PACCAR INC
Form 4
March 09, 2017

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
SPIERKEL GREGORY M

(Last) (First) (Middle)

777 106TH AVE NE

(Street)

BELLEVUE, WA 98004

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
PACCAR INC [PCAR]

3. Date of Earliest Transaction (Month/Day/Year)
03/07/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)

Derivative Security					Disposed of (D) (Instr. 3, 4, and 5)					
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
STOCK UNITS (RSDCP) (1)	(1)	03/07/2017	J (2)		87.7413		(1)	(1)	COMMON STOCK	87.7413

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SPIERKEL GREGORY M 777 106TH AVE NE BELLEVUE, WA 98004	X			

Signatures

Gregory M. E. Spierkel by Irene E. Song POA	03/08/2017
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Restricted stock units held in deferred phantom stock account under PACCAR Restricted Stock and Deferred Compensation Plan for Non-Employee Directors (RSDCP) convertible to PACCAR common stock on a 1-for-1 basis upon satisfaction of all applicable vesting conditions.

(2) Dividend on restricted stock units under RSDCP reinvested in additional restricted stock units pursuant to RSDCP.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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IRS Matter. In July 2018, Radian finalized a settlement with the IRS which resolves the issues and concludes all disputes relating to the IRS Matter. In the three-month period ended June 30, 2018, we recorded tax benefits of $73.6 million, which includes both the impact of the settlement with the IRS as well as the reversal of certain previously accrued state and local tax liabilities. Under the terms of the settlement, we will submit to the IRS approximately $31 million of our $89 million “qualified deposits” with the U.S. Treasury, and the remaining balance will be returned to us. We have excluded the expected $31 million payment from available holding company liquidity as of June 30, 2018. During the three-month period ended June 30, 2018, the settlement and related tax benefits resulted in an increase to Radian’s net income per share of $0.34 and an increase in book value per share of $0.35. See Note 9 of Notes to Unaudited Condensed Consolidated Financial Statements for additional information.

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Key Factors Affecting Our Results

There have been no material changes to the key factors affecting our results that are discussed in our 2017 Form 10-K.

Results of Operations—Consolidated

Three and Six Months Ended June 30, 2018 Compared to Three and Six Months Ended June 30, 2017

Radian Group serves as the holding company for our operating subsidiaries and does not have any operations of its own. Our consolidated operating results for the three- and six-month periods ended June 30, 2018 and June 30, 2017 primarily reflect the financial results and performance of our two business segments—Mortgage Insurance and Services. See Note 3 of Notes to Unaudited Condensed Consolidated Financial Statements for information regarding the basis of our segment reporting, including the related allocations. See "Results of Operations—Mortgage Insurance" and "Results of Operations—Services" for the operating results of these business segments for the three and six months ended June 30, 2018, compared to the same periods in 2017.

In addition to the results of our operating segments, pretax income (loss) is also affected by those factors described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results" in our 2017 Form 10-K.

The following table highlights selected information related to our consolidated results of operations for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		$ Change Favorable (Unfavorable)	Six Months Ended June 30,		$ Change Favorable (Unfavorable)
(In millions, except per-share amounts)	2018	2017	2018 vs. 2017	2018	2017	2018 vs. 2017
Pretax income (loss)	$180.6	$(35.5)	$ 216.1	$323.0	$79.2	$ 243.8
Net income (loss)	208.9	(27.3)	236.2	323.4	49.1	274.3
Diluted net income (loss) per share	0.96	(0.13)	1.09	1.48	0.22	1.26
Book value per share at June 30	15.01	13.54	1.47	15.01	13.54	1.47
Net premiums earned—insurance	251.3	229.1	22.2	493.9	450.9	43.0
Services revenue	36.8	37.8	(1.0)	70.0	75.8	(5.8)
Net investment income	37.5	30.1	7.4	71.4	61.1	10.3
Net gains (losses) on investments and other financial instruments	(7.4)	5.3	(12.7)	(26.3)	2.5	(28.8)
Provision for losses	19.3	17.2	(2.1)	56.6	64.1	7.5
Cost of services	24.2	25.6	1.4	47.3	54.0	6.7
Other operating expenses	70.2	68.8	(1.4)	133.4	137.1	3.7
Restructuring and other exit costs	0.9	—	(0.9)	1.5	—	(1.5)
Loss on induced conversion and debt extinguishment	—	1.2	1.2	—	5.7	5.7
Impairment of goodwill	—	184.4	184.4	—	184.4	184.4
Amortization and impairment of other intangible assets	2.7	18.9	16.2	5.5	22.2	16.7
Income tax provision (benefit)	(28.4)	(8.1)	20.3	(0.4)	30.1	30.5
Adjusted pretax operating income (1)	$191.0	$163.8	$ 27.2	$355.1	$289.0	$ 66.1

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(1) See "—Use of Non-GAAP Financial Measure" below.

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Net Income. As discussed in more detail below, our net income increased for the three and six months ended June 30, 2018, compared to the same periods in 2017, primarily reflecting: (i) the impairment of goodwill and other intangible assets related to our Services segment recognized in the three months ended June 30, 2017; (ii) income tax benefits in 2018 (see "Income Tax Provision" below); and (iii) an increase in net premiums earned in 2018. Partially offsetting these items is an increase in net losses on investments and other financial instruments. See "Results of Operations—Mortgage Insurance" and "Results of Operations—Services" for more information on our segment results. For the three and six months ended June 30, 2018, compared to the same periods in 2017, revenue increased, primarily driven by a 10% increase in net premiums earned in both periods. Other operating expenses increased by 2% for the three months ended June 30, 2018 and decreased by 3% for the six months ended June 30, 2018, both as compared to the same periods in 2017. These results are consistent with Radian's long-term strategic objective of increasing operating leverage through revenue growth and disciplined expense management.
Diluted Net Income Per Share. The increase in diluted net income per share for the three and six months ended June 30, 2018, compared to the same periods in 2017, is primarily due to the increase in net income, as discussed above.
Book Value Per Share. The increase in book value per share from $13.90 at December 31, 2017 to $15.01 at June 30, 2018 is primarily due to net income, partially offset by a decrease of $0.39 per share due to unrealized losses in our available for sale securities, recorded in accumulated other comprehensive income.
Services Revenue and Cost of Services. Services revenue and cost of services represent amounts related to our Services segment and are discussed below in "Results of Operations—Services."
Net Investment Income. For the three and six months ended June 30, 2018 and 2017, net investment income represents investment income from investments held at Radian Group that are allocated to the Mortgage Insurance segment and investment income from investments held by the Mortgage Insurance segment. See "Results of Operations—Mortgage Insurance" for more information.
Net Gains (Losses) on Investments and Other Financial Instruments. The increase in net losses on investments and other financial instruments for the three and six months ended June 30, 2018, as compared to the same periods in 2017, is primarily due to the increase in unrealized losses in our trading portfolio related to changes in fair value resulting from increased interest rates. The components of the net gains (losses) on investments and other financial instruments for the periods indicated are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2018	2017	2018	2017
Net unrealized gains (losses) related to change in fair value of trading securities and other investments	$(5.7)	$6.9	$(18.5)	$12.2
Net realized gains (losses) on investments	(1.1)	(1.2)	(4.5)	(9.4)
Other-than-temporary impairment losses	—	(1.0)	(0.9)	(1.0)
Net gains (losses) on other financial instruments	(0.6)	0.6	(2.4)	0.7
Net gains (losses) on investments and other financial instruments	$(7.4)	$5.3	$(26.3)	$2.5

Other Operating Expenses. Other operating expenses for the three months ended June 30, 2018, increased as compared to the same period in 2017, while operating expenses for the six months ended June 30, 2018 decreased as compared to the same period in 2017. Other operating expenses for both the three- and six-month periods ended June 30, 2018, as compared to the same periods in 2017, were reduced by: (i) lower expenses in 2018 associated with retirement and consulting agreements entered into in February 2017 with our former Chief Executive Officer and (ii) an increase in ceding commissions in 2018, primarily due to the 2018 Single Premium QSR Agreement and the increased cession percentage on the 2016 Single Premium QSR Agreement, partially offset by higher compensation expense in 2018, including variable and incentive-based compensation. In addition to these items, the three months ended June 30, 2018 reflected an increase primarily due to the acquisition of EnTitle Direct on March 27, 2018, and the resulting inclusion of its operating expenses, partially offset by lower accrued legal expenses in 2018 related to defending and resolving certain outstanding legal matters.

Restructuring and other exit costs. For the three and six months ended June 30, 2018, restructuring and other exit costs include charges associated with our plan to restructure the Services business. See “Overview—Services” for more information.

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Loss on Induced Conversion and Debt Extinguishment. During the second quarter of 2017, we entered into privately negotiated agreements to purchase a portion of our outstanding Convertible Senior Notes due 2017 in an aggregate principal amount of $21.6 million. These purchases of Convertible Senior Notes due 2017 resulted in a loss on induced conversion and debt extinguishment of $1.2 million. During the first quarter of 2017, we settled our obligations on the remaining Convertible Senior Notes due 2019, resulting in a loss on debt extinguishment of $4.5 million that represented the difference between the fair value and the carrying value, net of unamortized issuance costs, of the liability component of the Convertible Senior Notes due 2019.

Impairment of Goodwill. There was no goodwill impairment in 2018. During the second quarter of 2017, we recorded a goodwill impairment charge of $184.4 million, as well as an impairment charge for other intangible assets of $15.8 million, in each case related to our Services segment. These charges were primarily due to changes in expectations regarding the future growth of certain Services product lines, resulting from decisions to change our business strategy, combined with market trends observed during the second quarter of 2017 that we expect to persist. See Note 7 of Notes to Consolidated Financial Statements in our 2017 Form 10-K for additional information.

Income Tax Provision. From 2017 to 2018, our effective tax rates were primarily affected by: (i) the reduction in the federal statutory tax rate as a result of the TCJA, effective January 1, 2018 and (ii) the reversal of previously accrued tax liabilities relating to the IRS Matter in the second quarter of 2018. The TCJA significantly changed the U.S. tax system and, among other things, reduced the federal corporate tax rate from 35% to 21%, effective January 1, 2018. For the three months ended June 30, 2018, we recorded tax benefits of $73.6 million related to the impact of the settlement with the IRS as well as the reversal of certain previously accrued state and local tax liabilities. See Note 9 of Notes to Unaudited Condensed Consolidated Financial Statements and “Overview—Other 2018 Developments” for additional information.

