activities	(33,751)	(21,370)
Cash flows from financing activities		
Proceeds from issuance of common stock related to employee equity plans	2,657	4,491
Proceeds from issuance of common stock related to warrant exercises	—	290
Taxes paid related to net share settlement of equity awards	(5,263)	(4,461)
Repurchases of common stock	(14,800)	(5,000)
Net cash used in financing activities	(17,406)	(4,680)
Net increase in cash, cash equivalents and restricted cash	38,678	54,260
Cash, cash equivalents and restricted cash, beginning of period	44,426	76,646
Cash, cash equivalents and restricted cash, end of period	\$ 83,104	\$ 130,906

(1) "Prepaid expenses" have been reclassified as "Other assets" in prior periods.

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.

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, 2022, included in our 2022 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, 2023.

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 2022 10-K, except as noted in "*Recent Accounting Pronouncements - Adopted*" below.

Recent Accounting Pronouncements - Adopted

In August 2018, the Financial Accounting Standards Board (the FASB) issued ASU 2018-12, *Targeted Improvements to the Accounting for Long-Duration Contracts* (Topic 944). The update provides guidance to the existing recognition, measurement, presentation and disclosure requirements for long-duration contracts issued by an insurance entity. The FASB subsequently issued ASU 2019-09 in November 2019 and ASU 2020-11 in November 2020, which amended the effective date for this standard and provided transition relief to facilitate early application for long duration contracts. The standard will now take effect for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. We adopted this ASU on January 1, 2023 and determined it did not have a material impact on our consolidated financial statements.

Recent Accounting Pronouncements - Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform* (Topic 848). The update provides optional guidance to ease the potential burden in accounting for reference rate reform on financial reporting. Reference rate reform refers to the global transition away from referencing the London Interbank Offered Rate (LIBOR) in financial contracts, which is expected to be discontinued during a transition period from 2021 through 2023. The ASU includes optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. This standard may be elected and applied prospectively over time from March 12, 2020 through December 31, 2022 as reference rate reform activities occur. In December 2022, the FASB issued ASU 2022-06, which extended the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. We continue to monitor the impact the discontinuance of LIBOR will have on our contracts and other transactions; however, the adoption of, and future elections under ASU 2020-04 and ASU 2022-06 are not expected to have a material impact on our consolidated financial statements as the ASUs will ease, if warranted, the requirements for accounting for the future effects of the rate reform.

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 statement 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 March 31, 2023				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 82,327	\$ —	\$ (1,826)	\$ 80,501
Municipal debt securities	638,842	162	(65,386)	573,618
Corporate debt securities	1,486,824	3,000	(143,354)	1,346,470
Asset-backed securities	74,168	—	(5,112)	69,056
Total bonds	2,282,161	3,162	(215,678)	2,069,645
Short-term investments	101,821	392	(92)	102,121
Total investments	\$ 2,383,982	\$ 3,554	\$ (215,770)	\$ 2,171,766
	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
<i>(In Thousands)</i>				
As of December 31, 2022				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 82,301	\$ —	\$ (2,369)	\$ 79,932
Municipal debt securities	563,972	—	(80,796)	483,176
Corporate debt securities	1,457,589	1,149	(165,096)	1,293,642
Asset-backed securities	74,762	—	(6,204)	68,558
Total bonds	2,178,624	1,149	(254,465)	1,925,308
Short-term investments	174,123	185	(227)	174,081
Total investments	\$ 2,352,747	\$ 1,334	\$ (254,692)	\$ 2,099,389

We did not own any mortgage-backed securities in our asset-backed securities portfolio at March 31, 2023 or December 31, 2022.

The following table presents a breakdown of the fair value of our corporate debt securities by issuer industry group as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Financial	38 %	38 %
Consumer	24	24
Communications	11	11
Utilities	11	11
Technology	8	8
Industrial	8	8
Total	100 %	100 %

As of March 31, 2023 and December 31, 2022, approximately \$5.5 million and \$5.4 million, respectively, 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 March 31, 2023 and December 31, 2022, 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 March 31, 2023	Amortized Cost	Fair Value
	<i>(In Thousands)</i>	
Due in one year or less	\$ 215,196	\$ 214,150
Due after one through five years	996,997	928,613
Due after five through ten years	1,069,343	932,616
Due after ten years	28,278	27,331
Asset-backed securities	74,168	69,056
Total investments	\$ 2,383,982	\$ 2,171,766

As of December 31, 2022	Amortized Cost	Fair Value
	<i>(In Thousands)</i>	
Due in one year or less	\$ 271,613	\$ 270,428
Due after one through five years	935,615	862,747
Due after five through ten years	1,047,461	875,947
Due after ten years	23,296	21,709
Asset-backed securities	74,762	68,558
Total investments	\$ 2,352,747	\$ 2,099,389

Aging of Unrealized Losses

As of March 31, 2023, the investment portfolio had gross unrealized losses of \$215.8 million, of which \$209.2 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, 2022, the investment portfolio had gross unrealized losses of \$254.7 million, of which \$218.5 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 March 31, 2023	(\$ In Thousands)								
U.S. Treasury securities and obligations of U.S. government agencies	10	\$ 57,051	\$ (900)	13	\$ 23,450	\$ (926)	23	\$ 80,501	\$ (1,826)
Municipal debt securities	16	58,938	(483)	225	472,635	(64,903)	241	531,573	(65,386)
Corporate debt securities	76	234,568	(5,139)	227	1,002,166	(138,215)	303	1,236,734	(143,354)
Asset-backed securities	—	—	—	26	69,056	(5,112)	26	69,056	(5,112)
Short-term investments	3	24,751	(92)	—	—	—	3	24,751	(92)
Total	105	\$ 375,308	\$ (6,614)	491	\$ 1,567,307	\$ (209,156)	596	\$ 1,942,615	\$ (215,770)

	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, 2022	(\$ In Thousands)								
U.S. Treasury securities and obligations of U.S. government agencies	19	\$ 77,164	\$ (2,260)	4	\$ 2,768	\$ (109)	23	\$ 79,932	\$ (2,369)
Municipal debt securities	57	143,097	(12,942)	181	340,079	(67,854)	238	483,176	(80,796)
Corporate debt securities	141	434,174	(19,699)	168	790,537	(145,397)	309	1,224,711	(165,096)
Asset-backed securities	12	13,527	(1,097)	14	55,031	(5,107)	26	68,558	(6,204)
Short-term investments	12	104,236	(227)	—	—	—	12	104,236	(227)
Total	241	\$ 772,198	\$ (36,225)	367	\$ 1,188,415	\$ (218,467)	608	\$ 1,960,613	\$ (254,692)

Allowance for credit losses

As of March 31, 2023 and December 31, 2022, 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 months ended March 31, 2023 or 2022.

The decrease in the number of securities in and the aggregate size of the unrealized loss position as of March 31, 2023, was driven by fluctuations in interest rates and, to a lesser extent, movements in credit spreads since December 31, 2022. We evaluated the securities in an unrealized loss position as of March 31, 2023, assessing their credit ratings as well as any adverse conditions specifically related to the security. Based upon our estimate 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 March 31, 2023 are not indicative of the ultimate collectability of the current amortized cost of the securities.

Net Investment Income

The following table presents the components of net investment income:

	For the three months ended March 31,	
	2023	2022
	(In Thousands)	
Investment income	\$ 15,174	\$ 10,532
Investment expenses	(280)	(333)
Net investment income	\$ 14,894	\$ 10,199

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

	For the three months ended March 31,	
	2023	2022
	<i>(In Thousands)</i>	
Gross realized investment gains	\$ —	\$ 409
Gross realized investment losses	(33)	(1)
Net realized investment (losses) gains	\$ (33)	\$ 408

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 March 31, 2023				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 80,501	\$ —	\$ —	\$ 80,501
Municipal debt securities	—	573,618	—	573,618
Corporate debt securities	—	1,346,470	—	1,346,470
Asset-backed securities	—	69,056	—	69,056
Cash, cash equivalents and short-term investments	185,225	—	—	185,225
Total assets	\$ 265,726	\$ 1,989,144	\$ —	\$ 2,254,870

	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, 2022				
U.S. Treasury securities and obligations of U.S. government agencies	\$ 79,932	\$ —	\$ —	\$ 79,932
Municipal debt securities	—	483,176	—	483,176
Corporate debt securities	—	1,293,642	—	1,293,642
Asset-backed securities	—	68,558	—	68,558
Cash, cash equivalents and short-term investments	218,507	—	—	218,507
Total assets	\$ 298,439	\$ 1,845,376	\$ —	\$ 2,143,815

There were no transfers between Level 2 and Level 3 of the fair value hierarchy during the three months ended March 31, 2023, or the year ended December 31, 2022.

Financial Instruments not Measured at Fair Value

On June 19, 2020, we issued \$400 million aggregate principal amount of senior secured notes that mature on June 1, 2025 (the Notes) and used a portion of the proceeds from the Notes offering to repay the outstanding amount due under our \$150 million term loan (2018 Term Loan). At March 31, 2023, the Notes were carried at a cost of \$396.4 million, net of unamortized debt issuance costs of \$3.6 million, and had a fair value of \$401.9 million as assessed under our Level 2 hierarchy. At December 31, 2022, the Notes were carried at a cost of \$396.1 million, net of unamortized debt issuance costs of \$3.9 million, and had a fair value of \$405.9 million.

4. Debt

Senior Secured Notes

At March 31, 2023, we had \$400 million aggregate principal amount of senior secured notes outstanding. The Notes were issued pursuant to an indenture dated June 19, 2020 (the Indenture) and bear interest at a rate of 7.375%, payable semi-annually on June 1 and December 1.

The Notes mature on June 1, 2025. At any time, or from time to time, prior to March 1, 2025, we may elect to redeem the Notes in whole or in part at a price based on 100% of the aggregate principal amount of any Notes redeemed plus the "Applicable Premium," plus accrued and unpaid interest thereon. Applicable Premium is defined as the greater of (1) 1.0% of the principal amount of the Notes, or (2) the excess of the present value of the principal value of the Notes plus all future interest payments

over the principal amount. At any time on or after March 1, 2025, we may elect to redeem the Notes in whole or in part at a price equal to 100% of the aggregate principal amount of the Notes to be redeemed plus accrued and unpaid interest thereon.

Interest expense for the Notes includes interest and the amortization of capitalized debt issuance costs. In connection with the Notes offering, we recorded capitalized debt issuance costs of \$7.4 million. Such amounts will be amortized over the contractual life of the Notes using the effective interest method. The effective interest rate on the Notes is 7.825%. At March 31, 2023 and December 31, 2022, approximately \$3.6 million and \$3.9 million, respectively, of unamortized debt issuance costs remained.

At March 31, 2023 and December 31, 2022, \$9.8 million and \$2.5 million, respectively, of accrued and unpaid interest on the Notes was included in "Accounts Payable and Accrued Expenses" on the condensed consolidated balance sheets.

2021 Revolving Credit Facility

On November 29, 2021, we amended our \$110 million senior secured revolving credit facility (the 2020 Revolving Credit Facility and as amended, the 2021 Revolving Credit Facility), expanding the lender group, increasing the revolving capacity to \$250 million, and extending the maturity from February 22, 2023 to the earlier of (x) November 29, 2025, or (y) if any existing senior secured notes remain outstanding on such date, February 28, 2025. Borrowings under the 2021 Revolving Credit Facility may be used for general corporate purposes, including to support the growth of our 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 2021 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 2021 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 March 31, 2023 and December 31, 2022, no amounts were drawn under the 2021 Revolving Credit Facility.

Under the 2021 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 March 31, 2023, the applicable commitment fee was 0.30%. For the three months ended March 31, 2023, we recorded \$0.2 million of commitment fees in interest expense.

We incurred debt issuance costs of \$1.1 million in connection with the 2021 Revolving Credit Facility, and had \$0.6 million of unamortized debt issuance costs associated with the 2020 Revolving Credit Facility remaining at the time of its amendment and replacement. The combined unamortized debt issuance will be amortized through interest expense on a straight-line basis over the contractual life of the 2021 Revolving Credit Facility. At March 31, 2023 and December 31, 2022, remaining unamortized deferred debt issuance costs were \$1.1 million and \$1.2 million, respectively.

We are subject to certain covenants under the 2021 Revolving Credit Facility, including, but not limited to, the following: a maximum debt-to-total capitalization ratio of 35%, compliance with the private mortgage insurer eligibility requirements (PMIERS) financial requirements (subject to any GSE approved waivers), and minimum consolidated net worth and statutory capital requirements (respectively, as defined therein). We were in compliance with all covenants at March 31, 2023.

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, including levels of approved capital credit).

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

	For the three months ended	
	March 31, 2023	March 31, 2022
<i>(In Thousands)</i>		
Net premiums written		
Direct	\$ 148,932	\$ 138,872
Ceded ⁽¹⁾	(35,956)	(22,838)
Net premiums written	\$ 112,976	\$ 116,034
Net premiums earned		
Direct	\$ 157,904	\$ 139,716
Ceded ⁽¹⁾	(36,150)	(23,221)
Net premiums earned	\$ 121,754	\$ 116,495

(1) Net of profit commission.

Excess-of-loss reinsurance

Insurance-linked notes

NMIC is a party to reinsurance agreements with Oaktown Re II Ltd., 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 25, 2018, 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 \$9.1 million and \$10.9 million during the three months ended March 31, 2023 and 2022, 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 months ended March 31, 2023 and 2022, 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 from the inception date of each reinsurance agreement (except the notes issued by Oaktown Re VI Ltd. and Oaktown Re VII Ltd., which have a 12.5-year maturity). We refer to NMIC's reinsurance agreements with and the insurance-linked note issuances by Oaktown Re Vehicles individually as the 2018 ILN Transaction, 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 as the underlying insured mortgages are amortized or repaid, and/or the mortgage insurance coverage is canceled (except the coverage provided by Oaktown Re VI Ltd. and Oaktown Re VII Ltd., which decreases over a 12.5-year period). 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). As of March 31, 2023, the 2021-2 ILN Transaction was deemed to be in Lock

Out in connection with the initial build of its target credit enhancement level and will remain in Lock Out until such target credit enhancement level is achieved. Effective February 28, 2023, a previously triggered Lock-Out Event for the 2018 ILN Transaction was deemed to have cleared and amortization of the associated reinsurance coverage, and distribution of collateral assets and amortization of the associated insurance-linked notes resumed.

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 March 31, 2023.

<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⁾
2018 ILN Transaction	July 25, 2018	1/1/2017 – 5/31/2018	\$ 264,545	\$ 147,608	\$ 125,312	\$ 122,166
2019 ILN Transaction	July 30, 2019	6/1/2018 – 6/30/2019	326,905	191,044	123,424	122,182
2020-2 ILN Transaction	October 29, 2020	4/1/2020 – 9/30/2020 ⁽²⁾	242,351	85,011	121,777	121,177
2021-1 ILN Transaction	April 27, 2021	10/1/2020 – 3/31/2021 ⁽³⁾	367,238	282,630	163,708	163,654
2021-2 ILN Transaction ⁽⁵⁾	October 26, 2021	4/1/2021 – 9/30/2021 ⁽⁴⁾	363,596	363,596	146,229	146,167

- (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.
- (5) As of March 31, 2023, the current reinsurance coverage amount on the 2021-2 ILN Transactions is equal to the initial reinsurance coverage amount, as the reinsurance coverage provided by Oaktown Re VII Ltd. will not begin to amortize until its target credit enhancement level is reached.

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 \$2.2 million as of both March 31, 2023 and December 31, 2022. 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 a party to four 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, and the 2023-1 XOL Transaction, effective January 1, 2023 – 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 the inception of each respective agreement 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 \$7.2 million during the three months ended March 31, 2023. 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 months ended March 31, 2023, as the aggregate first layer risk retention for each agreement was not exhausted during the period.