For the three and six months ended June 30, 2018 and 2017, our effective tax rate was different from the federal statutory tax rate, primarily due to the tax impact of Discrete Items. The impact of Discrete Items on our effective tax rate may fluctuate from period to period. In 2018, the discrete items impacting our effective tax rate primarily include the impact of the settlement with the IRS and related state tax liabilities.

Use of Non-GAAP Financial Measure. In addition to the traditional GAAP financial measures, we have presented “adjusted pretax operating income,” a non-GAAP financial measure for the consolidated company, among our key performance indicators to evaluate our fundamental financial performance. This non-GAAP financial measure aligns with the way our business performance is evaluated by both management and by our board of directors. This measure has been established in order to increase transparency for the purposes of evaluating our operating trends and enabling more meaningful comparisons with our peers. Although on a consolidated basis “adjusted pretax operating income” is a non-GAAP financial measure, for the reasons discussed above we believe this measure aids in understanding the underlying performance of our operations. Our senior management, including our Chief Executive Officer (Radian’s chief operating decision maker), uses adjusted pretax operating income (loss) as our primary measure to evaluate the fundamental financial performance of the Company’s business segments and to allocate resources to the segments.

Adjusted pretax operating income is defined as GAAP consolidated pretax income (loss) excluding the effects of: (i) net gains (losses) on investments and other financial instruments; (ii) loss on induced conversion and debt extinguishment; (iii) acquisition-related expenses; (iv) amortization or impairment of goodwill and other intangible assets; and (v) net impairment losses recognized in earnings and losses from the sale of lines of business.

Although adjusted pretax operating income (loss) excludes certain items that have occurred in the past and are expected to occur in the future, the excluded items represent those that are: (i) not viewed as part of the operating performance of our primary activities or (ii) not expected to result in an economic impact equal to the amount reflected in pretax income (loss). These adjustments, along with the reasons for their treatment, are described below.

(1) Net gains (losses) on investments and other financial instruments. The recognition of realized investment gains or losses can vary significantly across periods as the activity is highly discretionary based on the timing of individual securities sales due to such factors as market opportunities, our tax and capital profile and overall market cycles.

Unrealized investment gains and losses arise primarily from changes in the market value of our investments that are classified as trading or equity securities. These valuation adjustments may not necessarily result in realized economic gains or losses.

Trends in the profitability of our fundamental operating activities can be more clearly identified without the fluctuations of these realized and unrealized gains or losses. We do not view them to be indicative of our fundamental operating activities. Therefore, these items are excluded from our calculation of adjusted pretax operating income (loss).

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(2) Loss on induced conversion and debt extinguishment. Gains or losses on early extinguishment of debt and losses incurred to purchase our convertible debt prior to maturity are discretionary activities that are undertaken in order to take advantage of market opportunities to strengthen our financial and capital positions; therefore, we do not view these activities as part of our operating performance. Such transactions do not reflect expected future operations and do not provide meaningful insight regarding our current or past operating trends. Therefore, these items are excluded from our calculation of adjusted pretax operating income (loss).

(3) Acquisition-related expenses. Acquisition-related expenses represent the costs incurred to effect an acquisition of a business (i.e., a business combination). Because we pursue acquisitions on a strategic and selective basis and not in the ordinary course of our business, we do not view acquisition-related expenses as a consequence of a primary business activity. Therefore, we do not consider these expenses to be part of our operating performance and they are excluded from our calculation of adjusted pretax operating income (loss).

(4) Amortization or impairment of goodwill and other intangible assets. Amortization of intangible assets represents the periodic expense required to amortize the cost of intangible assets over their estimated useful lives. Intangible assets with an indefinite useful life are also periodically reviewed for potential impairment, and impairment adjustments are made whenever appropriate. These charges are not viewed as part of the operating performance of our primary activities and therefore are excluded from our calculation of adjusted pretax operating income (loss).

(5) Net impairment losses recognized in earnings and losses from the sale of lines of business. The recognition of net impairment losses on investments and the impairment of other long-lived assets does not result in a cash payment and can vary significantly in both amount and frequency, depending on market credit cycles and other factors. Losses from the sale of lines of business are highly discretionary as a result of strategic restructuring decisions, and generally do not occur in the normal course of our business. We do not view these losses to be indicative of our fundamental operating activities. Therefore, whenever these losses occur, we exclude them from our calculation of adjusted pretax operating income (loss).

Total adjusted pretax operating income is not a measure of total profitability, and therefore should not be considered in isolation or viewed as a substitute for GAAP pretax income (loss). Our definition of adjusted pretax operating income may not be comparable to similarly-named measures reported by other companies.

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The following table provides a reconciliation of the most comparable GAAP measure, consolidated pretax income, to our non-GAAP financial measure for the consolidated company, adjusted pretax operating income:

Reconciliation of Consolidated Non-GAAP Financial Measure

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2018	2017	2018	2017
Consolidated pretax income (loss)	$180,571	$(35,474)	$323,013	$79,196
Less income (expense) items:				
Net gains (losses) on investments and other financial instruments	(7,404)	5,331	(26,291)	2,480
Loss on induced conversion and debt extinguishment	—	(1,247)	—	(5,703)
Acquisition-related expenses (1)	(416)	(64)	(416)	(72)
Impairment of goodwill	—	(184,374)	—	(184,374)
Amortization and impairment of other intangible assets	(2,748)	(18,856)	(5,496)	(22,152)
Impairment of other long-lived assets (2)	130	—	104	—
Total adjusted pretax operating income (3)	$191,009	$163,736	$355,112	$289,017

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(1) Acquisition-related expenses represent expenses incurred to effect the acquisition of a business, net of adjustments to accruals previously recorded for acquisition expenses.

(2) Included within restructuring and other exit costs. Includes, for the three months ended June 30, 2018, a working capital adjustment related to the sale of our EuroRisk business.

(3) Total adjusted pretax operating income consists of adjusted pretax operating income (loss) for each segment as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2018	2017	2018	2017
Adjusted pretax operating income (loss):				
Mortgage insurance (a)	$197,440	$170,361	$369,151	$304,994
Services (a)	(6,431)	(6,625)	(14,039)	(15,977)
Total adjusted pretax operating income	$191,009	$163,736	$355,112	$289,017

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(a) Includes inter-segment expenses and revenues as disclosed in Note 3 of Notes to Unaudited Condensed Consolidated Financial Statements.

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Results of Operations—Mortgage Insurance

Three and Six Months Ended June 30, 2018 Compared to Three and Six Months Ended June 30, 2017

The following table summarizes our Mortgage Insurance segment's results of operations for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		$ Change Favorable (Unfavorable)	Six Months Ended June 30,		$ Change Favorable (Unfavorable)
(In millions)	2018	2017	2018 vs. 2017	2018	2017	2018 vs. 2017
Adjusted pretax operating income (1)	$197.4	$170.4	$ 27.0	$369.2	$305.0	$ 64.2
Net premiums written—insurance (2)	252.0	241.3	10.7	489.9	466.0	23.9
(Increase) decrease in unearned premiums	(3.0)	(12.2)	9.2	1.6	(15.1)	16.7
Net premiums earned—insurance	249.0	229.1	19.9	491.5	450.9	40.6
Net investment income	37.4	30.1	7.3	71.4	61.1	10.3
Provision for losses	19.4	17.7	(1.7)	56.8	64.9	8.1
Other operating expenses (3)	53.4	53.8	0.4	103.9	107.3	3.4

(1) Our senior management uses adjusted pretax operating income (loss) as our primary measure to evaluate the fundamental financial performance of each of the Company's business segments. See Note 3 of Notes to Unaudited Condensed Consolidated Financial Statements.

(2) Net of ceded premiums written under the QSR Program and the Single Premium QSR Program. See Note 7 of Notes to Unaudited Condensed Consolidated Financial Statements for more information.

(3) Includes allocation of corporate operating expenses of $20.1 million and $38.7 million for the three and six months ended June 30, 2018, respectively, and $15.9 million and $30.1 million for the three and six months ended June 30, 2017, respectively.

Adjusted Pretax Operating Income. Our Mortgage Insurance segment's adjusted pretax operating income increased for the three and six months ended June 30, 2018, compared to the same periods in 2017, primarily reflecting: (i) an increase in net premiums earned and (ii) an increase in net investment income. The six months ended June 30, 2018 also benefited from a decrease in the provision for losses.

NIW, IIF, RIF

A key component of our current business strategy is to write profitable insurance on high credit quality mortgages in the U.S. Consistent with this objective, we wrote $16.4 billion and $28.1 billion of primary new mortgage insurance in the three and six months ended June 30, 2018, compared to $14.3 billion and $24.4 billion of NIW in the three and six months ended June 30, 2017. The $16.4 billion NIW written in the three months ended June 30, 2018 represents a company record for the highest quarterly volume of mortgage insurance written on a flow basis. The combination of our NIW and our Persistency Rate resulted in an increase in IIF, from $200.7 billion at December 31, 2017 to $210.7 billion at June 30, 2018, as shown in the chart below. Policy years represent the original policy years, and have not been adjusted to reflect subsequent HARP refinancing activity. Our Persistency Rate for the twelve months ended June 30, 2018 increased to 80.9%, as compared to 78.5% for the twelve months ended June 30, 2017.

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(1) Policy years represent the original policy years, and have not been adjusted to reflect subsequent HARP refinancing activity.
(2) Adjusted to reflect subsequent HARP refinancing activity, this percentage would decrease to 7.1%.

Our IIF is one of the primary drivers of the future premiums that we expect to earn over time. Although not reflected in the current period financial statements, nor in our reported book value, we expect our IIF to generate substantial earnings in future periods, due to the high credit quality of our current mortgage insurance portfolio and expected persistency over multiple years. Additionally, the economic value of our existing IIF increased significantly as a result of the TCJA, due to the increase in expected future net cash flows associated with the reduction in tax payments. See “Key Factors Affecting Our Results—Mortgage Insurance—IIF; Persistency Rate; Mix of Business” in our 2017 Form 10-K for more information.