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 Standard & Poor's Rating Service (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 March 31, 2023.

<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	\$283,077	\$133,366	\$133,366
2022-2 XOL Transaction	July 1, 2022	4/1/2022 – 6/30/2022 ⁽³⁾	154,306	152,347	78,906	78,906
2022-3 XOL Transaction	October 1, 2022	7/1/2022 – 9/30/2022	96,779	96,197	106,265	106,265
2023-1 XOL Transaction ⁽⁴⁾	January 1, 2023	10/1/2022 – 6/30/2023	59,509	59,509	94,977	94,977

(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 2023-1 XOL Transaction will increase as incremental covered production is ceded under the transaction through June 30, 2023.

Quota share reinsurance

NMIC is a party to seven quota share reinsurance treaties – the 2016 QSR Transaction, effective September 1, 2016, the 2018 QSR Transaction, effective January 1, 2018, the 2020 QSR Transaction, effective April 1, 2020, 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 and the 2023 QSR Transaction, effective January 1, 2023 – 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 25% 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 is scheduled to terminate 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 would 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 would 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 from April 1, 2020 to December 31, 2020. The 2020 QSR Transaction is scheduled to terminate on December 31, 2030. NMIC has the option, based on certain conditions and subject to a termination fee, to terminate the agreement as of December 31, 2023, or at the end of any calendar quarter thereafter, which would 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 would 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, 2025 or semi-annually thereafter, which would result in NMIC recapturing the related risk.

In connection with the 2022 QSR Transaction, NMIC entered into the 2023 QSR Transaction as a springing back-to-back quota share agreement. Under the terms of the 2023 QSR Transaction, NMIC cedes premiums earned related to 20% of the risk on eligible policies written from January 1, 2023 to December 31, 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, 2026 or semi-annually thereafter, which would 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 would 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.

Effective April 1, 2019, NMIC elected to terminate its engagement with one reinsurer under the 2016 QSR Transaction on a cut-off basis. In connection with the termination, NMIC recaptured approximately \$500 million of previously ceded primary RIF and stopped ceding new premiums earned or written with respect to the recaptured risk. With the termination, ceded premiums written under the 2016 QSR Transaction decreased from 25% to 20.5% on eligible policies. The termination has no effect on the cession of pool risk under the 2016 QSR Transaction.

The following table shows amounts related to the QSR Transactions:

	As of and for the three months ended	
	March 31, 2023	March 31, 2022
	<i>(In Thousands)</i>	
Ceded risk-in-force	\$ 12,635,442	\$ 8,504,853
Ceded premiums earned	(42,096)	(29,005)
Ceded claims and claim expenses (benefits)	1,965	(159)
Ceding commission earned	9,965	5,886
Profit commission	22,279	16,723

Ceded premiums written under the 2016 QSR Transaction are recorded on the balance sheet as prepaid reinsurance premiums 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. 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, 2023 QSR and 2022 Seasoned QSR Transactions, generally remain below 60%, 61%, 50%, 57.5%, 62%, 62%, and 55% 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 will be 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 \$2.4 million and \$2.6 million as of March 31, 2023 and December 31, 2022, respectively.

In accordance with the terms of the 2018, 2020, 2021, 2022 and 2023 QSR and 2022 Seasoned 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, 2023 QSR and 2022 Seasoned QSR Transactions was \$21.1 million and \$19.0 million as of March 31, 2023 and December 31, 2022, respectively.

We remain directly liable for all claim payments if we are unable to collect reinsurance recoverable 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 our QSR Transactions. The allowance for credit loss established on our reinsurance recoverable was deemed immaterial at March 31, 2023 and December 31, 2022.

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 March 31, 2023, we had 4,475 primary loans in default and held gross reserves for insurance claims and claim expenses of \$108.2 million. During the three months ended March 31, 2023, we paid 21 claims totaling \$0.4 million, including 20 claims covered under the QSR Transactions representing \$0.1 million of ceded claims and claim expenses.

In 2013, we entered into a pool insurance transaction with Fannie Mae. The pool transaction includes a deductible, which represents the amount of claims to be absorbed by Fannie Mae before we are obligated to pay any claims. We only establish reserves for pool risk if we expect claims to exceed this deductible. At March 31, 2023, 41 loans in the pool were in default. These 41 loans represented approximately \$2.9 million of RIF. Due to the size of the remaining deductible, our expectation that a limited number of loans in default will progress to a claim and the expected severity on such claim submissions (all loans in the pool had loan-to-value (LTV) ratios under 80% at origination), we did not establish any case or IBNR reserves for pool risk at March 31, 2023. In connection with the settlement of pool claims, we applied \$1.0 million to the pool deductible through March 31, 2023. At March 31, 2023, the remaining pool deductible was \$9.4 million. We have not paid any pool claims to date. 100% of our pool RIF is reinsured under the 2016 QSR Transaction.

We had 4,475 loans in default in our primary insured portfolio as of March 31, 2023, which represented a 0.75% default rate against 600,294 total policies in-force and 4,449 loans in default in our primary portfolio as of December 31, 2022, which represented a 0.75% default rate against 594,142 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 (benefits):

	For the three months ended March 31,	
	2023	2022
	<i>(In Thousands)</i>	
Beginning balance	\$ 99,836	\$ 103,551
Less reinsurance recoverables ⁽¹⁾	(21,587)	(20,320)
Beginning balance, net of reinsurance recoverables	<u>78,249</u>	<u>83,231</u>
Add claims incurred:		
Claims and claim expenses (benefits) incurred:		
Current year ⁽²⁾	27,608	10,080
Prior years ⁽³⁾	(20,907)	(10,699)
Total claims and claim expenses (benefits) incurred	<u>6,701</u>	<u>(619)</u>
Less claims paid:		
Claims and claim expenses paid:		
Current year ⁽²⁾	—	—
Prior years ⁽³⁾	272	320
Total claims and claim expenses paid	<u>272</u>	<u>320</u>
Reserve at end of period, net of reinsurance recoverables	84,678	82,292
Add reinsurance recoverables ⁽¹⁾	23,479	20,080
Ending balance	<u>\$ 108,157</u>	<u>\$ 102,372</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 \$22.3 million attributed to net case reserves and \$4.9 million attributed to net IBNR reserves for the three months ended March 31, 2023 and \$5.2 million attributed to net case reserves and \$4.7 million attributed to net IBNR reserves for the three months ended March 31, 2022.

(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 \$16.2 million attributed to net case reserves and \$4.5 million attributed to net IBNR reserves for the three months ended March 31, 2023 and \$5.8 million attributed to net case reserves and \$4.7 million attributed to net IBNR reserves for the three months ended March 31, 2022.

The "claims incurred" section of the table above shows claims and claim expenses (benefits) 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 \$72.7 million related to prior year defaults remained as of March 31, 2023.

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 and outstanding warrants. The number of shares issuable for RSUs subject to performance and service based vesting requirements are only included in diluted shares if the relevant performance measurement period has commenced and results during such period meet the necessary performance criteria.

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 March 31,	
	2023	2022
<i>(In Thousands, except for per share data)</i>		
Net income	\$ 74,458	\$ 67,680
Basic weighted average shares outstanding	83,600	85,953
Basic earnings per share	<u>\$ 0.89</u>	<u>\$ 0.79</u>
Net income	\$ 74,458	\$ 67,680
Gain from change in fair value of warrant liability	—	(93)
Diluted net income	\$ 74,458	\$ 67,587
Basic weighted average shares outstanding	83,600	85,953
Dilutive effect of issuable shares	1,240	1,357
Diluted weighted average shares outstanding	84,840	87,310
Diluted earnings per share	<u>\$ 0.88</u>	<u>\$ 0.77</u>
Anti-dilutive shares	—	8

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 our pre-tax income was 22.6% and 22.0% for the three months ended March 31, 2023 and 2022, 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 months ended March 31, 2023 primarily represents a change in our net deferred tax liability. As of March 31, 2023 and December 31, 2022, we held \$154.4 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 approved a \$125 million share repurchase program (excluding associated costs and applicable taxes) effective through December 31, 2023. The authorization provides us the flexibility to repurchase stock from time to time in the open market or in privately negotiated transactions, based on market and business conditions, stock price and other factors, pursuant to a trading plan under Rule 10b-18 and Rule 10b5-1 of the Exchange Act. During the three months ended March 31, 2023, we repurchased 0.7 million shares at an average price of \$22.19 (excluding associated costs and applicable taxes). During the year ended December 31, 2022, we repurchased 2.9 million shares at an average price of \$19.34 per share (excluding associated costs). As of March 31, 2023, \$53.7 million of repurchase authority remained under the program.

10. Litigation

We record a liability when we believe that it is probable that a loss has been incurred, and the amount can be reasonably estimated. If we determine that a loss is reasonably possible, we disclose an estimate of the possible loss or range of loss. If no estimate can be made, we disclose the matter as such. We evaluate litigation and other legal developments that could affect the amount of liability that may need to be accrued, related reasonably possible losses disclosed and make adjustments as appropriate. Significant judgment is required to determine both the likelihood and the estimated amount of losses related to such matters.

We are currently monitoring litigation regarding the refund of certain mortgage insurance premiums as it pertains to provisions of the Homeowners Protection Act and have been named as a defendant in one such case. We are unable to assess the outcome of such litigation at this time or its potential impact on us.

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. We 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 March 31, 2023 and December 31, 2022.

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 \$2.6 million and \$2.3 million reserve for premium write-offs at March 31, 2023 and December 31, 2022, respectively.

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 \$21.8 million and \$18.6 million for the three months ended March 31, 2023 and 2022, 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.

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

The following table presents NMIC's statutory surplus, contingency reserve, statutory capital and risk-to-capital (RTC) ratio as of March 31, 2023 and December 31, 2022.

	March 31, 2023	December 31, 2022
	<i>(In Thousands)</i>	
Statutory surplus	\$ 998,973	\$ 980,225
Contingency reserve	1,340,443	1,266,038
Statutory capital ⁽¹⁾	\$ 2,339,416	\$ 2,246,263
Risk-to-capital	10.8:1	11.1:1

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

Re One had \$5.6 million of statutory capital at March 31, 2023 and December 31, 2022.

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 \$98.0 million of aggregate ordinary dividends to NMIH during the twelve-month period ending December 31, 2023.

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 2022 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 2022 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-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 March 31, 2023, we had issued master policies with 1,900 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 March 31, 2023, we had \$186.7 billion of primary insurance-in-force (IIF) and \$48.5 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 March 31, 2023, we had 242 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, increasing 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 (BPMI) or the lender (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 March 31, 2023 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 repaid 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 as the underlying insured mortgages are amortized or repaid, and/or the mortgage insurance coverage is canceled (except the coverage provided by Oaktown Re VI Ltd. and Oaktown Re VII Ltd., which decreases over a 12.5-year period). 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 collateral distribution 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). As of March 31, 2023, the 2021-2 ILN Transaction was deemed to be in Lock Out in connection with the initial build of its target credit enhancement level and will remain in Lock Out until such target credit enhancement level is achieved. Effective February 28, 2023, a previously triggered Lock-Out Event for the 2018 ILN Transaction was deemed to have cleared and amortization of the associated reinsurance coverage, and distribution of collateral assets and amortization of the associated insurance-linked notes resumed.

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, current reinsurance coverage amount, current first layer retained aggregate loss and detail on the level of overcollateralization under each outstanding ILN Transaction. Current amounts are presented as of March 31, 2023.

(\$ values in thousands)	2018 ILN Transaction	2019 ILN Transaction	2020-2 ILN Transaction	2021-1 ILN Transaction	2021-2 ILN Transaction
Inception date	July 25, 2018	July 30, 2019	October 29, 2020	April 27, 2021	October 26, 2021
Covered production	1/1/2017 – 5/31/2018	6/1/2018 – 6/30/2019	4/1/2020 – 9/30/2020 (1)	10/1/2020 – 3/31/2021 (2)	4/1/2021 – 9/30/2021 (3)
Current ceded RIF	\$ 811,639	\$ 929,536	\$ 3,236,685	\$ 6,591,872	\$ 6,860,558
Current first layer retained loss	122,166	122,182	121,177	163,654	146,167
Current reinsurance coverage	147,608	191,044	85,011	282,630	363,596
Eligible coverage	\$ 269,774	\$ 313,226	\$ 206,188	\$ 446,284	\$ 509,763
Subordinated coverage (4)	33.24 %	33.70 %	6.25 %	6.75 %	7.43 %
PMIERS charge on ceded RIF	7.86 %	7.74 %	5.00 %	5.65 %	6.77 %
Overcollateralization (5) (6)	\$ 147,608	\$ 191,044	\$ 44,509	\$ 74,062	\$ 45,241
Delinquency Trigger (7)	4.0%	4.0%	4.7 %	5.1 %	5.6 %

- (1) Approximately 1% of the production covered by the 2020-2 ILN Transaction has coverage reporting dates between July 1, 2019 and March 31, 2020.
- (2) Approximately 1% of the production covered by the 2021-1 ILN Transaction has coverage reporting dates between July 1, 2019 and September 30, 2020.
- (3) Approximately 2% of the production covered by the 2021-2 ILN Transaction has coverage reporting dates between July 1, 2019 and March 31, 2021.
- (4) Absent a delinquency trigger, the subordinated coverage is capped at 7.75%, 7.50%, 6.25%, 6.75% and 7.45% for the 2018, 2019, 2020-2, 2021-1 and 2021-2 ILN Transactions, respectively.
- (5) Overcollateralization for each of the 2018 and 2019 ILN Transactions is equal to their current reinsurance coverage as the PMIERS required asset amount on RIF ceded under each transaction is currently below its remaining first layer retained loss.
- (6) May not be replicated based on the rounded figures presented in the table.
- (7) Delinquency triggers for the 2018 and 2019 ILN Transactions are set at a fixed 4.0% and assessed on a discrete monthly basis; delinquency triggers for the 2020-2, 2021-1 and 2021-2 ILN Transactions are equal to seventy-five percent of the subordinated coverage level and assessed on the basis of a three-month rolling average.

Traditional reinsurance

NMIC is a party to four 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, and the 2023-1 XOL Transaction, effective January 1, 2023 – 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 the inception of each respective agreement 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 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, 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 March 31, 2023.

<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	\$283,077	\$133,366	\$133,366
2022-2 XOL Transaction	July 1, 2022	4/1/2022 – 6/30/2022 ⁽³⁾	154,306	152,347	78,906	78,906
2022-3 XOL Transaction	October 1, 2022	7/1/2022 – 9/30/2022	96,779	96,197	106,265	106,265
2023-1 XOL Transaction ⁽⁴⁾	January 1, 2023	10/1/2022 – 6/30/2023	59,509	59,509	94,977	94,977

- (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 2023-1 XOL Transaction will increase as incremental covered production is ceded under the transaction through June 30, 2023.

Quota share reinsurance

NMIC is a party to seven quota share reinsurance treaties – the 2016 QSR Transaction, effective September 1, 2016, the 2018 QSR Transaction, effective January 1, 2018, the 2020 QSR Transaction, effective April 1, 2020, 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 and the 2023 QSR Transaction, effective January 1, 2023 – 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 25% 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, 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.

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 from April 1, 2020 through December 31, 2020, in exchange for reimbursement of ceded claims and claim expenses on covered policies, a 20% 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.

In connection with the 2022 QSR Transaction, NMIC entered into the 2023 QSR Transaction as a springing back-to-back quota share agreement. Under the terms of the 2023 QSR Transactions, NMIC cedes premiums earned related to 20% of the risk on eligible policies written from January 1, 2023 to December 31, 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 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.

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.