We implemented pricing changes during the first half of 2018 that we estimate will result in an overall relative premium rate decrease on NIW. These changes, however, do not affect the value or future returns on our IIF written prior to 2018; therefore, the impact of these pricing actions on near-term revenue is expected to be limited. The changes are expected to gradually affect our results over time, as existing IIF is replaced with NIW at current pricing. Assuming our current NIW levels, mix and persistency levels remain constant, it would take approximately three years for one-half of our IIF to reflect our current pricing structure. However, the ultimate results of the changes will be influenced by many other factors, including the amount of NIW, changes in the product and credit profile mix of both NIW and policy cancellations, the impact of interest rates and product mix on persistency, and the amount of reinsurance we use. See “—Overview—Operating Environment—Competition and Pricing” for additional information.

NIW increased by 14.5% and 15.1% for the three and six months ended June 30, 2018, compared to the same periods in 2017, primarily attributable to an increase in our market share of borrower-paid Single Premium Policies and the penetration rate of private mortgage insurance into the overall mortgage origination market, partially offset by decreased refinance originations.

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We believe total mortgage origination volume was lower for the three and six months ended June 30, 2018, as compared to the comparable periods in 2017, due to a decrease in refinance mortgage originations resulting from the slightly higher interest rate environment. Mortgage insurance penetration in the purchase origination market has gradually increased over the past few years, and because the penetration rate for mortgage insurance is generally three to five times higher on purchase originations than on refinancing transactions, we believe that even though the total mortgage origination volume was lower, the mortgage insurance market was larger for the three- and six-month periods ended June 30, 2018, compared to the same periods in 2017, despite the decline in total mortgage origination volume.

Although it is difficult to project future volumes, industry sources expect the mortgage origination market for the full year 2018 to decline approximately 6% compared to 2017, driven by a decline in refinance originations of approximately 24% as a result of higher anticipated interest rates, partially offset by an expected increase in purchase originations of approximately 4%. However, given our expected penetration rates, we expect the private mortgage insurance market in 2018 to be slightly larger than 2017. Based on industry forecasts and our projections, we expect our NIW in 2018 to be approximately $55 billion.

Consistent with these trends in the mortgage origination market described above, as a percentage of our total NIW, the level of our purchase origination volume increased and our refinance origination volume decreased, each as a percentage of our total NIW, during the three- and six-month periods ended June 30, 2018, compared to the same periods in 2017. As a percentage of our total NIW, the volume of our NIW on mortgage loans with LTVs greater than 95% also increased during the three-and six-month periods ended June 30, 2018, compared to the same periods in 2017. During the three- and six-month periods ended June 30, 2018, compared to the same periods in 2017, we also continued to experience an increased percentage of our total NIW on mortgage loans to borrowers with higher debt-to-income ratios, including debt-to-income ratios greater than 45%. Notwithstanding this mix shift toward higher LTVs and debt-to-income ratios, loan originations after 2008 consist primarily of high credit quality loans with significantly better credit performance than loans originated during 2008 and prior periods. See "—Overview—Operating Environment" for additional information.

As of June 30, 2018, our portfolio of business written after 2008, including HARP refinancings, represented approximately 93% of our total primary RIF. The high volume of insurance that we have written on high credit quality loans after 2008 has significantly improved our mortgage insurance portfolio mix and, together with favorable credit trends, has had a significant positive impact on our results of operations.

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Our expected future losses on our portfolios written after 2008, together with HARP refinancings, are significantly lower than those experienced on our NIW prior to 2009. The following charts illustrate the trends of our cumulative incurred loss ratios by year of origination and development year.

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(1) Represents inception-to-date losses incurred as a percentage of net premiums earned.
(2) Incurred losses in 2017 were slightly elevated due to the impact of Hurricanes Harvey and Irma. See "Overview—Operating Environment—Hurricanes" for additional information.

The following tables provide selected information as of and for the periods indicated related to mortgage insurance NIW, RIF and IIF. Policy years represent the original policy years, and have not been adjusted to reflect subsequent HARP refinancing activity. Throughout this report, unless otherwise noted, RIF is presented on a gross basis and includes the amount ceded under reinsurance. NIW, RIF and IIF for direct Single Premiums include policies written on an individual basis (as each loan is originated) and on an aggregated basis (in which each individual loan in a group of loans is insured in a single transaction, typically after the loans have been originated).

	Three Months Ended June 30,				Six Months Ended June 30,			
($ in millions)	2018		2017		2018		2017	
Total primary NIW by FICO score								
>=740	$9,988	60.8 %	$8,836	61.6 %	$17,100	60.9 %	$15,004	61.5 %
680-739	5,332	32.5	4,672	32.6	9,134	32.5	7,955	32.6
620-679	1,097	6.7	834	5.8	1,847	6.6	1,438	5.9
Total Primary NIW	$16,417	100.0%	$14,342	100.0%	$28,081	100.0%	$24,397	100.0%

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($ in millions)	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
Percentage of primary NIW				
Direct Monthly and Other Premiums	76 %	77 %	77 %	76 %
Direct Single Premiums	24 %	23 %	23 %	24 %
Lender-paid	10 %	21 %	12 %	22 %
Borrower-paid (1)	14 %	2 %	11 %	2 %
Net Single Premiums (2)	8 %	15 %	8 %	16 %
NIW for Purchases	95 %	91 %	92 %	88 %
NIW for Refinances	5 %	9 %	8 %	12 %
LTV				
95.01% and above	16.3 %	12.8 %	15.9 %	11.3 %
90.01% to 95.00%	45.3 %	47.3 %	45 %	47.3 %
85.01% to 90.00%	27.5 %	28.8 %	27.5 %	29.4 %
85.00% and below	10.9 %	11.1 %	11.6 %	12.0 %
Primary risk written	$4,155	$3,646	$7,084	$6,153

(1) Borrower-paid Single Premium Policies provide an increased return on required capital because, over the life of the loans, the Minimum Required Assets under PMIERs are lower than for lender-paid Single Premium Policies. See "Overview—Operating Environment—Competition and Pricing" for additional information.

(2) Represents the percentage of direct Single Premium Policies written, after giving effect to the Single Premium NIW ceded under the Single Premium QSR Program (for NIW after the effective dates of the respective agreements). See Note 7 of Notes to Unaudited Condensed Consolidated Financial Statements for additional information about these arrangements.

($ in millions)	June 30, 2018	December 31, 2017	June 30, 2017
Primary IIF			
Direct Monthly and Other Premiums	69 %	69 %	68 %
Direct Single Premiums	31 %	31 %	32 %
Net Single Premiums (1)	19 %	20 %	25 %
Total Primary IIF	$210,741	$ 200,724	$191,637
Persistency Rate (12 months ended)	80.9 %	81.1 %	78.5 %
Persistency Rate (quarterly, annualized) (2)	82.3 %	79.4 % (3)	82.8 %

(1)

Represents the percentage of Single Premium IIF, after giving effect to all reinsurance ceded. See Note 7 of Notes to Unaudited Condensed Consolidated Financial Statements for additional information about reinsurance transactions.

(2) The Persistency Rate on a quarterly, annualized basis may be impacted by seasonality or other factors, and may not be indicative of full-year trends.

(3) The Persistency Rate in the fourth quarter of 2017 was reduced by an increase in cancellations of Single Premium Policies due to increased cancellations identified by our ongoing servicer monitoring process for Single Premium Policies.

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($ in millions)	June 30, 2018		December 31, 2017		June 30, 2017	
Primary RIF by Premium Type						
Direct Monthly and Other Premiums	$37,515	69.6 %	$35,452	69.1 %	$33,571	68.6 %
Direct Single Premiums	16,407	30.4	15,836	30.9	15,358	31.4
Total primary RIF	$53,922	100.0%	$51,288	100.0%	$48,929	100.0%
Net Single Premiums (1)	$8,266	18.3 %	$8,320	19.3 %	$10,621	24.5 %
Primary RIF by Internal Risk Grade						
Prime	$52,446	97.3 %	$49,674	96.9 %	$47,075	96.2 %
Alt-A and A minus and below	1,476	2.7	1,614	3.1	1,854	3.8
Total primary RIF	$53,922	100.0%	$51,288	100.0%	$48,929	100.0%

(1) Represents the dollar amount and percentage, respectively, of Single Premium RIF, after giving effect to all reinsurance ceded.

($ in millions)	June 30, 2018		December 31, 2017		June 30, 2017	
Total primary RIF by FICO score						
>=740	$31,955	59.3 %	$30,225	58.9 %	$28,514	58.3 %
680-739	16,998	31.5	16,097	31.4	15,249	31.1
620-679	4,472	8.3	4,425	8.6	4,537	9.3
<=619	497	0.9	541	1.1	629	1.3
Total primary RIF	$53,922	100.0%	$51,288	100.0%	$48,929	100.0%
Primary RIF on defaulted loans	$1,093		$1,389		$1,124	

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($ in millions)	June 30, 2018		December 31, 2017		June 30, 2017	
Total primary RIF by LTV						
95.01% and above	$5,575	10.3 %	$4,704	9.2 %	$3,926	8.0 %
90.01% to 95.00%	28,737	53.3	27,276	53.2	25,880	52.9
85.01% to 90.00%	16,024	29.7	15,719	30.6	15,508	31.7
85.00% and below	3,586	6.7	3,589	7.0	3,615	7.4
Total primary RIF	$53,922	100.0%	$51,288	100.0%	$48,929	100.0%
Total primary RIF by policy year						
2008 and prior	$6,429	11.9 %	$7,159	14.0 %	$8,316	17.0 %
2009	247	0.4	298	0.6	377	0.8
2010	195	0.4	264	0.5	351	0.7
2011	563	1.0	682	1.3	802	1.7
2012	2,423	4.5	2,830	5.5	3,279	6.7
2013	3,993	7.4	4,557	8.9	5,235	10.7
2014	3,844	7.1	4,356	8.5	5,000	10.2
2015	6,408	11.9	7,096	13.8	7,890	16.1
2016	10,329	19.2	10,992	21.4	11,608	23.7
2017	12,506	23.2	13,054	25.5	6,071	12.4
2018	6,985	13.0	—	—	—	—
Total primary RIF (1)	$53,922	100.0%	$51,288	100.0%	$48,929	100.0%

(1) At June 30, 2018, December 31, 2017 and June 30, 2017, consists of 97.5%, 97.3% and 97.1%, respectively, of RIF related to fixed-rate mortgages.

Net Premiums Written and Earned. Net premiums written and earned for the three and six months ended June 30, 2018 increased compared to the same periods in 2017 primarily due to an increase in our IIF, which was primarily related to an increase in our Monthly Premium Policies. This increase was partially offset by the increased cession percentage on the Single Premium QSR Program.