Effective April 1, 2019, NMIC elected to terminate its engagement with one reinsurer under the 2016 QSR Transaction on a cut-off basis. In connection with the termination, NMIC recaptured approximately \$500 million of previously ceded primary RIF and stopped ceding new premiums written with respect to the recaptured risk. With this termination, ceded premiums written under the 2016 QSR Transaction decreased from 25% to 20.5% on eligible policies. The termination had no effect on the cession of pool risk under the 2016 QSR Transaction.

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 primary and pool NIW and 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.

	As of and for the three months ended			
	March 31, 2023		March 31, 2022	
	IIF	NIW	IIF	NIW
	(In Millions)			
Monthly	\$ 166,924	\$ 8,550	\$ 139,156	\$ 13,094
Single	19,800	184	19,721	1,071
Primary	186,724	8,734	158,877	14,165
Pool	1,025	—	1,162	—
Total	\$ 187,749	\$ 8,734	\$ 160,039	\$ 14,165

NIW for the three months ended March 31, 2023 was \$8.7 billion compared to \$14.2 billion for the three months ended March 31, 2022. NIW decreased year-on-year primarily due to a decline in the size of the total mortgage insurance market.

Total IIF increased 17% at March 31, 2023 compared to March 31, 2022, primarily due to the NIW generated between such measurement dates, partially offset by the run-off of in-force policies. Our persistency rate improved to 85.1% at March 31, 2023 from 71.5% at March 31, 2022, due to a slowdown in the pace of refinancing activity during the intervening twelve-month period driven by an increase in interest and mortgage note rates.

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

Primary and pool premiums written and earned	For the three months ended			
	March 31, 2023		March 31, 2022	
	<i>(In Thousands)</i>			
Net premiums written	\$	112,976	\$	116,034
Net premiums earned		121,754		116,495

Net premiums written decreased 3% during the three months ended March 31, 2023 compared to the three months ended March 31, 2022, reflecting an increase in total premiums ceded under our reinsurance transactions and a decline in single premium policy production, partially offset by growth in our monthly IIF and monthly pay policy premium receipts.

Net premiums earned during the three months ended March 31, 2023 increased 5% compared to the three months ended March 31, 2022, primarily driven by our NIW production and the growth of our IIF, partially offset by an increase in total premiums ceded under our reinsurance transactions, the run-off of a portion of our prior period monthly policy production and associated premium receipts, and a decline in the contribution from single premium policy cancellations.

Pool premiums written and earned for each of the three months ended March 31, 2023 and 2022 were \$0.3 million before giving effect to the 2016 QSR Transaction, under which all of our written and earned pool premiums are ceded. A portion of our ceded pool premiums written and earned are recouped through profit commission.

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				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
	(\$ Values In Millions, except as noted below)				
New insurance written	\$ 8,734	\$ 10,719	\$ 17,239	\$ 16,611	\$ 14,165
Percentage of monthly premium	98 %	98 %	97 %	94 %	92 %
Percentage of single premium	2 %	2 %	3 %	6 %	8 %
New risk written	\$ 2,258	\$ 2,797	\$ 4,616	\$ 4,386	\$ 3,721
Insurance-in-force ⁽¹⁾	\$ 186,724	\$ 183,968	\$ 179,173	\$ 168,639	\$ 158,877
Percentage of monthly premium	89 %	89 %	89 %	88 %	88 %
Percentage of single premium	11 %	11 %	11 %	12 %	12 %
Risk-in-force ⁽¹⁾	\$ 48,494	\$ 47,648	\$ 46,259	\$ 43,260	\$ 40,522
Policies in force (count) ⁽¹⁾	600,294	594,142	580,525	551,543	526,976
Average loan size (\$ value in thousands) ⁽¹⁾	\$ 311	\$ 310	\$ 309	\$ 306	\$ 301
Coverage percentage ⁽²⁾	26.0 %	25.9 %	25.8 %	25.7 %	25.5 %
Loans in default (count) ⁽¹⁾	4,475	4,449	4,096	4,271	5,238
Default rate ⁽¹⁾	0.75 %	0.75 %	0.71 %	0.77 %	0.99 %
Risk-in-force on defaulted loans ⁽¹⁾	\$ 337	\$ 323	\$ 284	\$ 295	\$ 362
Net premium yield ⁽³⁾	0.26 %	0.26 %	0.27 %	0.30 %	0.30 %
Earnings from cancellations	\$ 1.4	\$ 1.5	\$ 1.8	\$ 2.2	\$ 2.9
Annual persistency ⁽⁴⁾	85.1 %	83.5 %	80.1 %	76.0 %	71.5 %
Quarterly run-off ⁽⁵⁾	3.2 %	3.3 %	4.0 %	4.3 %	5.0 %

(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	
	March 31, 2023	March 31, 2022
	(In Millions)	
IIF, beginning of period	\$ 183,968	\$ 152,343
NIW	8,734	14,165
Cancellations, principal repayments and other reductions	(5,978)	(7,631)
IIF, end of period	\$ 186,724	\$ 158,877

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 repayments), 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 March 31, 2023		As of March 31, 2022	
	IIF	RIF	IIF	RIF
	<i>(In Millions)</i>			
March 31, 2023	\$ 8,674	\$ 2,243	\$ —	\$ —
2022	55,664	14,730	14,076	3,699
2021	70,771	18,195	78,955	20,058
2020	32,679	8,403	41,311	10,431
2019	8,798	2,324	11,102	2,910
2018 and before	10,138	2,599	13,433	3,424
Total	\$ 186,724	\$ 48,494	\$ 158,877	\$ 40,522

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	
	March 31, 2023	March 31, 2022
	<i>(In Millions)</i>	
>= 760	\$ 5,251	\$ 6,372
740-759	1,514	2,388
720-739	1,107	1,937
700-719	456	1,639
680-699	342	1,244
<=679	64	585
Total	\$ 8,734	\$ 14,165
Weighted average FICO	762	748

Primary NIW by LTV	For the three months ended	
	March 31, 2023	March 31, 2022
	<i>(In Millions)</i>	
95.01% and above	\$ 358	\$ 1,366
90.01% to 95.00%	4,085	7,055
85.01% to 90.00%	3,234	3,868
85.00% and below	1,057	1,876
Total	\$ 8,734	\$ 14,165
Weighted average LTV	91.6 %	92.1 %

Primary NIW by purchase/refinance mix

	For the three months ended	
	March 31, 2023	March 31, 2022
	<i>(In Millions)</i>	
Purchase	\$ 8,494	\$ 13,398
Refinance	240	767
Total	\$ 8,734	\$ 14,165

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			
	March 31, 2023		March 31, 2022	
	<i>(\$ Values In Millions)</i>			
>= 760	\$ 91,623	49 %	\$ 79,141	50 %
740-759	33,156	18	27,406	17
720-739	26,233	14	22,176	14
700-719	18,203	10	15,236	10
680-699	12,502	6	10,347	6
<=679	5,007	3	4,571	3
Total	\$ 186,724	100 %	\$ 158,877	100 %

Primary RIF by FICO

	As of			
	March 31, 2023		March 31, 2022	
	<i>(\$ Values In Millions)</i>			
>= 760	\$ 23,472	48 %	\$ 19,883	49 %
740-759	8,692	18	7,054	17
720-739	6,903	14	5,735	14
700-719	4,847	10	4,010	10
680-699	3,311	7	2,706	7
<=679	1,269	3	1,134	3
Total	\$ 48,494	100 %	\$ 40,522	100 %

Primary IIF by LTV

	As of			
	March 31, 2023		March 31, 2022	
	<i>(\$ Values In Millions)</i>			
95.01% and above	\$ 17,583	9 %	\$ 14,918	9 %
90.01% to 95.00%	89,125	48	72,381	46
85.01% to 90.00%	56,425	30	48,406	30
85.00% and below	23,591	13	23,172	15
Total	\$ 186,724	100 %	\$ 158,877	100 %

Primary RIF by LTV

	As of			
	March 31, 2023		March 31, 2022	
	(\$ Values In Millions)			
95.01% and above	\$ 5,413	11 %	\$ 4,527	11 %
90.01% to 95.00%	26,326	54	21,358	53
85.01% to 90.00%	13,937	29	11,895	29
85.00% and below	2,818	6	2,742	7
Total	\$ 48,494	100 %	\$ 40,522	100 %

Primary RIF by Loan Type

	As of	
	March 31, 2023	March 31, 2022
	Fixed	98 %
Adjustable rate mortgages:		
Less than five years	—	—
Five years and longer	2	1
Total	100 %	100 %

The table below presents selected primary portfolio statistics, by book year, as of March 31, 2023.

Book Year	As of March 31, 2023									
	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⁾
	(\$ Values In Millions)									
2014 and prior	\$ 3,613	\$ 198	5 %	15,441	1,248	22	53	3.8 %	0.5 %	1.8 %
2015	12,422	1,158	9 %	52,548	6,488	119	129	2.6 %	0.5 %	1.8 %
2016	21,187	2,447	12 %	83,626	12,851	259	148	2.0 %	0.5 %	2.0 %
2017	21,582	2,930	14 %	85,897	15,691	422	122	2.7 %	0.6 %	2.7 %
2018	27,295	3,405	12 %	104,043	17,572	558	111	4.1 %	0.6 %	3.2 %
2019	45,141	8,798	19 %	148,423	37,100	595	35	4.1 %	0.4 %	1.6 %
2020	62,702	32,679	52 %	186,174	107,371	589	7	2.5 %	0.3 %	0.5 %
2021	85,574	70,771	83 %	257,972	222,036	1,339	4	6.2 %	0.5 %	0.6 %
2022	58,734	55,664	95 %	163,281	156,817	572	—	19.3 %	0.4 %	0.4 %
2023	8,734	8,674	99 %	23,250	23,120	—	—	— %	— %	— %
Total	\$ 346,984	\$ 186,724		1,120,655	600,294	4,475	609			

(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 March 31, 2023 is not necessarily representative of the geographic distribution we expect in the future.

Top 10 primary RIF by state	As of	
	March 31, 2023	March 31, 2022
California	10.5 %	10.8 %
Texas	8.8	9.5
Florida	8.0	8.4
Georgia	4.1	3.9
Virginia	4.1	4.5
Washington	4.0	3.7
Illinois	3.9	3.8
Colorado	3.5	3.7
Pennsylvania	3.4	3.3
Maryland	3.3	3.6
Total	53.6 %	55.2 %

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 of each transaction. Our pool insurance agreement with Fannie Mae contains a claim deductible through which Fannie Mae absorbs specified losses before we are obligated to pay any claims. We have not established any claims or claim expense reserves for pool exposure to date.

Our reserve setting process considers the beneficial impact of forbearance, foreclosure moratorium and other assistance programs available to defaulted borrowers. We generally observe that forbearance 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. The effectiveness of forbearance programs is enhanced by the availability of various repayment and loan modification options which allow borrowers to amortize or, in certain instances, outright defer payments otherwise due during the forbearance period over an extended length of time.

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. We generally observe that forbearance, repayment and modification, and other assistance programs aid affected borrowers and drive higher cure rates on defaults than would otherwise be expected on similarly situated loans that did not benefit from broad-based assistance programs.

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 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.

Emerging 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 (benefits):

	For the three months ended	
	March 31, 2023	March 31, 2022
	<i>(In Thousands)</i>	
Beginning balance	\$ 99,836	\$ 103,551
Less reinsurance recoverables ⁽¹⁾	(21,587)	(20,320)
Beginning balance, net of reinsurance recoverables	<u>78,249</u>	<u>83,231</u>
Add claims incurred:		
Claims and claim expenses (benefits) incurred:		
Current year ⁽²⁾	27,608	10,080
Prior years ⁽³⁾	(20,907)	(10,699)
Total claims and claim expenses (benefits) incurred	<u>6,701</u>	<u>(619)</u>
Less claims paid:		
Claims and claim expenses paid:		
Current year ⁽²⁾	—	—
Prior years ⁽³⁾	272	320
Total claims and claim expenses paid	<u>272</u>	<u>320</u>
Reserve at end of period, net of reinsurance recoverables	84,678	82,292
Add reinsurance recoverables ⁽¹⁾	23,479	20,080
Ending balance	<u>\$ 108,157</u>	<u>\$ 102,372</u>

(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 \$22.3 million attributed to net case reserves and \$4.9 million attributed to net IBNR reserves for the three months ended March 31, 2023 and \$5.2 million attributed to net case reserves and \$4.7 million attributed to net IBNR reserves for the three months ended March 31, 2022.

- (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 \$16.2 million attributed to net case reserves and \$4.5 million attributed to net IBNR reserves for the three months ended March 31, 2023 and \$5.8 million attributed to net case reserves and \$4.7 million attributed to net IBNR reserves for the three months ended March 31, 2022.

The "claims incurred" section of the table above shows claims and claim expenses (benefits) 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 \$72.7 million related to prior year defaults remained as of March 31, 2023.

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

	For the three months ended	
	March 31, 2023	March 31, 2022
Beginning default inventory	4,449	6,227
Plus: new defaults	1,558	1,163
Less: cures	(1,507)	(2,132)
Less: claims paid	(21)	(19)
Less: rescission and claims denied	(4)	(1)
Ending default inventory	4,475	5,238

Ending default inventory declined from March 31, 2022 to March 31, 2023, as borrowers initially impacted by the COVID-19 pandemic continued to cure their delinquencies, and contributed to total cure experience that exceeded the number of new defaults that emerged during the intervening period. New default experience increased during the three months ended March 31, 2023 compared to the three months ended March 31, 2022, primarily due to the growth and natural seasoning of our insured portfolio.

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	
	March 31, 2023	March 31, 2022
	<i>(\$ Values In Thousands)</i>	
Number of claims paid ⁽¹⁾	21	19
Total amount paid for claims	\$ 344	\$ 402
Average amount paid per claim	\$ 16	\$ 21
Severity ⁽²⁾	39 %	39 %

(1) Count includes seven and six claims settled without payment during the three months ended March 31, 2023 and 2022, 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 21 and 19 claims during the three months ended March 31, 2023 and 2022, respectively. The number of claims paid was modest relative to the size of our insured portfolio and number of defaulted loans we reported in each period, primarily due to the forbearance program and foreclosure moratorium implemented by the GSEs in response to the COVID-19 pandemic and codified under the CARES Act. Such forbearance and foreclosure programs remain available and may ultimately interrupt, the timeline over which loans would otherwise progress through the default cycle to a paid claim. Our claims paid experience for the three months ended March 31, 2023 and 2022, further benefited from broad national house price appreciation observed through June 2022. 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. Although national house prices have contracted from their peak, the scale of decline has been modest relative to the quantum of previous gains, and many borrowers still retain significant net price gains and appreciated equity in their homes.

Our claims severity for each of the three months ended March 31, 2023 and 2022 was 39%. Claims severity for the three months ended March 31, 2023 and 2022 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 by developing economic cycles 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 March 31, 2023		As of March 31, 2022	
	<i>(In Thousands)</i>			
Case ⁽¹⁾	\$	22.4	\$	18.0
IBNR ⁽¹⁾⁽²⁾		1.8		1.5
Total	\$	24.2	\$	19.5

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

(2) Amount includes claims adjustment expenses.

Average reserve per default increased from March 31, 2022 to March 31, 2023, primarily due to an incrementally conservative set of assumptions about future macroeconomic and housing market conditions compared to those assumed at March 31, 2022. The increased average reserve per default at March 31, 2023 also reflects the “aging” of COVID-related defaults. While we initially established lower reserves for defaults that we considered to be connected to the COVID-19 pandemic given our expectation that forbearance, repayment and modification, and other assistance programs would aid affected borrowers and drive higher cure rates on such defaults than we would otherwise expect to experience on similarly situated loans that did not benefit from broad-based assistance programs, we have increased such reserves over time as individual defaults remain outstanding or “age.”