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The table below provides additional information about the components of net premiums earned for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2018	2017	2018	2017
Net premiums earned—insurance:				
Direct				
Premiums earned, excluding revenue from cancellations	$250,805	$229,883	$497,213	$455,530
Single Premium Policy cancellations	14,776	13,346	27,111	23,761
Direct premiums earned	265,581	243,229	524,324	479,291
Ceded				
Premiums earned, excluding revenue from cancellations	(20,491)	(16,039)	(40,794)	(32,405)
Single Premium Policy cancellations (1)	(4,046)	(2,622)	(7,347)	(4,725)
Profit commission—other (2)	7,917	4,521	15,322	8,721
Ceded premiums, net of profit commission	(16,620)	(14,140)	(32,819)	(28,409)
Assumed premiums earned	7	7	13	14
Total net premiums earned—insurance	$248,968	$229,096	$491,518	$450,896

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(1) Includes the impact of related profit commissions.

(2) The amounts represent the profit commission on the Single Premium QSR Program, excluding impact of Single Premium Policy cancellations.

The impact of mortgage prepayment speeds on the mix of business we write affects the revenue ultimately produced by our mortgage insurance business. Because prepayment speeds are difficult to project, our strategy has been to write a mix of Single Premium Policies and Monthly Premium Policies, which we believe balances the overall impact on our results if actual prepayment speeds are significantly different from expectations. The Single Premium QSR Program is also part of our strategy to balance our mix of Single Premium Policies and Monthly Premium Policies. As of June 30, 2018, the impact of all of our third-party quota share reinsurance programs reduced our Single Premium RIF from 30.4% to 18.3%. We expect our production level for Single Premium Policies to fluctuate over time based on various factors, which include risk-return and risk-mix considerations, as well as market conditions. See "Overview—Operating Environment—Competition and Pricing," above, as well as "Key Factors Affecting Our Results—Mortgage Insurance—IIF; Persistency Rate; Mix of Business" in our 2017 Form 10-K for more information.

Net Premiums Written and Earned—Ceded. Historically, we have entered into reinsurance transactions, including the Single Premium QSR Program, as part of our capital and risk management activities. The Single Premium QSR Program is expected to increase Radian Guaranty's return on required capital for its Single Premium Policies. The impact of the Single Premium QSR Program on our financial results will vary depending on the level of ceded RIF, as well as the levels of prepayments and incurred losses on the reinsured portfolio, among other factors. The level of RIF that may be ceded in the future is currently subject to certain contractual conditions that may affect the amount ceded, including a limitation on ceded premium written equal to $335 million for policies issued between January 1, 2018 and December 31, 2019. Notwithstanding this limitation, the parties may mutually agree to amend the agreement, including with respect to any limitations on the amounts of insurance that may be ceded.

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Explanation of Responses:

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The following table provides information related to the premium impact of our reinsurance transactions. See Note 7 of Notes to Unaudited Condensed Consolidated Financial Statements for more information about our reinsurance programs, including the ceded amounts related to the QSR Program.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
QSR Program				
% of total direct premiums written	1.2%	1.9%	1.4%	2.1%
% of total direct premiums earned	2.0%	3.1%	2.1%	3.2%
Single Premium QSR Program				
% of total direct premiums written	9.8%	5.3%	8.1%	4.6%
% of total direct premiums earned	4.2%	2.6%	4.1%	2.5%
First-Lien Captives				
% of total direct premiums written	0.0%	0.1%	0.0%	0.1%
% of total direct premiums earned	0.0%	0.1%	0.0%	0.1%

Net Investment Income. Increasing yields from higher short-term rates and higher average investment balances resulted in increases in investment income for the three and six months ended June 30, 2018, compared to the same periods in 2017. Our higher investment balances were primarily a result of investing our positive cash flow from operations. All periods include full allocation to the Mortgage Insurance segment of net investment income from investments held at Radian Group.

Provision for Losses. The following table details the financial impact of the significant components of our provision for losses for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2018	2017	2018	2017
Current period defaults (1)	$37.2	$45.3	$67.3	$88.9
Prior period defaults (2)	(18.1)	(28.2)	(11.3)	(24.7)
Second-lien mortgage loan premium deficiency reserve and other	0.3	0.6	0.8	0.7
Provision for losses	$19.4	$17.7	$56.8	$64.9
Loss ratio (3)	7.8 %	7.7 %	11.6 %	14.4 %

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(1) Related to defaulted loans with a most recent default notice dated in the period indicated. For example, if a loan had defaulted in a prior period, but then subsequently cured and later re-defaulted in the current period, the default would be considered a current period default.

(2) Related to defaulted loans with a default notice dated in a period earlier than the period indicated, which have been continuously in default since that time.

(3) Provision for losses as a percentage of net premiums earned.

Our mortgage insurance provision for losses for the three months ended June 30, 2018 increased by $1.7 million as compared to the same period in 2017. Our provision for losses for the six months ended June 30, 2018 decreased by

$8.1 million as compared to the same period in 2017. Reserves established for new default notices were the primary driver of our total incurred losses for the three and six months ended June 30, 2018 and 2017. Current period new primary defaults decreased by 2.7% and 1.9% for the three and six months ended June 30, 2018, respectively, compared to the same periods in 2017. Our gross Default to Claim Rate assumption for new primary defaults, was 9% at June 30, 2018, compared to 11% as of June 30, 2017. This reduction in estimated gross Default to Claim Rate assumptions, which was based on observed trends, contributed to the reduction in the portion of our provision for losses related to new defaults in the three and six months ended June 30, 2018, compared to the same periods in 2017.

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Our provision for losses for the three and six month periods ended June 30, 2018 and 2017 was reduced by positive reserve development on prior period defaults, primarily due to reductions in certain Default to Claim Rate assumptions based on observed trends of higher Cures than were previously estimated on those prior period defaults. As expected, Radian Guaranty experienced an increase in reported delinquencies in FEMA Designated Areas associated with Hurricanes Harvey and Irma during the third and fourth quarters of 2017, followed by cure rates for these delinquencies that are higher than the rates for the rest of our portfolio. We believe that these hurricane-related delinquencies reached their peak in 2017 and, based on current trends and past experience, expect that most of these defaults will cure by the end of 2018.

Our primary default rate at June 30, 2018 was 2.2% compared to 2.9% at December 31, 2017. Our primary defaulted inventory comprised 22,088 loans at June 30, 2018, compared to 27,922 loans at December 31, 2017, representing a decrease of 20.9%. The reduction in our primary defaulted inventory is the result of the total number of defaulted loans: (i) that have cured; (ii) for which claim payments have been made; or (iii) that have resulted in net Rescissions and Claim Denials, collectively, exceeding the total number of new defaults on insured loans. The shift in our portfolio composition toward more recent vintages is expected to result in increasing levels of defaults from the post-2008 portfolio, consistent with typical default seasoning patterns. However, we expect that the reductions in defaults from our pre-2009 portfolio will outpace those increases in 2018. Therefore, we currently expect total new defaults for 2018 to continue to decrease throughout the year as compared to the comparable periods for the prior year.

The following table shows the number of primary loans that we have insured, the number of loans in default and the percentage of loans in default as of the dates indicated:

	June 30, 2018	December 31, 2017	June 30, 2017
Default Statistics—Primary Insurance:			
Total Primary Insurance			
Prime			
Number of insured loans	947,165	913,408	879,926
Number of loans in default	15,849	20,269	15,664
Percentage of loans in default	1.67 %	2.22 %	1.78 %
Alt-A and A minus and below			
Number of insured loans	38,892	42,318	48,953
Number of loans in default	6,239	7,653	8,091
Percentage of loans in default	16.04 %	18.08 %	16.53 %
Total Primary Insurance			
Number of insured loans	986,057	955,726	928,879
Number of loans in default (1)	22,088	27,922	23,755
Percentage of loans in default	2.24 %	2.92 %	2.56 %
Default Statistics—Pool Insurance:			
Number of loans in default	1,788	2,117	3,365

(1) Included in this amount at June 30, 2018 and December 31, 2017 are the defaults in the FEMA Designated Areas associated with Hurricanes Harvey and Irma, which occurred during the third quarter of 2017. At June 30, 2018, December 31, 2017 and June 30, 2017, defaults in these areas were 4,132; 7,051; and 2,749, respectively.

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The following table shows a rollforward of our primary loans in default, including new defaults from our Legacy Portfolio and Post-legacy Portfolio:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Beginning default inventory	24,597	25,793	27,922	29,105
Plus: New defaults (1)				
Legacy Portfolio new defaults	4,695	5,714	9,708	11,893
Post-legacy new defaults	3,644	2,856	7,720	5,865
Total new defaults	8,339	8,570	17,428	17,758
Less: Cures (1)	9,739	8,513	21,106	19,502
Less: Claims paid (2)	1,105	2,082	2,157	3,586
Less: Rescissions and Claim Denials, net of (Reinstatements) (3)	4	13	(1)	20
Ending default inventory	22,088	23,755	22,088	23,755

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(1) Amounts include the new defaults and Cures in the FEMA Designated Areas associated with Hurricanes Harvey and Irma, which occurred during the third quarter of 2017. For the three and six months ended June 30, 2018 and 2017, new defaults and Cures in these areas were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
New defaults	755	860	1,744	1,739
Cures	2,284	817	4,452	1,890

(2) Includes those charged to a deductible or captive reinsurance transactions, as well as commutations.

(3) Net of any previous Rescissions and Claim Denials that were reinstated during the period. Such reinstated Rescissions and Claim Denials may ultimately result in a paid claim.

Our gross Default to Claim Rate estimates on defaulted loans are mainly developed based on the Stage of Default and Time in Default of the underlying defaulted loans, as measured by the progress toward a foreclosure sale and the number of months in default. Our gross Default to Claim Rate assumption for new primary defaults, was reduced from 10% at December 31, 2017, to 9% at June 30, 2018. As of June 30, 2018, our gross Default to Claim Rate assumptions on our primary portfolio ranged from 9% for new defaults, up to 68% for defaults not in foreclosure stage, and 75% for Foreclosure Stage Defaults.