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*, and the *risk-based required asset amount* for pool insurance considers both factors in the PMIERS tables and the *net remaining stop loss* for each pool insurance policy.

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, 2023 that NMIC was in full compliance with the PMIERS as of December 31, 2022. 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 *risk-based required asset amount* as reported by NMIC as of the dates indicated:

	As of	
	March 31, 2023	March 31, 2022
	(In Thousands)	
Available assets	\$ 2,480,882	\$ 2,127,030
Risk-based required assets	1,231,780	1,341,217

Available assets were \$2.5 billion at March 31, 2023, compared to \$2.1 billion at March 31, 2022. The \$354 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 April 2022.

The decrease in the *risk-based required asset amount* between the dates presented was primarily due to an increase in the risk ceded under our third-party reinsurance agreements, partially offset by the growth in our gross RIF and aggregate gross-risk based required asset amount.

Competition

The MI industry is highly competitive and currently consists of six private mortgage insurers, including NMIC, as well as government MIs such as the FHA, USDA or VA. Private MI companies compete based on service, customer relationships, underwriting and other factors, including price, credit risk tolerance and IT capabilities. We expect the private MI market to remain competitive, with pressure for industry participants to maintain or grow their market share.

The private MI industry overall competes more broadly with government MIs who significantly increased their share in the MI market following the 2008 Financial Crisis. Although there has been broad policy consensus toward the need for increasing private capital participation and decreasing government exposure to credit risk in the U.S. housing finance system, it remains difficult to predict whether the combined market share of government MIs will recede to pre-2008 levels. A range of factors influence a lender's and borrower's decision to choose private over government MI, including among others, premium rates and other charges, loan eligibility requirements, the cancelability of private coverage, loan size limits and the relative ease of use of private MI products compared to government MI alternatives.

LIBOR Transition

On March 5, 2021, ICE Benchmark Administration Limited (IBA), the administrator for LIBOR, confirmed it would permanently cease the publication of overnight, one-month, three-month, six-month and twelve-month USD LIBOR settings in their current form after June 30, 2023. The U.K. Financial Conduct Authority, the regulator of IBA, announced on the same day that it intends to stop requiring panel banks to continue to submit to LIBOR and all USD LIBOR settings in their current form will either cease to be provided by any administrator or no longer be representative after June 30, 2023. We have exposure to USD LIBOR-based financial instruments, such as LIBOR-based securities held in our investment portfolio and certain ILN Transactions that require LIBOR-based payments. We reviewed our LIBOR-based contracts and each contains provisions that dictate a transition to an alternative reference rate at the time of the discontinuance of LIBOR. We will continue to monitor the impact of the phase out of LIBOR; however, we do not expect the transition will have a material impact on our operations or financial results.

Consolidated Results of Operations

Consolidated statements of operations

	Three months ended	
	March 31, 2023	March 31, 2022
	(\$ In Thousands, except for per share data)	
Revenues		
Net premiums earned	\$ 121,754	\$ 116,495
Net investment income	14,894	10,199
Net realized investment (losses) gains	(33)	408
Other revenues	164	339
Total revenues	136,779	127,441
Expenses		
Insurance claims and claim expenses (benefits)	6,701	(619)
Underwriting and operating expenses	25,786	32,935
Service expenses	80	430
Interest expense	8,039	8,041
Gain from change in fair value of warrant liability	—	(93)
Total expenses	40,606	40,694
Income before income taxes	96,173	86,747
Income tax expense	21,715	19,067
Net income	\$ 74,458	\$ 67,680
Earnings per share - Basic	\$ 0.89	\$ 0.79
Earnings per share - Diluted	\$ 0.88	\$ 0.77
Loss ratio ⁽¹⁾	5.5 %	(0.5)%
Expense ratio ⁽²⁾	21.2 %	28.3 %
Combined ratio ⁽³⁾	26.7 %	27.7 %

Non-GAAP financial measures ⁽⁴⁾	Three months ended	
	March 31, 2023	March 31, 2022
	(\$ In Thousands, except for per share data)	
Adjusted income before tax	\$ 96,206	\$ 86,506
Adjusted net income	74,484	67,470
Adjusted diluted EPS	0.88	0.77

(1) Loss ratio is calculated by dividing insurance claims and claim expenses (benefits) 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 \$121.8 million for the three months ended March 31, 2023, compared to \$116.5 million for the three months ended March 31, 2022. The increase in net premiums earned was primarily driven by our NIW production and the growth of our IIF, partially offset by an increase in total premiums ceded under our reinsurance transactions, the run-off of a portion of our prior period monthly policy production and associated premium receipts, and a decline in the contribution from single premium policy cancellations.

Net investment income was \$14.9 million for the three months ended March 31, 2023, compared to \$10.2 million for the three months ended March 31, 2022. The increase in net investment income was primarily driven by an increase in the book yield of the investment portfolio tied to the deployment of new cash flows and reinvestment of rolling maturities at incrementally higher rates, as well as the growth in the size of our total invested asset base.

Other revenues were \$0.2 million for the three months ended March 31, 2023, compared to \$0.3 million for the three months ended March 31, 2022. Other revenues represent underwriting fee revenue generated by our subsidiary, NMIS, which provides outsourced loan review services to mortgage loan originators. The decrease in other revenues reflects a decline 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 \$6.7 million for the three months ended March 31, 2023, compared to insurance claims and claim benefits of \$0.6 million for the three months ended March 31, 2022. The increase in insurance claims and claim expenses was primarily driven by the establishment of initial reserves on newly defaulted loans during the three months ended March 31, 2023, as well as an increase in the average case reserve held against previously defaulted loans that have aged in their delinquency status, and 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.

Underwriting and operating expenses were \$25.8 million for the three months ended March 31, 2023, compared to \$32.9 million for the three months ended March 31, 2022. The decrease in underwriting and operating expenses reflects an increase in ceding commissions received upon the introduction of the 2022 Seasoned QSR Transaction effective July 1, 2022, a step-down in technology costs related to our agreement with Tata Consultancy Services (TCS) and a decrease in employee compensation costs, partially offset by an increase in travel and entertainment expenses tied to the easing of COVID-19 related restrictions. Underwriting and operating expenses for the year ended March 31, 2023 further reflect a benefit related to the recognition of our deferred policy acquisition costs, which slowed in connection with the increased persistency of our IIF.

Service expenses were \$0.1 million for the three months ended March 31, 2023, compared to \$0.4 million for the three months ended March 31, 2022. Service expenses represent third-party costs incurred by NMIS in connection with the services it provides. The decline in service expenses was driven by a decrease in NMIS' outsourced loan review volume and a negotiated decrease in the cost of services procured from third-party providers. Amounts incurred as service expenses generally correspond with amounts recognized in other revenues in the same periods.

Interest expense was \$8.0 million for each of the three months ended March 31, 2023 and 2022. Interest expense primarily reflects the carrying costs of the Notes. See Item 1, "*Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 4, Debt.*"

Income tax expense was \$21.7 million for the three months ended March 31, 2023, compared to \$19.1 million for the three months ended March 31, 2022. The increase in income tax expense was primarily driven by growth in our pre-tax income. Our effective tax rate on pre-tax income was 22.6% for the three months ended March 31, 2023 compared to 22.0% for the three months ended March 31, 2022. 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 months ended March 31, 2023 and 2022 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 \$74.5 million for the three months ended March 31, 2023, compared to \$67.7 million for the three months ended March 31, 2022 and adjusted net income was \$74.5 million for the three months ended March 31, 2023, compared to \$67.5 million for the three months ended March 31, 2022. The increases in net income and adjusted net income were primarily driven by growth in our total revenues, as well as a decline in our underwriting and operating expenses, partially offset by increases in our insurance claims and claim expenses and income tax expense.

Diluted EPS and adjusted diluted EPS were \$0.88 for the three months ended March 31, 2023, compared to diluted EPS and adjusted diluted EPS of \$0.77 for the three months ended March 31, 2022. Diluted and adjusted diluted EPS increased 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 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 March 31,	
	2023	2022
(\$ In Thousands, except for per share data)		
As reported		
Income before income taxes	\$ 96,173	\$ 86,747
Income tax expense	21,715	19,067
Net income	\$ 74,458	\$ 67,680
Adjustments		
Net realized investment losses (gains)	33	(408)
Gain from change in fair value warrant liability	—	(93)
Capital market transaction costs	—	260
Adjusted income before tax	96,206	86,506
Income tax expense (benefit) on adjustments ⁽¹⁾	7	(31)
Adjusted net income	\$ 74,484	\$ 67,470
Weighted average diluted shares outstanding	84,840	87,310
Adjusted diluted EPS	\$ 0.88	\$ 0.77

(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 the gain or loss related to the change in fair value of our warrant liability, periodic costs incurred in connection with capital markets transactions, net realized gains or losses from our investment portfolio, 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 the gain or loss related to the change in fair value of our warrant liability, periodic costs incurred in connection with capital markets transactions, net realized gains or losses from our investment portfolio, 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.

- *Change in fair value of warrant liability.* Outstanding warrants at the end of each reporting period are revalued, and any change in fair value is reported in the statement of operations in the period in which the change occurred. The change in fair value of our warrant liability can vary significantly across periods and is influenced principally by equity market and general economic factors that do not impact or reflect our current period operating results. Furthermore, all unexercised warrants expired in April 2022 and, as such, no change in fair value will be recognized in future reporting periods thereafter. We believe trends in our operating performance can be more clearly identified by excluding fluctuations related to the change in fair value of our warrant liability.
- *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.
- *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.
- *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	March 31, 2023		December 31, 2022	
	(In Thousands)			
Total investment portfolio	\$	2,171,766	\$	2,099,389
Cash and cash equivalents		83,104		44,426
Premiums receivable		70,198		69,680
Deferred policy acquisition costs, net		59,921		58,564
Software and equipment, net		31,830		31,930
Reinsurance recoverable		23,479		21,587
Prepaid federal income tax		154,409		154,409
Other assets		39,069		36,045
Total assets	\$	2,633,776	\$	2,516,030
Debt	\$	396,426	\$	396,051
Unearned premiums		114,064		123,035
Accounts payable and accrued expenses		70,341		74,576
Reserve for insurance claims and claim expenses		108,157		99,836
Reinsurance funds withheld		2,313		2,674
Deferred tax liability, net		223,368		193,859
Other liabilities		12,396		12,272
Total liabilities		927,065		902,303
Total shareholders' equity		1,706,711		1,613,727
Total liabilities and shareholders' equity	\$	2,633,776	\$	2,516,030

Total cash and investments were \$2.3 billion as of March 31, 2023, compared to \$2.1 billion as of December 31, 2022. Cash and investments at March 31, 2023 included \$65.7 million held by NMIH. The increase in total cash and investments reflects the addition of incremental cash provided by operating activities, as well as a decrease in the unrealized loss position of our fixed income portfolio partially offset by share repurchase activity during the three months ended March 31, 2023.

Premiums receivable was \$70.2 million as of March 31, 2023, compared to \$69.7 million as of December 31, 2022. The increase was primarily driven by growth in our monthly premium policies in force, where premiums are generally paid one month in arrears.

Net deferred policy acquisition costs were \$59.9 million as of March 31, 2023, compared to \$58.6 million as of December 31, 2022. The increase was primarily driven by the deferral of certain costs associated with the origination of new policies between the respective balance sheet dates, partially offset by the recognition of previously deferred policy acquisition costs.

Reinsurance recoverable was \$23.5 million as of March 31, 2023, compared to \$21.6 million as of December 31, 2022. The increase was driven by an increase in ceded losses recoverable under our QSR Transactions.

Prepaid federal income tax was \$154.4 million as of both March 31, 2023 and December 31, 2022. Prepaid federal income tax represents 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 \$39.1 million as of March 31, 2023, compared to \$36.0 million as of December 31, 2022. The increase was primarily driven by increases in our accrued investment income and prepaid expenses.

Unearned premiums were \$114.1 million as of March 31, 2023, compared to \$123.0 million as of December 31, 2022. 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 three months ended March 31, 2023.

Accounts payable and accrued expenses were \$70.3 million as of March 31, 2023, compared to \$74.6 million as of December 31, 2022. The decrease was primarily driven by the settlement of previously accrued payroll, bonuses and certain contractual payables during the three months ended March 31, 2023, partially offset by an increase in accrued and unpaid interest on the Notes which is payable semi-annually in June and December, as well as an increase in reinsurance premiums payable.

Reserve for insurance claims and claim expenses was \$108.2 million as of March 31, 2023, compared to \$99.8 million as of December 31, 2022. The increase was primarily driven by the establishment of initial reserves on newly defaulted loans during the three months ended March 31, 2023, as well as an increase in the average case reserve held against previously defaulted loans that have aged in their delinquency 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. See "*Insurance Claims and Claim Expenses,*" above for further details.

Reinsurance funds withheld, which represents our ceded reinsurance premiums written, less our profit and ceding commission receivables related to the 2016 QSR Transaction was \$2.3 million as of March 31, 2023, compared to \$2.7 million as of December 31, 2022. The decrease relates to the continued decline in ceded premiums written on single premium policies, due to the end of the reinsurance coverage period for new business under the 2016 QSR Transaction at December 31, 2017. See Item 1, "*Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 5, Reinsurance.*"

Net deferred tax liability was \$223.4 million as of March 31, 2023, compared to \$193.9 million as of December 31, 2022. The increase was primarily due to an increase in the claimed deductibility of our statutory contingency reserve and the decrease 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 three months ended March 31,	
	2023	2022
Net cash provided by (used in):	<i>(In Thousands)</i>	
Operating activities	\$ 89,835	\$ 80,310
Investing activities	(33,751)	(21,370)
Financing activities	(17,406)	(4,680)
Net increase in cash and cash equivalents	<u>\$ 38,678</u>	<u>\$ 54,260</u>

Net cash provided by operating activities was \$89.8 million for the three months ended March 31, 2023, compared to \$80.3 million for the three months ended March 31, 2022. Cash provided by operating activities increased during the three months ended March 31, 2023, primarily due to a decline in short-term employee incentive payments and a reduction in technology service costs paid under our long-term IT services agreement with TCS, partially offset by a decline in net premiums written tied to a decrease in single premium policy production and an increase in ceded premiums written under our reinsurance agreements.

Cash used in investing activities for the three months ended March 31, 2023 and 2022 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 \$17.4 million for the three months ended March 31, 2023, compared to \$4.7 million for the three months ended March 31, 2022. Cash used in financing activities primarily relates to the repurchase of common stock.

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 Notes and 2021 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 March 31, 2023, NMIH had \$65.7 million of cash and investments. NMIH's principal sources of net cash are dividends from its subsidiaries and investment income. NMIC has the capacity to pay aggregate ordinary dividends of \$98.0 million to NMIH during the twelve-month period ending December 31, 2023. NMIH also has access to \$250 million of undrawn revolving credit capacity under the 2021 Revolving Credit Facility. See Item 1, "Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 4, Debt."

On February 10, 2022, our Board of Directors approved a \$125 million share repurchase program (excluding associated costs and applicable taxes) through December 31, 2023, that enables the company to repurchase its common stock. The authorization provides NMIH the flexibility to repurchase stock from time to time in the open market or in privately negotiated transactions, based on market and business conditions, stock price and other factors. During the three months ended March 31, 2023, NMIH repurchased 0.7 million shares of common stock pursuant to a trading plan under Rule 10b-18 of the Exchange Act, at a total cost of \$14.9 million, including associated costs and applicable taxes. As of March 31, 2023, \$53.7 million of repurchase authority remained available under the program.

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 Notes and the 2021 Revolving Credit Facility to NMIC to the extent proceeds from such offering and facility are distributed 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 Notes mature on June 1, 2025 and bear interest at a rate of 7.375%, payable semi-annually on June 1 and December 1. The 2021 Revolving Credit Facility matures on the earlier of (x) November 29, 2025 or (y) if any existing senior secured notes remain outstanding on such date, February 28, 2025, and accrues interest at a variable rate equal to, at our discretion, (i) a Base Rate (as defined in the 2021 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 2021 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 2021 Revolving Credit Facility may be used for general corporate purposes, including to support the growth of our new business production and operations.

Under the 2021 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 March 31, 2023, the applicable commitment fee was 0.30%.

We are subject to certain covenants under the 2021 Revolving Credit Facility, including: a maximum debt-to-total capitalization ratio of 35%, a requirement to maintain compliance with the PMIERS financial requirements (subject to any GSE approved waivers), and minimum consolidated net worth and statutory capital requirements (respectively, as defined therein). We were in compliance with all covenants at March 31, 2023.

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 the GSEs. Under Wisconsin law, 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. NMIC has the capacity to pay aggregate ordinary dividends of \$98.0 million to NMIH during the twelve-month period ending December 31, 2023.

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 March 31, 2023, NMIC reported \$2,481 million available assets against \$1,232 million risk-based required assets for a \$1,249 million "excess" funding position.

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 FEMA 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 permanent 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 March 31, 2023, NMIC's performing primary RIF, net of reinsurance, was approximately \$25.2 billion. NMIC ceded 100% of its pool RIF pursuant to the 2016 QSR Transaction. Based on NMIC's total statutory capital of \$2.3 billion (including contingency reserves) as of March 31, 2023, NMIC's RTC ratio was 10.8:1. 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 March 31, 2023, NMIC had \$2.2 billion of cash and investments, including \$58.3 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 March 31, 2023, NMIC generated \$295 million of cash flow from operations and received an additional \$266 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 that develops along an unscheduled path is claims payments. Given the breadth and duration of forbearance programs available to borrowers, separate foreclosure moratoriums that remain available, and the general duration of the default to foreclosure to claim cycle, 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 "Baa1" by Moody's and "BBB" by S&P. NMIH's Notes are rated "Ba1" by Moody's and its long-term counter-party credit profile is rated "BB" by S&P. The outlook for all ratings provided by Moody's and S&P's 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 March 31, 2023, the fair value of our investment portfolio was \$2.2 billion and we held an additional \$83.1 million of cash and cash equivalents. Pre-tax book yield on the investment portfolio for the three months ended March 31, 2023 was 2.5%. 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	March 31, 2023	December 31, 2022
Corporate debt securities	60 %	60 %
Municipal debt securities	25	23
Cash, cash equivalents, and short-term investments	8	10
U.S. Treasury securities and obligations of U.S. government agencies	4	4
Asset-backed securities	3	3
Total	100 %	100 %

Investment portfolio ratings at fair value ⁽¹⁾	March 31, 2023	December 31, 2022
AAA	13 %	19 %
AA ⁽²⁾	27	25
A ⁽²⁾	46	41
BBB ⁽²⁾	14	15
BB ⁽³⁾	—	—
Total	100 %	100 %

(1) Excluding certain operating cash accounts.

(2) Includes +/- ratings.

(3) We held one security with a BB+ rating at March 31, 2023 and December 31, 2022, 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 March 31, 2023 or December 31, 2022, and we did not record any provision for credit loss for investment securities during the three months ended March 31, 2023 or 2022.

As of March 31, 2023, the investment portfolio had gross unrealized losses of \$215.8 million, of which \$209.2 million had been in an unrealized loss position for a period of twelve months or longer. As of December 31, 2022, the investment portfolio had gross unrealized losses of \$254.7 million, of which \$218.5 million had been in an unrealized loss position for a period of twelve months or longer.

The decrease in the aggregate size of the unrealized loss position as of March 31, 2023, was primarily driven by fluctuations in interest rates and, to a lesser extent, movements in credit spreads since December 31, 2022. We evaluated the securities in an unrealized loss position as of March 31, 2023, assessing their credit ratings as well as any adverse conditions specifically related to the security. Based upon our estimate 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 March 31, 2023 are not indicative of the ultimate collectability of the current amortized cost of the 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 2022 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 Eurodollar 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) 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 March 31, 2023 and December 31, 2022 was \$2.2 billion and \$2.1 billion, respectively, all of which were 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 March 31, 2023, the duration of our fixed income portfolio, including cash and cash equivalents, was 3.90 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 3.90% in fair value of our fixed income portfolio. Excluding cash, our fixed income portfolio duration was 4.00 years, which means that an instantaneous parallel shift (movement up or down) in the yield curve of 100 basis points would result in a change of 4.00% in fair value of our fixed income portfolio.

We are also subject to market risk related to the 2021 Revolving Credit Facility and the ILN Transactions. As discussed in Item 1, "*Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 4, Debt*" the 2021 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 balances.

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 LIBOR or 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 LIBOR or 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 March 31, 2023, 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 March 31, 2023, 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.

We have been named as a defendant in one litigation case that involves refunds of mortgage insurance premiums under the Homeowners Protection Act. We currently are unable to assess the outcome of this litigation nor whether this litigation may become material over time. 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 2022 10-K. As of the date of this report, other than as included below, we are not aware of any material changes in our risk factors from the risk factors disclosed in our 2022 10-K. You should carefully consider the risks and uncertainties described herein and in our 2022 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 2022 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.

The recent SEC proposal on conflicted transactions could materially adversely affect our business, results of operations and financial condition.

The SEC issued a proposed rule in January 2023 that, among other things, prohibits certain participants in an asset-backed security, including a synthetic asset-backed security (synthetic ABS), from engaging in transactions that would involve or result in any material conflict of interest with respect to any investor in a transaction arising out of such activity (conflicted transaction). The definition of conflicted transactions is broadly defined and synthetic ABS could be broadly interpreted to include ILN Transactions. If this SEC proposal is adopted as proposed, it could affect or prohibit our ability to enter into credit risk transfer transactions using ILN Transactions. We are still assessing the potential impact of the rule on our credit risk transfer transactions if the rule is adopted as proposed.

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 March 31, 2023.

<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:				
1/1/2023 to 1/31/2023	—	\$ —	—	\$ 68,483
2/1/2023 to 2/28/2023	—	—	—	68,483
3/1/2023 to 3/31/2023	666,420	22.19	666,420	53,697
Total	666,420	\$ 22.19	666,420	

- (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. As of March 31, 2023, \$53.7 million of repurchase authority remained available under the program. See Part I, Item 1, "Financial Statements - Notes to Condensed Consolidated Financial Statements - Note 9, Shareholder's Equity," for additional information.

Item 6. Exhibits

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to our Form S-1 Registration Statement (Registration No. 333-191635), filed on October 9, 2013)
3.2	Fourth Amended and Restated By-Laws (incorporated herein by reference to Exhibit 3.2 to our Form 8-K, filed on November 10, 2022)
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	Description of Securities (incorporated by reference to Exhibit 4.8 to our Form 10-8, filed on February 16, 2022)
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 Restricted Stock Unit Award Agreement (For Management) (Other than CEO and CFO) (incorporated herein by reference to Exhibit 10.3 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 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)
10.4 ~	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)
10.5 ~	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)
10.6 ~	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)
10.7 ~	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)
10.8 ~	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Restricted Stock Unit Award Agreement (For Independent Directors) (incorporated herein by reference to Exhibit 10.30 to our Form 10-Q, filed on May 2, 2019)
10.9 ~	Form of NMI Holdings, Inc. 2012 Stock Incentive Plan Restricted Stock Unit Award Agreement (For Employees) (incorporated herein by reference to Exhibit 10.31 to our Form 10-Q, filed on May 2, 2019)
10.10 ~	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)
10.11 ~	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)
10.12 ~	Form of NMI Holdings, Inc. Amended and Restated 2014 Omnibus Incentive Plan Restricted Stock Unit Award Agreement (For CEO) (incorporated herein by reference to Exhibit 10.19 to our Form 10-Q filed on August 1, 2017)
10.13 ~	Form of NMI Holdings, Inc. Amended and Restated 2014 Omnibus Incentive Plan Restricted Stock Unit Award Agreement (For Executive Officers) (incorporated herein by reference to Exhibit 10.20 to our Form 10-Q filed on August 1, 2017)
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 10.21 to our Form 10-Q filed on August 1, 2017)
10.15 ~	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 10.22 to our Form 10-Q filed on August 1, 2017)
10.16 ~	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)

- 10.17 ~ [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)
- 10.18 ~ [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)
- 10.19 ~ [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)
- 10.20 ~ [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)
- 10.21 ~ [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)
- 10.22 ~ [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)
- 10.23 ~ [NMI Holdings, Inc. Severance Benefit Plan](#) (incorporated herein by reference to Exhibit 10.1 to our Form 8-K, filed on February 17, 2016)
- 10.24 ~ [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)
- 10.25 ~ [NMI Holdings, Inc. Clawback Policy](#) (incorporated herein by reference to Exhibit 10.2 to our Form 8-K, filed on February 23, 2017)
- 10.26 ~ [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)
- 10.27 ~ [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)
- 10.28 ~ [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)
- 10.29 ~ [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)
- 10.30 + [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)
- 10.31 [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)
- 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)
- 22.1 [Guaranteed Securities by Subsidiary Guarantor](#) (incorporated herein by reference to Exhibit 22.1 to our Form 10-K, filed on February 16, 2022)
- 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](#)
- 101 The following financial information from NMI Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 (Unaudited) formatted in XBRL (eXtensible Business Reporting Language):
- (i) Condensed Consolidated Balance Sheets as of March 31, 2023 (Unaudited) and December 31, 2022;
- (ii) Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and nine months ended March 31, 2023 and 2022 (Unaudited);
- (iii) Condensed Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2023 and 2022 (Unaudited);

(iv) Condensed Consolidated Statements of Cash Flows for the nine months ended March 31, 2023 and 2022 (Unaudited); and
(v) Notes to Condensed Consolidated Financial Statements. 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 March 31, 2023 (formatted as Inline XBRL and contained in Exhibit 101).

~ 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 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: May 2, 2023

NMI HOLDINGS, INC.

By: /s/ Ravi Mallela

Name: Ravi Mallela

Title: Chief Financial Officer and Duly Authorized Signatory

NMI HOLDINGS, INC. AMENDED AND RESTATED
2014 OMNIBUS INCENTIVE PLAN

Section 1. Purpose; Definitions

The purpose of this Plan is to give the Company a competitive advantage in attracting, retaining and motivating officers, employees, directors and/or consultants and to provide the Company and its Subsidiaries and Affiliates with a compensation plan providing incentives for future performance of services directly linked to the profitability of the Company's businesses and increases in Company shareholder value.

For purposes of this Plan, the following terms are defined as set forth below:

- (a) "*Affiliate*" means a corporation or other entity controlled by, controlling or under common control with the Company.
- (b) "*Applicable Exchange*" means the NASDAQ or such other securities exchange as may at the applicable time be the principal market for the Common Stock.
- (c) "*Award*" means a Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Unit, Other Stock-Based Award or Cash-Based Award granted pursuant to the terms of this Plan.
- (d) "*Award Agreement*" means a written or electronic document or agreement setting forth the terms and conditions of a specific Award.
- (e) "*Beneficial Ownership*" shall have the meaning given in Rule 13d3 promulgated under the Exchange Act.
- (f) "*Board*" means the Board of Directors of the Company.
- (g) "*Business Combination*" has the meaning set forth in Section 11(e)(iii).
- (h) "*Cash-Based Award*" means an Award denominated in a dollar amount.
- (i) "*Cause*" means, unless otherwise provided in an Award Agreement, (1) "Cause" as defined in any Individual Agreement to which the Participant is a party as of the Grant Date, or (2) if there is no such Individual Agreement or if it does not define Cause: (A) conviction of, or plea of guilty or *nolo contendere* by, the Participant for committing a felony under federal law or the law of the state in which such action occurred, (B) willful and deliberate failure on the part of the Participant to perform his or her employment duties in any material respect, (C) dishonesty in the course of fulfilling the Participant's employment duties, (D) a material violation of the Company's ethics and compliance program or (E) prior to a Change in Control, such other events as shall be determined by the Committee. Notwithstanding the general rule of Section 2(c), following a Change in Control, any determination by the Committee as to whether "Cause" exists shall be subject to *de novo* review.
- (j) "*Change in Control*" has the meaning set forth in Section 11(e).
- (k) "*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific section of the Code shall be deemed to include such regulations and guidance, as well as any successor provision of the Code.
- (l) "*Commission*" means the Securities and Exchange Commission or any successor agency.

- (m) “*Committee*” means the Committee referred to in Section 2.
- (n) “*Common Stock*” means common stock, no par value per share, of the Company.
- (o) “*Company*” means NMI Holdings, Inc., a Delaware corporation, or its successor.
- (p) “*Corporate Transaction*” has the meaning set forth in Section 3(d).

(q) “*Disability*” means, unless otherwise provided in an Award Agreement, the Company or an Affiliate having cause to terminate a Participant’s employment or service on account of “disability,” as defined in any existing Individual Agreement, or, in the absence of such an Individual Agreement or if it does not define disability, a condition entitling the Participant to receive benefits under a long-term disability plan of the Company or an Affiliate or, in the absence of such a plan, the complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which a Participant was employed or served when such disability commenced or, as determined by the Committee, based upon medical evidence acceptable to it. Notwithstanding the above, with respect to each Award that constitutes a “nonqualified deferred compensation plan” within the meaning of Section 409A of the Code, the foregoing definition shall apply for purposes of vesting of such Award, provided that such Award shall not be settled until the earliest of: (i) the Participant’s “disability” within the meaning of Section 409A of the Code, (ii) the Participant’s “separation from service” within the meaning of Section 409A of the Code and (iii) the date such Award would otherwise be settled pursuant to the terms of the Award Agreement.

(r) “*Disaffiliation*” means a Subsidiary’s or Affiliate’s ceasing to be a Subsidiary or Affiliate for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Subsidiary or Affiliate) or a sale of a division of the Company and its Affiliates.

- (s) “*Effective Date*” has the meaning set forth in Section 13(a).

(t) “*Eligible Individuals*” means any director, officer, employee or consultant of the Company or any of its Subsidiaries or Affiliates, or any prospective employee and consultant who has accepted an offer of employment or consultancy from the Company or its Subsidiaries or Affiliates, who are or will be responsible for, or contribute to, the management, growth or profitability of the business of the Company or its Subsidiaries or Affiliates.

(u) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

(v) “*Fair Market Value*” means, except as otherwise determined by the Committee, the closing price of a Share on the Applicable Exchange on the date of measurement or, if Shares were not traded on the Applicable Exchange on such measurement date, then on the next preceding date on which Shares were traded on the Applicable Exchange, as reported by such source as the Committee may select. If there is no regular public trading market for such Common Stock, the Fair Market Value of the Common Stock shall be determined by the Committee in good faith and, to the extent applicable, such determination shall be made in a manner that satisfies Sections 409A and Sections 422(c)(1) of the Code.

- (w) “*Free-Standing SAR*” has the meaning set forth in Section 5(b).

(x) “*Full-Value Award*” means any Award other than a Cash-Based Award, Stock Option or Stock Appreciation Right.

(y) “*Grant Date*” means (i) the date on which the Committee by resolution selects an Eligible Individual to receive a grant of an Award and determines the number of Shares, or the formula for earning a number of Shares, to be subject to such Award or the cash amount subject to such Award, or (ii) such later date as the Committee shall provide in such resolution.

(z) “*Incentive Stock Option*” means any Stock Option designated in the applicable Award Agreement as an “incentive stock option” within the meaning of Section 422 of the Code, and that in fact so qualifies.

(aa) “*Incumbent Board*” has the meaning set forth in Section 11(e)(ii).