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

	June 30, 2018					
	Total		Foreclosure Stage Defaulted Loans	Cure % During the 2nd Quarter	Reserve for Losses	% of Reserve
($ in thousands)	#	%	#	%	$	%
Missed payments:						
Three payments or less	8,696	39.4 %	143	39.9 %	$78,048	19.1 %
Four to eleven payments	7,213	32.6	461	26.1	96,650	23.6
Twelve payments or more	5,491	24.9	1,676	5.8	197,849	48.4
Pending claims	688	3.1	N/A	4.8	36,433	8.9
Total	22,088	100.0 %	2,280		408,980	100.0 %
IBNR and other					14,246	
LAE					12,228	
Total primary reserve					$435,454	

June 30, 2018
Key Reserve Assumptions

Gross Default to Claim Rate %	Net Default to Claim Rate %	Claim Severity %
37%	35%	98%

	December 31, 2017					
	Total		Foreclosure Stage Defaulted Loans	Cure % During the 4th Quarter	Reserve for Losses	% of Reserve
($ in thousands)	#	%	#	%	$	%
Missed payments:						
Three payments or less	13,004	46.6 %	172	31.7 %	$89,412	19.3 %
Four to eleven payments	7,528	27.0	426	20.9	99,759	21.5
Twelve payments or more	6,651	23.8	1,933	6.3	234,895	50.6
Pending claims	739	2.6	N/A	3.1	40,144	8.6
Total	27,922	100.0 %	2,531		464,210	100.0 %
IBNR and other					16,021	
LAE					13,349	
Total primary reserve					$493,580	

December 31, 2017
Key Reserve Assumptions

Gross Default to Claim Rate %	Net Default to Claim Rate %	Claim Severity %
33%	31%	98%

N/A – Not applicable

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Our aggregate weighted average net Default to Claim Rate assumption for our primary loans used in estimating our reserve for losses, which is net of estimated Claim Denials and Rescissions, was 35% and 31% at June 30, 2018 and December 31, 2017, respectively. The increase in our Default to Claim Rate in the first six months of 2018 primarily resulted from the decrease in the number of new primary defaults in FEMA Designated Areas associated with Hurricanes Harvey and Irma subsequent to those two natural disasters through February 2018, which had a lower Default to Claim Rate of 3%. Our net Default to Claim Rate and loss reserve estimate incorporate our expectations with respect to future Rescissions, Claim Denials and Claim Curtailments. These expectations are based primarily on our recent experience with respect to the number of claims that have been denied due to the policyholder’s failure to submit sufficient documentation to perfect a claim within the time period permitted under our Master Policies and also our recent experience with respect to the number of insurance certificates that have been rescinded due to fraud, underwriter negligence or other factors. See Note 11 of Notes to Consolidated Financial Statements in our 2017 Form 10-K.

Our mortgage insurance total loss reserve as a percentage of our mortgage insurance total RIF was 0.8% at June 30, 2018, compared to 1.0% at December 31, 2017. See Note 10 of Notes to Unaudited Condensed Consolidated Financial Statements for information regarding our reserves for losses by category and a reconciliation of our Mortgage Insurance segment’s beginning and ending reserves for losses and LAE.

Our primary reserve per default (calculated as primary reserve excluding IBNR and other reserves divided by the number of primary defaults) was $19,070 and $17,103 at June 30, 2018 and December 31, 2017, respectively, with the recent increase caused by the decline in the number of defaults related to FEMA Designated Areas associated with Hurricanes Harvey and Irma, which have a lower reserve per default.

We considered the sensitivity of our loss reserve estimates at June 30, 2018 by assessing the potential changes resulting from a parallel shift in Claim Severity and Default to Claim Rate for primary loans. For example, assuming all other factors remain constant, for every one percentage point absolute change in primary Claim Severity (which we estimated to be 98% of our risk exposure at June 30, 2018), we estimated that our total loss reserve at June 30, 2018 would change by approximately $4 million. Assuming the portfolio mix and all other factors remain constant, for every one percentage point absolute change in our primary net Default to Claim Rate, we estimated an $11 million change in our primary loss reserve at June 30, 2018.

In addition, as part of our claims review process, we assess whether defaulted loans were serviced appropriately in accordance with our insurance policies and servicing guidelines. To the extent a servicer has failed to satisfy its servicing obligations, our policies provide that we may curtail the claim payment for such default, and in some circumstances, cancel coverage or deny the claim. Claim Curtailments due to servicer noncompliance with our insurance policies and servicing guidelines, which impact the severity of our claim payments, were $1.1 million and $2.6 million for the three and six months ended June 30, 2018, respectively, compared to $1.9 million and $4.2 million for the same periods in 2017.

Total mortgage insurance claims paid of $56.5 million for the three months ended June 30, 2018 decreased from claims paid of $91.3 million for the three months ended June 30, 2017, primarily due to the continuing decline in the outstanding default inventory. See “Liquidity and Capital Resources—Mortgage Insurance” for more information. Although expected claims are included in our reserve for losses, the timing of claims paid is subject to fluctuation from quarter to quarter, based on the rate that defaults cure and other factors (as described in “Item 1. Business—Mortgage Insurance—Defaults and Claims” in our 2017 Form 10-K) that make the timing of paid claims difficult to predict.

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The following table shows claims paid by product and average claim paid by product for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2018	2017	2018	2017
Net claims paid: (1)				
Prime	$30,936	$45,562	$68,078	$97,606
Alt-A and A minus and below	17,156	24,286	38,572	49,911
Total primary claims paid	48,092	69,848	106,650	147,517
Pool	954	1,901	2,106	6,081
Other	157	(1,937)	305	(1,859)
Subtotal	49,203	69,812	109,061	151,739
Impact of captive terminations	—	645	(36)	645
Impact of commutations	7,331	20,838	7,435	20,999
Total net claims paid	$56,534	$91,295	$116,460	$173,383
Average net claim paid: (1) (2)				
Prime	$50.1	$48.2	$50.1	$49.4
Alt-A and A minus and below	65.7	51.0	64.2	52.2
Total average net primary claim paid	54.8	49.1	54.4	50.3
Pool	73.4	47.5	60.2	48.6
Total average net claim paid	$54.1	$47.3	$53.6	$49.2
Average direct primary claim paid (2) (3)	$55.5	$49.4	$55.0	$50.6
Average total direct claim paid (2) (3)	$54.8	$47.6	$54.1	$49.4

(1) Net of reinsurance recoveries.
(2) Calculated without giving effect to the impact of the termination of captive transactions and commutations.
(3) Before reinsurance recoveries.

Other Operating Expenses. Other operating expenses for the three and six months ended June 30, 2018, as compared to the same periods in 2017, reflect a decrease primarily resulting from an increase in ceding commissions, primarily due to the 2018 Single Premium QSR Agreement and the increased cession percentage on the 2016 Single Premium QSR Agreement. Partially offsetting this decrease was an increase in allocated corporate operating expenses. The increase in allocated corporate operating expenses is primarily due to (i) higher compensation expense, including variable and incentive-based compensation and (ii) an increase in the proportion of corporate expenses allocated to the Mortgage Insurance segment, partially offset by lower expenses accrued to defend and resolve certain outstanding legal matters and lower expenses in 2018 associated with retirement and consulting agreements entered into in February 2017 with our former Chief Executive Officer. See “Results of Operations—Consolidated—Other Operating Expenses.”

Our expense ratio on a net premiums earned basis represents our mortgage insurance segment’s operating expenses (which include policy acquisition costs and other operating expenses, as well as allocated corporate operating expenses), expressed as a percentage of net premiums earned. Our expense ratio was 23.9% and 23.8% for the three and six months ended June 30, 2018, compared to 26.2% and 26.6% for the same periods in 2017. The increase in net premiums earned was the primary driver of the change in the expense ratios between these periods, combined with the change in other operating expenses.

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Results of Operations—Services

Three and Six Months Ended June 30, 2018 Compared to Three and Six Months Ended June 30, 2017

The following table summarizes our Services segment's results of operations for the three and six months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		$ Change Favorable (Unfavorable)	Six Months Ended June 30,		$ Change Favorable (Unfavorable)
(In millions)	2018	2017	2018 vs. 2017	2018	2017	2018 vs. 2017
Adjusted pretax operating income (loss) (1)	$(6.4)	$(6.6)	$ 0.2	$(14.0)	$(16.0)	$ 2.0
Net premiums earned—insurance	2.4	—	2.4	2.4	—	2.4
Services revenue	37.7	40.0	(2.3)	71.9	80.1	(8.2)
Cost of services	24.4	26.0	1.6	47.6	54.7	7.1
Gross profit on services	13.3	14.0	(0.7)	24.3	25.4	(1.1)
Other operating expenses (2)	17.0	16.2	(0.8)	30.6	32.5	1.9
Restructuring and other exit costs (3)	1.1	—	(1.1)	1.6	—	(1.6)

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(1) Our senior management uses adjusted pretax operating income (loss) as our primary measure to evaluate the fundamental financial performance of each of the Company's business segments. See Note 3 of Notes to Unaudited Condensed Consolidated Financial Statements.

(2) Includes allocation of corporate operating expenses of $3.0 million and $5.8 million for the three- and six-month periods ended June 30, 2018, respectively, and $3.4 million and $7.1 million for the three- and six month periods ended June 30, 2017, respectively.

(3) Primarily includes facility and lease termination costs. Does not include impairment of long-lived assets and loss from the sale of a business line, which is not considered a component of adjusted pretax operating income.

Our Services segment is primarily a fee-for-service business that offers a broad array of services to market participants across the mortgage and real estate value chain, primarily through Clayton, Green River Capital, Red Bell, ValuAmerica and EnTitle Direct (which was acquired in March 2018). See "Overview—Other 2018 Developments—Services Acquisition." These services comprise mortgage services, real estate services and title services, including technology-based and turn-key solutions, that provide information and other resources and services used to originate, evaluate, acquire, securitize, service and monitor residential real estate and loans secured by residential real estate. We provide these services to, among others, mortgage lenders, financial institutions, mortgage and real estate investors and government entities.

Adjusted Pretax Operating Income (Loss). Our Services segment's adjusted pretax operating loss was $6.4 million and $14.0 million for the three and six months ended June 30, 2018, compared to an adjusted pretax operating loss of $6.6 million and $16.0 million for the same periods in 2017. The slight decrease in our adjusted pretax operating loss for the three months ended June 30, 2018, as compared to the same period in 2017, was driven by a decrease in compensation-related costs, primarily as a result of our restructuring activities in 2017, partially offset by: (i) an increase in restructuring and other exit costs and (ii) the inclusion of the operating results of EnTitle Direct (acquired in March 2018). The decrease in our adjusted pretax operating loss for the six months ended June 30, 2018, as compared to the same period in 2017, was primarily driven by a decrease in other operating expenses.

Net premiums earned—insurance. Net premiums earned for the three and six months ended June 30, 2018 increased compared to the same periods in 2017, as a result of the March 2018 acquisition of EnTitle Direct and the inclusion of its operations.

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Explanation of Responses:

Services Revenue. Services revenue decreased for the three and six months ended June 30, 2018, as compared to the same periods in 2017, primarily due to a decline in title services transaction volumes related primarily to lower volume from a large contract nearing completion during the first half of 2018, partially offset by an increase in real estate services. This decrease in services revenue is generally in line with our expectations following our announced restructuring of our Services segment in late 2017, through which we are repositioning the segment for sustained profitability by focusing on the core products and services that we believe have higher growth potential, produce more predictable and recurring fee-based revenues, and better align with our customer needs.

For the three and six months ended June 30, 2018, the top 10 Services customers (which includes our affiliates) generated 52% and 49%, respectively, of the Services segment’s revenues, as compared to 53% and 51% for the same periods in 2017. Approximately 2% and 3% of the Services segment’s revenue for the three and six months ended June 30, 2018, respectively, related to sales to our affiliates, and has been eliminated in our consolidated results for all periods presented. The largest single customer generated approximately 9% and 10% of the Services segment’s revenue for the three and six months ended June 30, 2018, respectively, compared to 14% and 13% for the same periods in 2017.

Cost of Services. Our cost of services is primarily affected by our level of services revenue. Our cost of services primarily consists of employee compensation and related payroll benefits, including the cost of billable labor assigned to revenue-generating activities and, to a lesser extent, other costs of providing services such as travel and related expenses incurred in providing client services and costs paid to outside vendors, data acquisition costs and other compensation-related expenses to maintain software application platforms that directly support our businesses. The level of these costs may fluctuate if market rates of compensation change, or if there is decreased availability or a loss of qualified employees.

Other Operating Expenses. Other operating expenses primarily consist of compensation costs not classified as cost of services because they are related to employees, such as sales and corporate employees, who are not directly involved in providing client services. Compensation-related costs for the three and six months ended June 30, 2018 represented 45% and 44%, respectively, of the segment’s other operating expenses, compared to 51% and 53% for the same periods in 2017. The decrease in compensation-related costs for the three and six months ended June 30, 2018, compared to the same periods in 2017, is primarily due to the restructuring actions taken in 2017. Other operating expenses also include other selling, general and administrative expenses, depreciation, and allocations of corporate general and administrative expenses. Other operating expenses for the three and six months ended June 30, 2018 were impacted by the acquisition of EnTitle Direct in March 2018 and the resulting inclusion of its other operating expenses from the date of acquisition. Other operating expenses for the three and six months ended June 30, 2018 include allocations of corporate operating expenses of $3.0 million and $5.8 million compared to $3.4 million and $7.1 million for the same periods in 2017. This decrease is primarily due to: (i) a decrease in the proportion of corporate expenses allocated to the Services segment and (ii) a decrease in corporate expenses related to expenses associated with retirement and consulting agreements incurred in the three months ended March 31, 2017, partially offset by higher compensation expense, including variable and incentive-based compensation. See “Results of Operations—Consolidated—Other Operating Expenses.”

Restructuring and other exit costs. For the three and six months ended June 30, 2018, restructuring and other exit costs include charges associated with our plan to restructure the Services business. See “Overview” for more information.

Off-Balance Sheet Arrangements

There have been no material changes in off-balance sheet arrangements from those specified in our 2017 Form 10-K, other than as described below.

Segregated Funds Held for Others

Through EnTitle Insurance, we maintain escrow deposits as a service to our customers. Amounts held in escrow and excluded from assets and liabilities in our consolidated balance sheets totaled $7.4 million as of June 30, 2018. These amounts were held at third-party financial institutions.

Contractual Obligations and Commitments
There have been no material changes outside of the ordinary course of business in our contractual obligations and commitments from those specified in our 2017 Form 10-K.

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Liquidity and Capital Resources
Radian Group—Short-Term Liquidity Needs
Radian Group serves as the holding company for our insurance and other subsidiaries and does not have any operations of its own. At June 30, 2018, Radian Group had available, either directly or through an unregulated subsidiary, unrestricted cash and liquid investments of $202 million. This amount: (i) excludes $31 million expected to be submitted to the IRS in connection with the settlement of the IRS Matter; (ii) includes the remaining $58 million of qualified deposits with the IRS related to the IRS Matter; and (iii) excludes certain additional cash and liquid investments that have been advanced to Radian Group from our subsidiaries for corporate expenses and interest payments. Total liquidity, which also includes our undrawn $225 million unsecured revolving credit facility, was $427 million as of June 30, 2018. See "—Sources of Liquidity" below. Borrowings under the credit facility may be used for working capital and general corporate purposes, including, without limitation, capital contributions to Radian Group's insurance and reinsurance subsidiaries as well as growth initiatives. See Note 12 of Notes to Unaudited Condensed Consolidated Financial Statements for additional details.
On August 9, 2017, Radian Group's board of directors renewed the Company's share repurchase program, authorizing the Company to repurchase up to $50 million of its common stock. During the three and six months ended June 30, 2018, the Company purchased 2,491,843 and 3,022,856 shares, respectively, at an average price of $16.07 and $16.56 per share, respectively, including commissions. At June 30, 2018, there was no remaining purchase authority under this program. See Note 14 of Notes to Unaudited Condensed Consolidated Financial Statements for additional details on our share repurchase program.
During the first six months of 2018, available holding company liquidity was reduced by the completion of the Company's share repurchase program described above, the impact of finalizing the settlement of the IRS Matter, the acquisition of EnTitle Direct and subsequent capital contributions of $23.0 million to EnTitle Direct. See "Overview—Other 2018 Developments" for additional information on EnTitle Direct. However, these uses of liquidity were substantially offset by payments made to Radian Group under tax-sharing arrangements with its subsidiaries.
Radian Group's principal liquidity demands for the next 12 months are: (i) the payment of corporate expenses, including taxes; (ii) the payment of $158.6 million principal amount of our outstanding Senior Notes due in June 2019; (iii) interest payments on our outstanding debt obligations; and (iv) the payment of dividends on our common stock. Radian Group's liquidity demands for the next 12 months or in future periods could also include: (i) capital support for Radian Guaranty and our other insurance subsidiaries; (ii) repayments, repurchases or early redemptions of portions of our debt and (iii) potential investments to support our strategy for growing our businesses.
Corporate Expenses and Interest Expense. Radian Group has expense-sharing arrangements in place with its principal operating subsidiaries that require those subsidiaries to pay their allocated share of certain holding-company-level expenses, including interest payments on most of our outstanding debt obligations. Payments of these corporate expenses for the next 12 months, excluding interest payments on our debt, are expected to be approximately $80 to $85 million, most of which is expected to be reimbursed by our subsidiaries under our expense-sharing arrangements. For the same period, payments of interest on Radian Group's debt obligations are expected to be approximately $55 million, most of which is expected to be reimbursed by our subsidiaries under our expense-sharing arrangements. See "—Radian Group—Long-Term Liquidity Needs—Services." The expense-sharing arrangements between Radian Group and ou insurance subsidiaries, as amended, have been approved by the applicable insurance departments, but such approval may be modified or revoked at any time.
Capital Support for Subsidiaries. Private mortgage insurers, including Radian Guaranty, are required to comply with the PMIERs to remain approved insurers of loans purchased by the GSEs. Radian Guaranty currently is an approved mortgage insurer under the PMIERs, and is in compliance with the PMIERs financial requirements. At June 30, 2018, Radian Guaranty's Available Assets under the PMIERs totaled approximately $3.7 billion, resulting in an excess or "cushion" of approximately $480 million, or 15%, over its Minimum Required Assets of approximately $3.3 billion. See Note 16 of Notes to Unaudited Condensed Consolidated Financial Statements for additional details regarding the

capital requirements of our subsidiaries.

The PMIERs require Radian to maintain significantly more Minimum Required Assets for delinquent loans than for performing loans. Therefore, the increase in reported delinquencies from hurricane-affected areas resulted in an elevated level of the Company’s Minimum Required Assets as of June 30, 2018, compared to levels prior to the hurricanes, which occurred in the third quarter of 2017, as a result of increased new primary defaults received during the third and fourth quarters of 2017. The Company expects these Minimum Required Assets to decrease by the end of 2018, consistent with our expectation that most of the hurricane-related defaults will cure within that timeframe. See Note 10 of Notes to Unaudited Condensed Consolidated Financial Statements.

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(1) Represents Radian Group’s Liquidity, net of the $35 million minimum liquidity requirement under the unsecured revolving credit facility.

(2) The amendment to the 2016 Single Premium QSR Agreement which became effective as of December 31, 2017, and the $100 million of cash and marketable securities that Radian Group transferred to Radian Guaranty in December 2017 in exchange for a Surplus Note both had the effect of increasing the amount of Radian Guaranty’s cushion under the PMIERs financial requirements at December 31, 2017. These increases were partially offset by an elevated level of Minimum Required Assets at December 31, 2017 and June 30, 2018, due to the increase in reported delinquencies from hurricane-affected areas, which is expected to be temporary, as discussed above.

(3) Represents Radian Guaranty’s excess of Available Assets over its Minimum Required Assets, calculated in accordance with the PMIERs financial requirements.