(bb) “*Individual Agreement*” means an employment, consulting or similar agreement between a Participant and the Company or one of its Subsidiaries or Affiliates, and, after a Change in Control, a change in control or salary continuation agreement between a Participant and the Company or one of its Subsidiaries or Affiliates. If a Participant is party to both an employment agreement and a change in control or salary continuation agreement, the employment agreement shall be the relevant “Individual Agreement” prior to a Change in Control, and the change in control or salary continuation agreement shall be the relevant “Individual Agreement” after a Change in Control.

(cc) “*Nonqualified Stock Option*” means any Stock Option that is not an Incentive Stock Option.

(dd) “*Other Stock-Based Award*” means Awards of Common Stock and other Awards that are valued in whole or in part by reference to, or are otherwise based upon, Common Stock, including (without limitation) unrestricted stock, dividend equivalents, and convertible debentures.

(ee) “*Outstanding Common Stock*” has the meaning set forth in Section 11(e)(i).

(ff) “*Outstanding Company Voting Securities*” has the meaning set forth in Section 11(e)(i).

(gg) “*Participant*” means an Eligible Individual to whom an Award is or has been granted.

(hh) “*Performance Goals*” means the performance goals established by the Committee in connection with the grant of an Award. Such goals shall be based on the attainment of specified levels of one or more of the following measures: new insurance written (“NIW”) volume, insurance in force levels (“IIF”), policies in force, market share, premiums written, premiums earned, investment income, total operating revenue (excluding net realized investment gains (losses) and gain (loss) from change in fair value of warrant liability), total underwriting expense, total incurred or paid losses, loss ratio, expense ratio, combined ratio, cost/expense management, net income (loss) (including earnings before tax, earnings before interest and tax and earnings before interest, tax, depreciation and amortization), operating earnings (loss) (excluding net realized investment gains (losses) and gain (loss) from change in fair value of warrant liability), return on equity or assets, book value, book value including net operating loss (“NOL”) carry forward, return on investment portfolio (absolute and relative to a benchmark), cash flow (excluding net realized investment gains (losses) and gain (loss) from change in fair value of warrant liability), capital management/liquidity, average premium (“BPS”) of portfolio, earned premium yield of portfolio, average FICO score of portfolio, average LTV of portfolio, delinquency rate of portfolio, objective customer service measures or indices, employee management, common stock share price, and total return to shareholders, in each case with respect to the Company or any one or more Subsidiaries, divisions, business units or business segments thereof, either in absolute terms or relative to the performance of one or more other companies (including an index covering multiple companies).

(ii) “*Performance Period*” means that period established by the Committee at the time any Performance Unit or Cash-Based Award is granted or at any time thereafter during which any Performance Goals specified by the Committee with respect to such Award are to be measured.

(jj) “*Performance Unit*” means any Award granted under Section 8 of a unit valued by reference to a designated amount of cash or other property other than Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, or any combination thereof, upon achievement of such Performance Goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

(kk) “*Person*” has the meaning set forth in Section 11(e)(i).

(ll) “*Plan*” means the NMI Holdings, Inc. Amended and Restated 2014 Omnibus Incentive Plan, as set forth

herein and as hereinafter amended from time to time.

(mm) “*Replaced Award*” has the meaning set forth in Section 11(b)

(nn) “*Replacement Award*” has the meaning set forth in Section 11(b).

(oo) “*Restatement Effective Date*” has the meaning set forth in Section 13(a).

(pp) “*Restricted Stock*” means an Award granted under Section 6.

(qq) “*Restricted Stock Unit*” has the meaning set forth in Section 7(a).

(rr) “*Restriction Period*” has the meaning set forth in Section 6(c)(ii).

(ss) “*Section 16(b)*” has the meaning set forth in Section 12(d).

(tt) “*Share*” means a share of Common Stock.

(uu) “*Stock Appreciation Right*” means an Award granted under Section 5(b) or 5(c).

(vv) “*Stock Option*” means an Award granted under Section 5(a).

(ww) “*Subsidiary*” means any corporation, partnership, joint venture, limited liability company or other entity during any period in which at least a 50% voting or profits interest is owned, directly or indirectly, by the Company or any successor to the Company.

(xx) “*Tandem SAR*” has the meaning set forth in Section 5(b).

(yy) “*Term*” means the maximum period during which a Stock Option or Stock Appreciation Right may remain outstanding, subject to earlier termination upon Termination of Employment or otherwise, as specified in the applicable Award Agreement.

(zz) “*Termination of Employment*” means the termination of the applicable Participant’s employment with, or performance of services for, the Company and any of its Subsidiaries or Affiliates. Unless otherwise determined by the Committee, (i) if a Participant’s employment with the Company and its Affiliates terminates but such Participant continues to provide services to the Company and its Affiliates in a non-employee capacity, such change in status shall not be deemed a Termination of Employment and (ii) a Participant employed by, or performing services for, a Subsidiary or an Affiliate or a division of the Company and its Affiliates shall also be deemed to incur a Termination of Employment if, as a result of a Disaffiliation, such Subsidiary, Affiliate or division ceases to be a Subsidiary, Affiliate or division, as the case may be, and the Participant does not immediately thereafter become an employee of, or service provider for, the Company or another Subsidiary or Affiliate. Temporary absences from employment because of illness, vacation or leave of absence and transfers among the Company and its Subsidiaries and Affiliates shall not be considered Terminations of Employment. Notwithstanding the foregoing provisions of this definition, with respect to any Award that constitutes a “non-qualified deferred compensation plan” within the meaning of Section 409A of the Code, a Participant shall not be considered to have experienced a “Termination of Employment” unless the Participant has experienced a “separation from service” within the meaning of Section 409A of the Code (a “Separation from Service”).

In addition, certain other terms used herein have definitions given to them in the first place in which they are used.

Section 2. Administration

(a) *Committee*. The Plan shall be administered by the Board directly, or if the Board elects, by the Compensation Committee or such other committee of the Board as the Board may from time to time designate, which committee shall be

composed of not less than two directors, and shall be appointed by and serve at the pleasure of the Board. All references in this Plan to the "Committee" refer to the Board as a whole, unless a separate committee has been designated or authorized consistent with the foregoing.

Subject to the terms and conditions of this Plan, the Committee shall have absolute authority:

- (i) To select the Eligible Individuals to whom Awards may from time to time be granted;
- (ii) To determine whether and to what extent Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, Other Stock-Based Awards, Cash-Based Awards or any combination thereof are to be granted hereunder;
- (iii) To determine the number of Shares to be covered by each Award granted hereunder;
- (iv) To approve the form of any Award Agreement and determine the terms and conditions of any Award granted hereunder, including, but not limited to, the exercise price (subject to Section 5(d)), any vesting condition, restriction or limitation (which may be related to the performance of the Participant, the Company or any Subsidiary or Affiliate) and any vesting acceleration or forfeiture waiver regarding any Award and the shares of Common Stock relating thereto, based on such factors as the Committee shall determine;
- (v) To modify, amend or adjust the terms and conditions of any Award (subject to Sections 5(d) and 13(d)), at any time or from time to time, including, but not limited to, Performance Goals;
- (vi) To determine to what extent and under what circumstances Common Stock and other amounts payable with respect to an Award shall be deferred;
- (vii) To determine under what circumstances an Award may be settled in cash, Shares, other property or a combination of the foregoing;
- (viii) To determine whether, to what extent and under what circumstances cash, Shares and other property and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Participant;
- (ix) To adopt, alter and repeal such administrative rules, guidelines and practices governing this Plan as it shall from time to time deem advisable;
- (x) To establish any "blackout" period that the Committee in its sole discretion deems necessary or advisable, but in no event shall such blackout period conflict with or be more permissive than the blackout period determined under the Company's Insider Trading Policy as may be in effect from time to time;
- (xi) To interpret the terms and provisions of this Plan and any Award issued under this Plan (and any Award Agreement relating thereto);
- (xii) To decide all other matters that must be determined in connection with an Award; and
- (xiii) To otherwise administer this Plan.

(b) *Procedures.*

- (i) The Committee may act only by a majority of its members then in office, except that the Committee may, except to the extent prohibited by applicable law or the listing standards of the Applicable Exchange and subject to Section 11, allocate all or any portion of its responsibilities and powers to any one or more of its

members and may (to the extent permitted by applicable law) delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

(ii) Subject to Section 12(c), any authority granted to the Committee may be exercised by the full Board. To the extent that any permitted action taken by the Board conflicts with action taken by the Committee, the Board action shall control.

(c) *Discretion of Committee.* Subject to Section 1(i), any determination made by the Committee or pursuant to delegated authority under the provisions of this Plan with respect to any Award shall be made in the sole discretion of the Committee or such delegate at the time of the grant of the Award or, unless in contravention of any express term of this Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegated officer pursuant to the provisions of this Plan shall be final, binding and conclusive on all persons, including the Company, Participants and Eligible Individuals.

(d) *Cancellation or Suspension.* Subject to Section 5(d), the Committee shall have full power and authority to determine whether, to what extent and under what circumstances any Award shall be canceled or suspended.

(e) *Award Agreements.* The terms and conditions of each Award, as determined by the Committee, shall be set forth in a written (or electronic) Award Agreement, which shall be delivered to the Participant receiving such Award upon, or as promptly as is reasonably practicable following, the grant of such Award; *provided, however*, that the terms of a Cash-Based Award may, but are not required to, be set forth in an Award Agreement. The effectiveness of an Award shall be subject to the Award Agreement being signed by the Company and the Participant receiving the Award unless otherwise provided in the Award Agreement. Award Agreements may be amended only in accordance with Section 13(d) hereof.

Section 3. Common Stock Subject to Plan

(a) *Plan Maximums.* The maximum number of Shares that may be granted pursuant to Awards under this Plan shall be 8,250,000 Shares (which amount includes, for the avoidance of doubt the number of Shares subject to outstanding awards and otherwise available for issuance under the Prior Plan). The maximum number of Shares that may be granted pursuant to Stock Options intended to be Incentive Stock Options shall be 6,000,000 Shares. Shares subject to an Award under this Plan may be authorized and unissued Shares.

(b) *Individual Limits.*

(i) No Participant may be granted Performance Units (other than Stock Options and Stock Appreciation Rights) covering in excess of 1,000,000 Shares during any calendar year. No Participant may be granted Stock Options and Stock Appreciation Rights covering in excess of 1,000,000 Shares during any calendar year.

(ii) During any given calendar year, no Participant who is a non-employee member of the Board may be granted Awards (other than Cash-Based Awards) with a value in excess of \$600,000 in respect of such Board service. For purposes of this Section 3(b)(ii), the value of an Option or Stock Appreciation right shall be determined in accordance with the Black-Scholes or other pricing model used to determine Option values in the Company's most recent report on Form 10-K and the value of any Award of Restricted Stock, Restricted Stock Units or Performance Units or Other Stock-Based Awards shall be determined based on the Fair Market Value of the underlying Shares on the grant date of the Award.

(c) *Rules for Calculating Shares Delivered.* To the extent that any Award is forfeited, terminates, expires or lapses instead of being exercised, or any Award is settled for cash, the Shares subject to such Awards not delivered as a result thereof shall again be available for Awards under this Plan. If the tax withholding obligations relating to any Award are satisfied by delivering Shares (either actually or through a signed document affirming the Participant's ownership and delivery of such Shares) or withholding Shares relating to such Award, the net number of Shares subject to the Award after payment of

the tax withholding obligations shall be deemed to have been granted for purposes of the first sentence of Section 3(a), and the number of Shares delivered or withheld to satisfy the tax withholding obligations shall again be available for Awards under the Plan. If any Shares subject to a Stock Option or Stock Appreciation Right are not delivered to a Participant because the Stock Option or Stock Appreciation Right is exercised through a reduction of Shares subject to the Award (i.e., “net exercised”), the number of Shares that are not delivered to the Participant shall no longer be available for issuance under the Plan. If any Shares are reacquired by the Company as consideration for the exercise of a Stock Option or a Stock Appreciation Right, such Shares shall no longer be available for issuance under the Plan.

(d) Adjustment Provisions.

(i) In the event of a merger, consolidation, acquisition of property or shares, stock rights offering, liquidation, disposition for consideration of the Company’s direct or indirect ownership of a Subsidiary or Affiliate (including by reason of a Disaffiliation), or similar event affecting the Company or any of its Subsidiaries (each, a “Corporate Transaction”), the Committee or the Board may in its discretion make such substitutions or adjustments as it deems appropriate and equitable to (i) the aggregate number and kind of Shares or other securities reserved for issuance and delivery under this Plan, (ii) the various maximum limitations set forth in Sections 3(a) and 3(b) upon certain types of Awards and upon the grants to individuals of certain types of Awards, (iii) the number of Shares considered delivered based on the type of Award granted as set forth in Section 3(c), (iv) the number and kind of Shares or other securities subject to outstanding Awards; (v) the Performance Goals applicable to outstanding Awards; and (vi) the exercise price of outstanding Awards.

(ii) In the event of a stock dividend, stock split, reverse stock split, reorganization, share combination, or recapitalization or similar event affecting the capital structure of the Company, or a Disaffiliation, separation or spinoff, in each case without consideration, or other extraordinary dividend of cash or other property to the Company’s shareholders, the Committee or the Board shall make such substitutions or adjustments as it deems appropriate and equitable to (A) the aggregate number and kind of Shares or other securities reserved for issuance and delivery under this Plan, (B) the various maximum limitations set forth in Sections 3(a) and 3(b) upon certain types of Awards and upon the grants to individuals of certain types of Awards, (C) the number and kind of Shares or other securities subject to outstanding Awards; (D) the Performance Goals applicable to outstanding Awards; and (E) the exercise price of outstanding Awards.

(iii) In the case of Corporate Transactions, such adjustments may include, without limitation, (1) the cancellation of outstanding Awards in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the Committee or the Board in its sole discretion (it being understood that in the case of a Corporate Transaction with respect to which shareholders of Common Stock receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Committee that the value of a Stock Option or Stock Appreciation Right shall for this purpose be deemed to equal the excess, if any, of the value (as determined by the Board) of the consideration being paid for each Share pursuant to such Corporate Transaction over the exercise price of such Stock Option or Stock Appreciation Right shall conclusively be deemed valid); (2) the substitution of other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the Shares subject to outstanding Awards; and (3) in connection with any Disaffiliation, arranging for the assumption of Awards, or replacement of Awards with new awards based on other property or other securities (including, without limitation, other securities of the Company and securities of entities other than the Company), by the affected Subsidiary, Affiliate, or division or by the entity that controls such Subsidiary, Affiliate, or division following such Disaffiliation (as well as any corresponding adjustments to Awards that remain based upon Company securities). The Committee may adjust the Performance Goals applicable to any Awards to reflect any unusual or non-recurring events and other extraordinary items, impact of charges for restructurings, discontinued operations, and the cumulative effects of accounting or tax changes, each as defined by generally accepted accounting principles or as

identified in the Company's financial statements, notes to the financial statements, management's discussion and analysis or other the Company's filings with the Commission.

(iv) Any adjustments made pursuant to this Section 3(d) to Awards that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; and (ii) any adjustments made pursuant to Section 3(d) to Awards that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustments, either (A) the Awards continue not to be subject to Section 409A of the Code or (B) there does not result in the imposition of any penalty taxes under Section 409A of the Code in respect of such Awards.

(v) Any adjustment under this Section 3(d) need not be the same for all Participants.

Section 4. Awards

(a) *Eligibility.* Awards may be granted under this Plan to Eligible Individuals; *provided, however,* that Incentive Stock Options may be granted only to employees of the Company and its subsidiaries or parent corporation (within the meaning of Section 424(f) of the Code).

(b) *Vesting.* Notwithstanding anything contained in this Plan to the contrary, Awards granted under the Plan (i) that vest based upon the continued service of the applicable Participant shall vest over a minimum service period of one year and (ii) that vest based on the attainment of Performance Goals shall vest over a minimum Performance Period of one year; provided, however, that (x) the Committee may, in its discretion, determine that such restrictions may lapse (in whole or in part) in the event of a Participant's death or disability or other termination of employment or services or upon a Change in Control and (y) up to 5% of the total number of Shares reserved for issuance under the Plan pursuant to Section 3(a) may be subject to Awards granted after the Restatement Effective Date which do not meet the preceding vesting or acceleration limitations.

(c) *Dividends.* Notwithstanding anything contained in this Plan to the contrary, no dividends (whether payable in cash or Common Stock) shall be paid in respect of an Award of Restricted Stock, Restricted Stock Units or Performance Units or Other Stock-Based Awards until the restrictions and risks of forfeiture applicable to the underlying Award (or portion thereof) have lapsed; provided, however, that the Committee may, in its sole discretion, provide that any such dividends may be accumulated and paid upon the date on which such restrictions or risks of forfeiture have lapsed in respect of the associated Award.

Section 5. Stock Options and Stock Appreciation Rights

(a) *Types of Stock Options.* Stock Options may be granted alone or in addition to other Awards granted under this Plan and may be of two types: Incentive Stock Options and Nonqualified Stock Options. The Award Agreement for a Stock Option shall indicate whether the Stock Option is intended to be an Incentive Stock Option or a Nonqualified Stock Option.

(b) *Types and Nature of Stock Appreciation Rights.* Stock Appreciation Rights may be "Tandem SARs," which are granted in conjunction with a Stock Option, or "Free-Standing SARs," which are not granted in conjunction with a Stock Option. Upon the exercise of a Stock Appreciation Right, the Participant shall be entitled to receive an amount in cash, Shares, or both, in value equal to the product of (i) the excess of the Fair Market Value of one Share over the exercise price of the applicable Stock Appreciation Right, multiplied by (ii) the number of Shares in respect of which the Stock Appreciation Right has been exercised. The applicable Award Agreement shall specify whether such payment is to be made in cash or Common Stock or both, or shall reserve to the Committee or the Participant the right to make that determination prior to or upon the exercise of the Stock Appreciation Right.

(c) *Tandem SARs.* A Tandem SAR may be granted at the Grant Date of the related Stock Option. A Tandem SAR shall be exercisable only at such time or times and to the extent that the related Stock Option is exercisable in accordance with the provisions of this Section 5, and shall have the same exercise price as the related Stock Option. A Tandem SAR shall terminate or be forfeited upon the exercise or forfeiture of the related Stock Option, and the related Stock Option shall terminate or be forfeited upon the exercise or forfeiture of the Tandem SAR.

(d) *Exercise Price.* The exercise price per Share subject to a Stock Option or Free-Standing SAR shall be determined by the Committee and set forth in the applicable Award Agreement, and shall not be less than the Fair Market Value of a share of the Common Stock on the applicable Grant Date. In no event may any Stock Option or Stock Appreciation Right granted under this Plan be amended, other than pursuant to Section 3(d), to decrease the exercise price thereof, be canceled in exchange for cash or other Awards or in conjunction with the grant of any new Stock Option or Free-Standing SAR with a lower exercise price, or otherwise be subject to any action that would be treated, under the Applicable Exchange listing standards or for accounting purposes, as a “repricing” of such Stock Option or Free-Standing SAR, unless such amendment, cancellation, or action is approved by the Company’s shareholders.

(e) *Term.* The Term of each Stock Option and each Free-Standing SAR shall be fixed by the Committee, but no Stock Option or Free-Standing SAR shall be exercisable more than 10 years after its Grant Date.

(f) *Exercisability.* Except as otherwise provided herein, Stock Options and Free-Standing SARs shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee.

(g) *Method of Exercise.* Subject to the provisions of this Section 5, Stock Options and Free-Standing SARs may be exercised, in whole or in part, at any time during the Term thereof by giving written notice of exercise to the Company specifying the number of shares of Common Stock subject to the Stock Option or Free-Standing SAR to be purchased.

In the case of the exercise of a Stock Option, such notice shall be accompanied by payment in full of the aggregate purchase price (which shall equal the product of such number of Shares subject to such Stock Options multiplied by the applicable exercise price) per Share by certified or bank check, wire transfer, or such other instrument or method as the Company may accept. If provided for in the applicable Award Agreement as approved by the Committee, payment in full or in part may also be made as follows:

(i) In the form of unrestricted Common Stock (by delivery of such shares or by attestation) already owned by the Participant of the same class as the Common Stock subject to the Stock Option (based on the Fair Market Value of the Common Stock on the date the Stock Option is exercised); *provided, however*, that, in the case of an Incentive Stock Option, the Participant shall only have the right to make a payment in the form of already owned shares of Common Stock of the same class as the Common Stock subject to the Stock Option if such right is set forth in the applicable Award Agreement.

(ii) To the extent permitted by applicable law, by delivering a properly executed exercise notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale necessary to pay the purchase price, and, if requested, by the amount of any federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Company may, to the extent permitted by applicable law, enter into agreements for coordinated procedures with one or more brokerage firms.

(iii) By instructing the Company to withhold a number of such shares having a Fair Market Value (based on the Fair Market Value of the Common Stock on the date the applicable Stock Option is exercised) equal to the product of (A) the exercise price per Share multiplied by (B) the number of shares of Common Stock in respect of which the Stock Option shall have been exercised.

(h) *Delivery; Rights of Shareholders.* A Participant shall not be entitled to delivery of Shares pursuant to the exercise of a Stock Option or Stock Appreciation Right until the exercise price therefor has been fully paid and applicable taxes have been withheld. Except as otherwise provided in Section 5(l), a Participant shall have all of the rights of a shareholder of

the Company holding the class or series of Common Stock that is subject to such Stock Option or Stock Appreciation Right (including, if applicable, the right to vote the applicable Shares), when the Participant (i) has given written notice of exercise, (ii) if requested, has given the representation described in Section 15(a) and (iii) in the case of a Stock Option, has paid in full for such Shares.

(i) *Nontransferability of Stock Options and Stock Appreciation Rights.* No Stock Option or Free-Standing SAR shall be transferable by a Participant other than, for no value or consideration, (i) by will or by the laws of descent and distribution; or (ii) in the case of a Nonqualified Stock Option or Free-Standing SAR, as otherwise expressly permitted by the Committee including, if so permitted, pursuant to a transfer to such Participant's family members, whether directly or indirectly or by means of a trust or partnership or otherwise (for purposes of this Plan, unless otherwise determined by the Committee, "family member" shall have the meaning given to such term in General Instructions A.1(a)(5) to Form S-8 under the Securities Act of 1933, as amended, and any successor thereto). A Tandem SAR shall be transferable only with the related Stock Option as permitted by the preceding sentence. Any Stock Option or Stock Appreciation Right shall be exercisable, subject to the terms of this Plan, only by the Participant, the guardian or legal representative of the Participant, or any person to whom such Stock Option is transferred pursuant to this Section 5(i), it being understood that the term "holder" and "Participant" include such guardian, legal representative and other transferee; *provided, however*, that the term "Termination of Employment" shall continue to refer to the Termination of Employment of the original Participant.

(j) *Termination of Employment.* Unless otherwise determined by the Committee or provided in the applicable Award Agreement, upon a Participant's Termination or Employment, his or her Stock Options and Stock Appreciation Rights shall be treated as set forth below:

(i) *Termination by Reason of Death.* If a Participant incurs a Termination of Employment by reason of death, any Stock Option or Stock Appreciation Right held by such Participant shall immediately vest in full and may thereafter be exercised until the earlier of (A) the third anniversary of such Participant's Termination of Employment and (B) the expiration of the stated full Term thereof. In the event of Termination of Employment by reason of death, if an Incentive Stock Option is exercised after the expiration of the post-termination exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Nonqualified Stock Option.

(ii) *Termination by Reason of Disability.* If a Participant incurs a Termination of Employment by reason of Disability, any Stock Option or Stock Appreciation Right held by such Participant shall immediately vest in full and may thereafter be exercised until the earlier of (A) the third anniversary of such Participant's Termination of Employment and (B) the expiration of the stated full Term thereof. In the event of Termination of Employment by reason of Disability, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Nonqualified Stock Option.

(iii) *Termination by the Company for Cause.* If a Participant incurs a Termination of Employment for Cause, any Stock Options and Stock Appreciation Rights held by such Participant, whether vested or unvested, shall thereupon terminate.

(iv) *Other Termination.* If a Participant incurs a Termination of Employment for any reason other than death, Disability, or for Cause, and except as otherwise set forth in this Section 5(j), any Stock Option or Stock Appreciation Right held by such Participant, to the extent it was then exercisable at the time of termination, or, subject to Section 4(b), on such accelerated basis as the Committee may determine, may be exercised for the lesser of (A) 90 days following the date of such Termination of Employment and (B) the balance of the stated full Term thereof.

(v) Notwithstanding the foregoing provisions of Section 5(j) and subject to Section 4(b), the Committee shall have the power, in its discretion, to apply different rules concerning the consequences of a Termination

of Employment, *provided* that if such rules are less favorable to the Participant than those set forth above, such rules are set forth in the applicable Award Agreement.

(k) *Additional Rules for Incentive Stock Options.* Notwithstanding any other provision of this Plan to the contrary, no Stock Option which is intended to qualify as an Incentive Stock Option may be granted to any Eligible Employee who at the time of such grant owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any Subsidiary, unless at the time such Stock Option is granted the exercise price is at least 110% of the Fair Market Value of a Share and such Stock Option by its terms is not exercisable after the expiration of five years from the date such Stock Option is granted. In addition, the aggregate Fair Market Value of the Common Stock (determined at the time a Stock Option for the Common Stock is granted) for which Incentive Stock Options are exercisable for the first time by an optionee during any calendar year, under all of the incentive stock option plans of the Company and of any Subsidiary, may not exceed \$100,000. To the extent a Stock Option that by its terms was intended to be an Incentive Stock Option exceeds this \$100,000 limit, the portion of the Stock Option in excess of such limit shall be treated as a Nonqualified Stock Option.

(l) *Dividends and Dividend Equivalents.* Dividends (whether paid in cash or Shares) and dividend equivalents may not be paid or accrued on Stock Options or Stock Appreciation Rights; *provided* that Stock Options and Stock Appreciation Rights may be adjusted under certain circumstances in accordance with the terms of Section 3(d).

Section 6. Restricted Stock

(a) *Administration.* Shares of Restricted Stock are actual Shares issued to a Participant and may be awarded either alone or in addition to other Awards granted under this Plan. The Committee shall determine the Eligible Individuals to whom and the time or times at which grants of Restricted Stock will be awarded, the number of shares to be awarded to any Eligible Individual, the conditions for vesting, the time or times within which such Awards may be subject to forfeiture and any other terms and conditions of the Awards, in addition to those contained in Section 6(c).

(b) *Book Entry Registration or Certificated Shares.* Shares of Restricted Stock shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates. If any certificate is issued in respect of shares of Restricted Stock, such certificates shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the NMI Holdings, Inc. 2014 Amended and Restated Omnibus Incentive Plan and an Award Agreement. Copies of such Plan and Agreement are on file at the offices of NMI Holdings, Inc.

The Committee may require that the certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed and that, as a condition of any Award of Restricted Stock, the applicable Participant shall have delivered a stock power, endorsed in blank, relating to the Common Stock covered by such Award.

(c) *Terms and Conditions.* Shares of Restricted Stock shall be subject to the following terms and conditions and such other terms and conditions as are set forth in the applicable Award Agreement (including the vesting or forfeiture provisions applicable upon a Termination of Employment):

(i) The Committee shall, prior to or at the time of grant, condition (A) the vesting of an Award of Restricted Stock upon the continued service of the applicable Participant, or (B) the grant or vesting of an Award of Restricted Stock upon the attainment of Performance Goals or (C) the grant or vesting of an Award of Restricted Stock upon the attainment of Performance Goals and the continued service of the applicable Participant. The conditions for grant or vesting and the other provisions of Restricted Stock Awards (including without limitation any applicable Performance Goals) need not be the same with respect to each recipient.

(ii) Subject to the provisions of this Plan and the applicable Award Agreement, during the period, if any, set by the Committee, commencing with the date of such Restricted Stock Award for which such vesting restrictions apply (the “Restriction Period”), and until the expiration of the Restriction Period, the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber Shares of Restricted Stock.

(d) *Rights of a Shareholder.* Except as provided in this Section 6 and the applicable Award Agreement, the applicable Participant shall have, with respect to the Shares of Restricted Stock, all of the rights of a shareholder of the Company holding the class or series of Common Stock that is the subject of the Restricted Stock, including, if applicable, the right to vote the Shares and the right to receive any dividends. As determined by the Committee in the applicable Award Agreement and subject to Section 15(e), (A) cash dividends on the class or series of Common Stock that is the subject of the Restricted Stock Award shall be payable in cash and shall be held subject to the vesting of the underlying Restricted Stock, or held subject to meeting Performance Goals applicable only to dividends, and (B) dividends payable in Common Stock shall be paid in the form of Restricted Stock of the same class as the Common Stock with which such dividend was paid, and shall be held subject to the vesting of the underlying Restricted Stock, or held subject to meeting Performance Goals applicable only to dividends.

(e) *Delivery of Unlegended Certificates.* If and when any applicable Performance Goals are satisfied and the Restriction Period expires without a prior forfeiture of the Shares of Restricted Stock for which legended certificates have been issued, unlegended certificates for such Shares shall be delivered to the Participant upon surrender of the legended certificates.

(f) *Termination of Employment.* Unless otherwise determined by the Committee or provided in the applicable Award Agreement, upon a Participant’s Termination or Employment, his or her Restricted Stock shall be treated as set forth below:

(i) *Termination by Reason of Death or Disability.* If a Participant incurs a Termination of Employment by reason of death or Disability, the restrictions, including any Performance Goals, applicable to any Restricted Stock shall lapse (with respect to Performance Goals, be deemed earned in full based on the applicable target level), and such Restricted Stock shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant.

(ii) *Other Termination.* If a Participant incurs a Termination of Employment for any reason other than death or Disability during the Restriction Period or before the requisite service period or applicable Performance Goals are satisfied, all Shares still subject to restriction shall be forfeited by the Participant.

Section 7. Restricted Stock Units

(a) *Nature of Awards.* Restricted stock units and deferred share rights (together, “Restricted Stock Units”) are Awards denominated in Shares that will be settled, subject to the terms and conditions of the Restricted Stock Units, in an amount in cash, Shares, or both, based upon the Fair Market Value of a specified number of Shares.

(b) *Terms and Conditions.* Restricted Stock Units shall be subject to the following terms and conditions and such other terms and conditions as are set forth in the applicable Award Agreement (including the vesting or forfeiture provisions applicable upon a Termination of Employment):

(i) The Committee shall, prior to or at the time of grant, condition (A) the vesting of Restricted Stock Units upon the continued service of the applicable Participant, or (B) the grant or vesting of Restricted Stock Units upon the attainment of Performance Goals or (C) the grant or vesting of an Award of Restricted Stock Units upon the attainment of Performance Goals and the continued service of the applicable Participant. The conditions for grant or vesting and the other provisions of Restricted Stock Units (including without limitation any applicable Performance Goals) need not be the same with respect to each recipient. An Award of Restricted Stock Units shall be settled as and when the Restricted Stock Units vest, at a later time specified

by the Committee in the applicable Award Agreement, or, if the Committee so permits, in accordance with an election of the Participant.

(ii) Subject to the provisions of this Plan and the applicable Award Agreement, during the Restriction Period, if any, set by the Committee, the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber Restricted Stock Units.