The GSEs may amend the PMIERs at any time, and they have broad discretion to interpret the requirements, which could impact the calculation of Radian Guaranty’s Available Assets and/or Minimum Required Assets. During the second quarter of 2018, Radian Guaranty received, on a confidential basis, a revised draft of the GSEs’ proposed changes to the PMIERs that takes into consideration comments previously provided by the private mortgage insurers to the GSEs and the FHFA. We currently expect the proposed changes to the PMIERs to become effective at the end of the first quarter of 2019. Radian expects that when the proposed changes become effective, we will be able to fully comply with the proposed PMIERs and to maintain a cushion substantially the same as our current excess of Available Assets over Minimum Required Assets under the current form of the PMIERs. The Company’s expectation is not dependent upon our taking additional capital actions, and is based on our current NIW forecast, our projections for positive operating results in 2018, our strong capital position and the benefits of our reinsurance programs. See Note 1 of Notes to Unaudited Condensed Consolidated Financial Statements for additional information about the PMIERs. If our projections turn out to be inaccurate, our holding company liquidity of $202 million and the $225 million unsecured revolving credit facility could be utilized to enhance Radian Guaranty’s PMIERs cushion, as necessary, subject to a $35 million minimum liquidity requirement under our unsecured revolving credit facility.
Radian Guaranty’s Risk-to-capital as of June 30, 2018 was 12.5 to 1. See Note 16 of Notes to Unaudited Condensed Consolidated Financial Statements for more information. Our combined Risk-to-capital, which represents the consolidated Risk-to-capital measure for all of our Mortgage Insurance subsidiaries, was 11.8 to 1 as of June 30, 2018. Radian Guaranty is not expected to need additional capital to satisfy state insurance regulatory requirements in their current form.

The NAIC is in the process of reviewing the minimum capital and surplus requirements for mortgage insurers and has been considering changes to the Model Act. In May 2016, a working group of state regulators released an exposure draft of a risk-based capital framework to establish capital requirements for mortgage insurers. While the timing and outcome of this process is not known, in the event the NAIC adopts changes to the Model Act, we expect that the capital requirements in states that adopt the new Model Act may increase as a result of the changes. However, we continue to believe the changes to the Model Act will not result in financial requirements that require greater capital than the level currently required under the PMIERs financial requirements.

Title insurance companies, including EnTitle Insurance, are subject to comprehensive state regulations, including minimum net worth requirements. EnTitle Insurance and its subsidiaries were in compliance with their respective minimum net worth requirements at June 30, 2018. In the event the cash flow from operations of the Services segment is not adequate to fund all of its needs, including the regulatory capital needs of EnTitle, Radian Group may provide additional funds to the Services segment in the form of an intercompany note, subject to the approval of the applicable state’s department of insurance, or a capital contribution. See also “—Services,” below. Additional capital support may also be required for potential investments in new business initiatives to support our strategy of growing our businesses.

Dividends. Our quarterly common stock dividend currently is $0.0025 per share and, based on our current outstanding shares of common stock, we would require approximately $2.1 million in the aggregate to pay our quarterly dividends for the next 12 months. Radian Group is not subject to any limitations on its ability to pay dividends except those generally applicable to corporations that are incorporated in Delaware. Delaware corporation law provides that dividends are only payable out of a corporation’s capital surplus or (subject to certain limitations) recent net profits. As of June 30, 2018, our capital surplus was $3.2 billion, representing our dividend limitation under Delaware law.

IRS Matter. In July 2018, Radian finalized a settlement with the IRS which resolves the issues and concludes all disputes relating to the IRS Matter. Under the terms of the settlement, we will submit to the IRS approximately $31 million of our $89 million “qualified deposits” with the U.S. Treasury, and the remaining balance will be returned to us. We have excluded the expected $31 million payment from Radian Group’s available liquidity of $202 million at June 30, 2018. Radian Group will not be reimbursed for any portion of this potential settlement under the tax-sharing arrangements with its subsidiaries. See Note 9 of Notes to Unaudited Condensed Consolidated Financial Statements and “Overview—Other 2018 Developments” for additional information.

Sources of Liquidity. In addition to available cash and marketable securities, Radian Group’s principal sources of cash to fund future short-term liquidity needs include payments made to Radian Group under expense- and tax-sharing arrangements with its subsidiaries. See also “—Services.” Pursuant to our tax-sharing agreements, our operating subsidiaries pay Radian Group an amount equal to any federal income tax the subsidiary would have paid on a standalone basis if they were not part of our consolidated tax return. As a result, from time to time, under the provisions of our tax-sharing agreements, Radian Group may receive cash from its operating subsidiaries that is in excess of Radian Group’s consolidated federal tax payment obligation. In 2018, Radian expects to pay minimal federal tax payments to the IRS, other than as described above for the settlement related to the IRS Matter. See “—IRS Matter,” above. As a result, in 2018, under the provisions of our tax-sharing agreements, Radian Group has received cash payments from certain of its subsidiaries that are significantly in excess of Radian Group’s consolidated federal tax payment obligations. We expect to continue to receive similar cash payments from these subsidiaries for the remainder of 2018.

In addition to the primary sources of liquidity listed above, on October 16, 2017, Radian Group entered into a three-year, $225 million unsecured revolving credit facility with a syndicate of bank lenders. Borrowings under the credit facility may be used for working capital and general corporate purposes, including, without limitation, capital contributions to Radian Group’s insurance and reinsurance subsidiaries as well as growth initiatives. At June 30, 2018, the full $225 million remains undrawn and available under the facility. See Note 12 of Notes to Unaudited Condensed Consolidated Financial Statements for additional information.

If Radian Group's current sources of liquidity are insufficient for Radian Group to fund its obligations during the next 12 months, or if we otherwise decide to increase our liquidity position, Radian Group may seek additional capital, including by incurring additional debt, issuing additional equity, or selling assets, which we may not be able to do on favorable terms, if at all.

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We regularly evaluate opportunities, based on market conditions, to finance our operations by accessing the capital markets or entering into other types of financing arrangements with institutional and other lenders and financing sources, and consider various measures to improve our capital and liquidity positions, as well as to strengthen our balance sheet and improve Radian Group's debt maturity profile. In the past, we have repurchased and exchanged, prior to maturity, some of our outstanding debt, and in the future, we may, from time to time, seek to redeem, repurchase or exchange for other securities, or otherwise restructure or refinance some or all of our outstanding debt, prior to maturity, in the open market, through other public or private transactions, including pursuant to one or more tender offers, or through any combination of the foregoing, as circumstances may allow. The timing or amount of any potential transactions will depend on a number of factors, including market opportunities and our views regarding our capital and liquidity positions and potential future needs. There can be no assurance that any such transactions will be completed on favorable terms, or at all.

Radian Group—Long-Term Liquidity Needs

In addition to our short-term liquidity needs discussed above, our most significant needs for liquidity beyond the next 12 months are:

(1) the repayment of our outstanding Senior Notes, consisting of:
- $234.1 million principal amount of outstanding debt due in June 2020;
- $197.7 million principal amount of outstanding debt due in March 2021;
- $450.0 million principal amount of outstanding debt due in October 2024; and

(2) potential additional capital contributions to our subsidiaries.

As of June 30, 2018, certain of our subsidiaries have incurred NOLs that could not be carried-back and utilized on a separate company tax return basis. As a result, we are not currently obligated under our tax-sharing agreement to reimburse these subsidiaries for their separate company NOL carryforward. However, if in a future period, our consolidated NOL and tax credits are fully utilized before a subsidiary has utilized its share of NOL carryforwards on a separate entity basis, then Radian Group may be obligated to fund such subsidiary's share of our consolidated tax liability to the IRS. Certain subsidiaries, including Clayton, currently have NOLs on a separate entity basis that are available for future utilization. However, we do not expect to fund material obligations related to these subsidiary NOLs. See also "—Radian Group—Short-Term Liquidity Needs—Sources of Liquidity."

We expect to meet the long-term liquidity needs of Radian Group with a combination of: (i) available cash and marketable securities; (ii) private or public issuances of debt or equity securities, which we may not be able to do on favorable terms, if at all; (iii) cash received under tax- and expense-sharing arrangements with our subsidiaries; (iv) to the extent available, dividends from our subsidiaries; and (v) any amounts that Radian Guaranty is able to successfully repay under the Surplus Note.

Under Pennsylvania's insurance laws, ordinary dividends and other distributions may only be paid out of an insurer's positive unassigned surplus, measured as of the end of the prior fiscal year. Despite the fact that Radian Guaranty and Radian Reinsurance maintained significant positive statutory capital balances, Radian Guaranty and Radian Reinsurance had negative unassigned surplus at December 31, 2017 of $765.0 million and $112.1 million, respectively. Therefore, no ordinary dividends or other distributions can be paid by these subsidiaries in 2018. Due in part to the need to set aside contingency reserves, we do not expect that Radian Guaranty or Radian Reinsurance will have positive unassigned surplus, and therefore will not have the ability to pay ordinary dividends, for the foreseeable future. Under Pennsylvania's insurance laws, an insurer may request an Extraordinary Dividend, but payment is subject to the approval of the Pennsylvania Insurance Commissioner.

There can also be no assurance that our Services segment will generate sufficient cash flow to pay dividends. See "—Services" below.

Mortgage Insurance

As of June 30, 2018, our Mortgage Insurance segment maintained claims paying resources of $4.5 billion on a statutory basis, which consists of contingency reserves, statutory policyholders' surplus, premiums received but not yet earned and loss reserves.

The principal demands for liquidity in our mortgage insurance business include: (i) the payment of claims and potential claim settlement transactions, net of reinsurance; (ii) operating expenses (including those allocated from Radian Group) and (iii) taxes. Radian Guaranty's Surplus Note to Radian Group has a due date of December 31, 2027. The Surplus Note may be redeemed at any time upon 30 days prior notice, subject to the approval of the Pennsylvania Insurance Department.

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In August 2016, Radian Guaranty and Radian Reinsurance became members of the FHLB. As members, they may borrow from the FHLB, subject to certain conditions, which include the need to post collateral. Advances from the FHLB may be used to provide low-cost, supplemental liquidity for various purposes, including to fund incremental investments. Radian's current strategy includes using FHLB advances as financing to purchase additional investment securities that have similar durations, for the purpose of generating additional earnings from our investment securities portfolio with minimal incremental risk. As of June 30, 2018, there were $115.3 million of FHLB advances outstanding.

The principal sources of liquidity in our mortgage insurance business currently include insurance premiums, net investment income and cash flows from: (i) investment sales and maturities; (ii) FHLB advances; or (iii) capital contributions from Radian Group. We believe that the operating cash flows generated by each of our mortgage insurance subsidiaries will provide these subsidiaries with a substantial portion of the funds necessary to satisfy their claim payments, operating expenses and taxes for the foreseeable future.

Private mortgage insurers, including Radian Guaranty, are required to comply with the PMIERs to remain approved insurers of loans purchased by the GSEs. Radian Guaranty currently is an approved mortgage insurer under the PMIERs and is in compliance with the PMIERs financial requirements. See "—Radian Group—Short-Term Liquidity Needs—Capital Support for Subsidiaries" and Note 1 of Notes to Unaudited Condensed Consolidated Financial Statements for additional information.