(iii) The Award Agreement for Restricted Stock Units shall specify whether, to what extent and on what terms and conditions the applicable Participant shall be entitled to receive payments of cash, Common Stock or other property corresponding to the dividends payable on the Common Stock (subject to Section 15(e) below).

(c) *Rights of a Shareholder.* A Participant to whom Restricted Stock Units are awarded shall have no rights as a shareholder with respect to the Shares represented by the Restricted Stock Units unless and until Shares are actually delivered to the participant in settlement thereof. Unless otherwise determined by the Committee and subject to Section 15(e), an Award of Restricted Stock Units shall be adjusted to reflect deemed reinvestment in additional Restricted Stock Units of the dividends that would be paid and distributions that would be made with respect to the Award of Restricted Stock Units if it consisted of actual Shares. Notwithstanding the immediately preceding sentence, if an adjustment to an Award of Restricted Stock Units is made pursuant to Section 3(d) as a result of any dividend or distribution, no increase to such Award (by means of deemed reinvestment in additional Restricted Stock Units) shall be made under this Section 7(c) as a result of the same dividend or distribution.

(d) *Termination of Employment.* Unless otherwise determined by the Committee or provided in the applicable Award Agreement, upon a Participant's Termination of Employment, his or her Restricted Stock Units shall be treated as set forth below:

(i) *Termination by Reason of Death or Disability.* If a Participant incurs a Termination of Employment by reason of death or Disability, the restrictions, including any Performance Goals, applicable to any Restricted Stock Units shall lapse (with respect to Performance Goals, be deemed earned in full based on the applicable target level), and such Restricted Stock Units shall become fully vested and settled to the full extent of the original grant.

(ii) *Other Termination.* If a Participant incurs a Termination of Employment for any reason other than death or Disability during the Restriction Period or before the applicable Performance Goals are satisfied, all unvested Restricted Stock Units shall be forfeited by the Participant.

Section 8. Performance Units

Performance Units may be issued hereunder to Eligible Individuals, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under this Plan. The Performance Goals to be achieved during any Performance Period and the length of the Performance Period shall be determined by the Committee upon the grant of each Performance Unit. The conditions for grant or vesting and the other provisions of Performance Units (including without limitation any applicable Performance Goals) need not be the same with respect to each recipient. Performance Units may be paid in cash, Shares, other property or any combination thereof, in the sole discretion of the Committee as set forth in the applicable Award Agreement.

Section 9. Other Stock-Based Awards

The Committee may grant Awards of Shares or related to Shares not otherwise described herein in such amounts and subject to such terms and conditions consistent with the terms of this Plan as the Committee shall determine. Without limiting the generality of the preceding sentence, each such Other Stock-Based Award may (a) involve the transfer of actual Shares to Participants, either at the time of grant or thereafter, or payment in cash or otherwise of amounts based on the

value of Shares, (b) be subject to performance-based and/or service-based conditions, (c) be in the form of phantom stock, restricted stock, restricted stock units, performance shares, deferred share units or share-denominated performance units, or other Awards denominated in, or with a value determined by reference to, a number of Shares that is specified at the time of the grant of such Award, and (d) be designed to comply with applicable laws of jurisdictions other than the United States.

Section 10. Cash-Based Awards

The Committee may grant Awards to Eligible Individuals that are denominated and payable in cash in such amounts and subject to such terms and conditions consistent with the terms of this Plan as the Committee shall determine. With respect to a Cash-Based Award subject to Performance Goals, the Performance Goals to be achieved during any performance period and the length of the performance period shall be determined by the Committee upon the grant of such Cash-Based Award, or (b) the grant or vesting of Cash-Based Awards upon the attainment of Performance Goals or (c) the grant or vesting of a Cash-Based Awards upon the attainment of Performance Goals and the continued service of the applicable Participant.

Section 11. Change-in-Control Provisions

(a) *General.* The provisions of this Section 11 shall, subject to Section 3(d), apply notwithstanding any other provision of this Plan to the contrary, except to the extent the Committee specifically provides otherwise in an Award Agreement.

(b) *Impact of Change in Control.* Upon the occurrence of a Change in Control, unless otherwise provided in the applicable Award Agreement: (i) all then-outstanding Stock Options and Stock Appreciation Rights shall become fully vested and exercisable, and all Full-Value Awards (other than performance-based Awards) shall vest in full, be free of restrictions, and be deemed to be earned and payable in an amount equal to the full value of such Award, except in each case to the extent that another Award meeting the requirements of Section 11(c) (any award meeting the requirements of Section 11(c), a “Replacement Award”) is provided to the Participant pursuant to Section 3(d) to replace such Award (any award intended to be replaced by a Replacement Award, a “Replaced Award”), and (ii) any performance-based Award that is not replaced by a Replacement Award shall be deemed to be earned and payable in an amount equal to the full value of such performance-based Award (with all applicable Performance Goals deemed achieved at the greater of (x) the applicable target level and (y) the level of achievement of the Performance Goals for the Award as determined by the Committee not later than the date of the Change in Control, taking into account performance through the latest date preceding the Change in Control as to which performance can, as a practical matter, be determined (but not later than the end of the applicable Performance Period)).

(c) *Replacement Awards.* An Award shall meet the conditions of this Section 11(c) (and hence qualify as a Replacement Award) if: (i) it is of the same type as the Replaced Award; (ii) it has a value equal to the value of the Replaced Award as of the date of the Change in Control, as determined by the Committee in its sole discretion consistent with Section 3(d); (iii) if the underlying Replaced Award was an equity-based award, it relates to publicly traded equity securities of the Company or the entity surviving the Company following the Change in Control; (iv) it contains terms relating to vesting (including with respect to a Termination of Employment) that are substantially identical to those of the Replaced Award; and (v) its other terms and conditions are not less favorable to the Participant than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control) as of the date of the Change in Control. Without limiting the generality of the foregoing, a Replacement Award may take the form of a continuation of the applicable Replaced Award if the requirements of the preceding sentence are satisfied. The determination whether the conditions of this Section 11(c) are satisfied shall be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.

(d) *Termination of Employment.* Notwithstanding any other provision of this Plan to the contrary and unless otherwise determined by the Committee and set forth in the applicable Award Agreement (or other severance, change in control or employment agreement), upon a Termination of Employment of a Participant by the Company other than for Cause within 24 months following a Change in Control, (i) all Replacement Awards held by such Participant shall vest in full, be free of restrictions, and be deemed to be earned in full (with respect to Performance Goals, unless otherwise agreed in connection with the Change in Control, at the greater of (x) the applicable target level and (y) the level of achievement of the Performance Goals

for the Award as determined by the Committee taking into account performance through the latest date preceding the Termination of Employment as to which performance can, as a practical matter, be determined (but not later than the end of the applicable Performance Period)), and (ii) unless otherwise provided in the applicable Award Agreement, notwithstanding any other provision of this Plan to the contrary, any Stock Option or Stock Appreciation Right held by the Participant as of the date of the Change in Control that remains outstanding as of the date of such Termination of Employment may thereafter be exercised until the expiration of the stated full Term of such Stock Option or Stock Appreciation Right.

(e) *Definition of Change in Control.* For purposes of this Plan, a “Change in Control” shall mean the happening of any of the following events:

(i) An acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (1) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); *provided, however*, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company, or (4) any acquisition by any entity pursuant to a transaction which complies with clauses (1), (2) and (3) of subsection (iii) of this Section 11(e); or

(ii) A change in the composition of the Board such that the individuals who, as of the Effective Date, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; *provided, however*, that, for purposes of this Section 11(e), any individual who becomes a member of the Board subsequent to the Effective Date whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; *provided further*, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be considered as a member of the Incumbent Board; or

(iii) The consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries or sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or securities of another entity by the Company or any of its subsidiaries (a “Business Combination”), in each case, unless, following such Business Combination, (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent securities), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) of the entity resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such entity except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent body or committee) of the entity resulting from such

Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) The approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Section 12. Section 16(b); Section 409A

(a) The provisions of this Plan are intended to ensure that no transaction under this Plan is subject to (and all such transactions will be exempt from) the short-swing recovery rules of Section 16(b) of the Exchange Act (“Section 16(b)”). Accordingly, the composition of the Committee shall be subject to such limitations as the Board deems appropriate to permit transactions pursuant to this Plan to be exempt (pursuant to Rule 16b-3 promulgated under the Exchange Act) from Section 16(b), and no delegation of authority by the Committee shall be permitted if such delegation would cause any such transaction to be subject to (and not exempt from) Section 16(b).

(b) The Plan is intended to comply with the requirements of Section 409A of the Code or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A of the Code, it is intended that this Plan be administered in all respects in accordance with Section 409A of the Code. Each payment under any Award that constitutes non-qualified deferred compensation subject to Section 409A of the Code shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar year of any payment to be made under any Award that constitutes non-qualified deferred compensation subject to Section 409A of the Code. Notwithstanding any other provision of this Plan or any Award Agreement to the contrary, if a Participant is a “specified employee” within the meaning of Section 409A of the Code (as determined in accordance with the methodology established by the Company), amounts that constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code that would otherwise be payable by reason of a Participant’s Separation from Service during the six-month period immediately following such Separation from Service shall instead be paid or provided on the first business day following the date that is six months following the Participant’s Separation from Service. If the Participant dies following the Separation from Service and prior to the payment of any amounts delayed on account of Section 409A of the Code, such amounts shall be paid to the personal representative of the Participant’s estate within 30 days following the date of the Participant’s death.

Section 13. Term, Amendment and Termination

(a) *Effectiveness.* The Plan was approved by the Board on March 21, 2014, and became effective upon approval by the Company’s shareholders on May 8, 2014 (the “Effective Date”). The first amendment and restatement of the Plan was approved by the Board on February 9, 2017 and became effective upon approval by the Company’s shareholders on May 11, 2017. This second amendment and restatement of the Plan was approved by the Board on March 16, 2022, and it will be effective as of the date of such approval by the Company’s shareholders (the “Restatement Effective Date”).

(b) *Termination.* The Plan will terminate on the tenth anniversary of the Restatement Effective Date. Awards outstanding as of such date shall not be affected or impaired by the termination of this Plan.

(c) *Amendment of Plan.* The Board or the Committee may amend, alter, or discontinue this Plan, but no amendment, alteration or discontinuation shall be made which would materially impair the rights of the Participant with respect to a previously granted Award without such Participant’s consent, except such an amendment made to comply with applicable law, including without limitation Section 409A of the Code, Applicable Exchange listing standards or accounting rules. In addition, no amendment shall be made without the approval of the Company’s shareholders to the extent such approval is required by applicable law or the listing standards of the Applicable Exchange.

(d) *Amendment of Awards.* Subject to Section 5(d), the Committee may unilaterally amend the terms of any Award theretofore granted, but no such amendment shall without the Participant’s consent materially impair the rights of any Participant with respect to an Award, except such an amendment made to cause this Plan or Award to comply with applicable law, Applicable Exchange listing standards or accounting rules.

Section 14. Unfunded Status of Plan

It is intended that this Plan constitute an “unfunded” plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under this Plan to deliver Common Stock or make payments; *provided, however*, that unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the “unfunded” status of this Plan.

Section 15. General Provisions

(a) *Conditions for Issuance.* The Committee may require each person purchasing or receiving Shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the Shares without a view to the distribution thereof. The certificates for such Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer. Notwithstanding any other provision of this Plan or agreements made pursuant thereto, the Company shall not be required to issue or deliver any certificate or certificates for Shares under this Plan prior to fulfillment of all of the following conditions: (i) listing or approval for listing upon notice of issuance, of such Shares on the Applicable Exchange; (ii) any registration or other qualification of such Shares of the Company under any state or federal law or regulation, or the maintaining in effect of any such registration or other qualification which the Committee shall, in its absolute discretion upon the advice of counsel, deem necessary or advisable; and (iii) obtaining any other consent, approval, or permit from any state or federal governmental agency which the Committee shall, in its absolute discretion after receiving the advice of counsel, determine to be necessary or advisable.

(b) *Additional Compensation Arrangements.* Nothing contained in this Plan shall prevent the Company or any Subsidiary or Affiliate from adopting other or additional compensation arrangements for its employees.

(c) *No Contract of Employment.* The Plan shall not constitute a contract of employment, and adoption of this Plan shall not confer upon any employee any right to continued employment, nor shall it interfere in any way with the right of the Company or any Subsidiary or Affiliate to terminate the employment of any employee at any time.

(d) *Required Taxes.* No later than the date as of which an amount first becomes includible in the gross income of a Participant for federal, state, local or foreign income or employment or other tax purposes with respect to any Award under this Plan, such Participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Company, withholding obligations may be settled with Common Stock, including Common Stock that is part of the Award that gives rise to the withholding requirement, having a Fair Market Value on the date of withholding of up to the maximum amount permitted to be withheld for tax purposes, but in no event less than the minimum amount required to be withheld for tax purposes, all in accordance with such procedures as the Committee establishes. The obligations of the Company under this Plan shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to such Participant. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of withholding obligations with Common Stock; *provided, however*, unless otherwise subsequently determined by the Committee, with respect to a Participant subject to Section 16 of the Exchange Act, the withholding of Shares by the Company or any of its Affiliates to satisfy tax, exercise price or other withholding obligations in respect of an Award shall be mandatory.

(e) *Limitation on Dividend Reinvestment and Dividend Equivalents.* Reinvestment of dividends in additional Restricted Stock at the time of any dividend payment, and the payment of Shares with respect to dividends to Participants holding Awards of Restricted Stock Units, shall only be permissible if sufficient Shares are available under Section 3 for such reinvestment or payment (taking into account then-outstanding Awards). If sufficient Shares are not available for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of Restricted Stock Units equal in number to the Shares that would have been obtained by such payment or reinvestment, the terms of which Restricted Stock Units shall provide for settlement in cash and for dividend equivalent reinvestment in further Restricted Stock Units on the terms contemplated by this Section 15(e).

(f) *Designation of Death Beneficiary.* The Committee shall establish such procedures as it deems appropriate for a Participant to designate a beneficiary to whom any amounts payable in the event of such Participant's death are to be paid or by whom any rights of such eligible Individual, after such Participant's death, may be exercised.

(g) *Subsidiary Employees.* In the case of a grant of an Award to any employee of a Subsidiary, the Company may, if the Committee so directs, issue or transfer the Shares, if any, covered by the Award to the Subsidiary, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Subsidiary will transfer the Shares to the employee in accordance with the terms of the Award specified by the Committee pursuant to the provisions of this Plan. All Shares underlying Awards that are forfeited or canceled revert to the Company.

(h) *Governing Law and Interpretation.* The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Plan are not part of the provisions hereof and shall have no force or effect.

(i) *Non-Transferability.* Except as otherwise provided in Sections 5(i), 6(c)(ii) and 7(b)(ii) or as determined by the Committee, Awards under this Plan are not transferable except by will or by laws of descent and distribution.

(j) *Recoupment Policy.* Awards shall be subject to any incentive compensation recoupment policy established from time to time by the Company and in all events shall be subject to such forfeiture and recoupment provisions as may be required by applicable law or exchange rule or regulation.

Guaranteed Securities by Subsidiary Guarantor

The following is a list of securities issued by the Company and guaranteed by NMI Services, Inc., a wholly-owned subsidiary of the Company (Subsidiary Guarantor):

Description of Securities
7.375% senior secured notes due June 19, 2025.
Variable interest senior secured revolving credit facility due earlier of (x) November 29, 2025 or (y) if any existing senior secured notes remaining outstanding on such date, February 28, 2025.

**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.

May 2, 2023

/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.

May 2, 2023

/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 March 31, 2023, 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.

May 2, 2023

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

May 2, 2023

/s/ Ravi Mallela
Ravi Mallela
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.