Securities Lending Agreements. Radian Guaranty and Radian Reinsurance from time to time enter into certain short-term securities lending agreements with third-party Borrowers for the purpose of increasing the yield on our investment securities portfolio with minimal incremental risk. Under our securities lending program, Radian Guaranty and Radian Reinsurance loan certain securities in their investment portfolios to these Borrowers for short periods of time in exchange for collateral consisting of cash and other securities. We have the right to request the return of the loaned securities at any time.

Under our securities lending agreements, the Borrower generally may return the loaned securities to us at any time, which would require us to return the cash and other collateral within the standard settlement period for the loaned securities on the principal exchange or market in which the securities are traded. We manage this liquidity risk associated with the cash collateral by maintaining the cash collateral in a short-term money-market fund with daily availability.

The credit risk under these programs is reduced by the amounts of collateral received. On a daily basis, the value of the underlying securities that we have loaned to the Borrowers is compared to the value of cash and securities collateral we received from the Borrowers, and additional cash or securities are requested or returned, as applicable. In addition, we are indemnified against counterparty credit risk by the intermediary. For additional information on our securities lending agreements, see Note 5 of Notes to Unaudited Condensed Consolidated Financial Statements.

Services

As of June 30, 2018, our Services segment maintained cash and cash equivalents totaling $11.4 million, which included restricted cash of $3.1 million.

The principal demands for liquidity in our Services segment include: (i) the payment of employee compensation and other operating expenses, including those allocated from Radian Group; (ii) reimbursements to Radian Group for interest payments related to the original issued amount of the Senior Notes due 2019; and (iii) dividends to Radian Group, if any. In addition, the Services segment expects to pay approximately $1.1 million in cash related to its restructuring plan. See "Overview—Business Strategy" for additional information.

The principal sources of liquidity in our Services segment are cash generated by operations and, to the extent necessary, capital contributions from Radian Group.

Liquidity levels may fluctuate depending on the levels and contractual timing of our invoicing and the payment practices of the Services clients, in combination with the timing of Services' payments for employee compensation and to external vendors. The amount, if any, and timing of the Services segment's dividend paying capacity will depend

primarily on the amount of excess cash flow generated by the segment.
The Services segment has not generated sufficient cash flows to pay dividends to Radian Group. Additionally, while cash flow has been sufficient to pay the Services segment’s direct operating expenses, it has not been sufficient to reimburse Radian Group for $82 million of its accumulated allocated operating expense and interest expense. We do not expect that the Services segment will be able to bring its reimbursement obligations current in the foreseeable future. In the event the cash flow from operations of the Services segment is not adequate to fund all of its needs, Radian Group may provide additional funds to the Services segment in the form of a capital contribution or an intercompany note.

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Cash Flows

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

(In thousands)	Six Months Ended June 30, 2018	2017
Net cash provided by (used in):		
Operating activities	$300,822	$206,412
Investing activities	(376,700)	(50,197)
Financing activities	84,360	(135,702)
Effect of exchange rate changes on cash and restricted cash	(1)	77
Increase (decrease) in cash and restricted cash	$8,481	$20,590

Operating Activities. Our most significant source of operating cash flows is from premiums received from our insurance policies, while our most significant uses of operating cash flows are generally for claims paid on our insured policies and our operating expenses. Net cash provided by operating activities totaled $300.8 million for the six months ended June 30, 2018, compared to $206.4 million for the same period in 2017. This increase in net cash provided by operating activities in the six months ended June 30, 2018, compared to the same period in 2017, was principally the result of an increase in net premiums written, combined with a reduction in claims paid.

Investing Activities. Net cash used in investing activities increased in the six months ended June 30, 2018, compared to the same period in 2017, primarily as a result of: (i) an increase in purchases of short-term investments and (ii) a decrease in proceeds from trading securities, partially offset by an increase in proceeds, net of purchases, from equity securities.

Financing Activities. Net cash provided by financing activities increased for the six months ended June 30, 2018, as compared to net cash used in financing activities during the same period in 2017. For the six months ended June 30, 2018 our primary financing activities included an increase in secured borrowings from the FHLB, partially offset by an increase in the purchases of our common shares. During the six months ended June 30, 2017, cash used in financing activities primarily related to: (i) the settlement of our obligations on the remaining $68.0 million aggregate principal amount of our Convertible Senior Notes due 2019 and (ii) the purchase of $21.6 million aggregate principal amount of our Convertible Senior Notes due 2017. These obligations were settled in cash for a total amount of $141.7 million during the six months ended June 30, 2017.

See “Item 1. Condensed Consolidated Statements of Cash Flows (Unaudited)” for additional information.

Stockholders’ Equity

Stockholders’ equity increased by $201.1 million from December 31, 2017 to June 30, 2018. The net increase in stockholders’ equity resulted primarily from our net income of $323.4 million for the six months ended June 30, 2018, partially offset by: (i) net unrealized losses on investments of $84.0 million and (ii) shares repurchased under our share repurchase program of $50.8 million. See Note 14 of Notes to Unaudited Condensed Consolidated Financial Statements for additional information.

During the first six months of 2018, Radian’s holding company debt-to-capital ratio decreased to 24.3% at June 30, 2018 from 25.5% at December 31, 2017 and 25.3% at June 30, 2017.

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Ratings

Radian Group, Radian Guaranty and Radian Reinsurance have been assigned the ratings set forth in the chart below. We believe that ratings often are considered by others in assessing our credit strength and the financial strength of our primary mortgage insurance subsidiaries. The following ratings have been independently assigned by third-party statistical rating organizations, are for informational purposes only and are subject to change.

	Moody's (1)	S&P (2)
Radian Group	Ba3	BB+
Radian Guaranty	Baa3	BBB+
Radian Reinsurance	N/A	BBB+

(1) Based on the August 17, 2017 update, Moody's outlook for Radian Group and Radian Guaranty currently is Positive.

(2) Based on the September 11, 2017 update, S&P's outlook for Radian Group, Radian Guaranty and Radian Reinsurance is currently Stable.

Critical Accounting Policies

As of the filing date of this report, there were no significant changes in our critical accounting policies from those discussed in our 2017 Form 10-K. See Note 1 of Notes to Unaudited Condensed Consolidated Financial Statements for accounting pronouncements issued but not yet adopted that may impact the Company's consolidated financial position, earnings, cash flows or disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk represents the potential for loss due to adverse changes in the value of financial instruments as a result of changes in market conditions. Examples of market risk include changes in interest rates, credit spreads, foreign currency exchange rates, and equity prices. We perform sensitivity analyses to determine the effects of market risk exposures on our investment securities by determining the potential loss in future earnings, fair values or cash flows of market-risk-sensitive instruments resulting from one or more selected hypothetical changes in the above mentioned market risks.

Interest-Rate Risk and Credit-Spread Risk

The primary market risks in our investment portfolio are interest-rate risk and credit-spread risk, namely the fair value sensitivity of our fixed income securities to changes in interest rates and credit spreads, respectively. We regularly analyze our exposure to interest-rate risk and credit-spread risk and have determined that the fair value of our investments is materially exposed to changes in both interest rates and credit spreads.

Our sensitivity analysis for interest rates is based on the change in fair value of our fixed income securities, assuming a hypothetical instantaneous and parallel 100-basis point increase or decrease in the U.S. Treasury yield curve, with all other factors remaining constant. We calculate the duration of our fixed income securities, expressed in years, in order to estimate the interest-rate sensitivity of these securities, as shown in the table below.

Credit spread represents the additional yield on a fixed income security, above the risk-free rate, that is paid by an issuer to compensate investors for assuming the credit risk of the issuer and market liquidity of the fixed income security. We manage credit-spread risk on both an entity and group level, across issuer, maturity, sector and asset class. Our sensitivity analysis for credit-spread risk is based on the change in fair value of our fixed income securities, assuming a hypothetical 100-basis point increase or decrease in all credit spreads, with the exception of U.S. Treasury and agency obligations for which we have assumed no change in credit spreads, and assuming all other factors remain constant. Actual shifts in credit spreads generally vary by issuer and security, based on issuer-specific and security-specific factors such as credit quality, maturity, sector and asset class. Within a given asset class, investment grade securities generally exhibit less credit-spread volatility than securities with lower credit ratings. Our investment securities portfolio primarily consists of investment grade securities.

Our sensitivity analyses for interest-rate risk and credit-spread risk provide an indication of our investment portfolio's sensitivity to shifts in interest rates and credit spreads. However, the timing and magnitude of actual market changes may differ from the hypothetical assumptions used in our sensitivity calculations.

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The following table illustrates the sensitivity of our investment portfolio to both interest-rate risk and credit-spread risk:

($ in millions)	Short-term and Available for Sale		Trading	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Carrying value of fixed income investment portfolio (1)	$4,286.2	$4,009.8	$535.6	$606.4
Percentage of fixed income investment portfolio compared to total investment portfolio (2)	87.3 %	85.8 %	10.9 %	13.0 %
Average duration of fixed income portfolio	4.0 years	4.4 years	5.0 years	5.1 years
Interest-rate risk increase/(decrease) in market value				
+100 basis points - $	$(165.4)	$(169.8)	$(25.4)	$(29.7)
+100 basis points - % (3)	(3.9)%	(4.2)%	(4.7)%	(4.9)%
- 100 basis points - $	$179.2	$184.7	$27.8	$32.5
- 100 basis points - % (3)	4.2 %	4.6 %	5.2 %	5.4 %
Credit-spread risk increase (decrease) in market value				
+100 basis points - $	$(179.0)	$(183.8)	$(25.8)	$(30.4)
+100 basis points - % (3)	(4.2)%	(4.6)%	(4.8)%	(5.0)%
- 100 basis points - $	$157.4	$148.6	$21.7	$24.6
- 100 basis points - % (3)	3.7 %	3.7 %	4.1 %	4.1 %

(1) Total fixed income securities include fixed-maturity investments available for sale, trading securities and short-term investments and exclude reinvested cash collateral held under securities lending agreements. At June 30, 2018 and December 31, 2017, fixed income securities shown above also include $76.4 million and $134.1 million, respectively, invested in certain fixed income exchange-traded funds that are classified as equity securities in our condensed consolidated balance sheets, as well as $36.9 million and $20.7 million, respectively, in fixed income securities loaned under securities lending agreements that are classified as other assets in our condensed consolidated balance sheets.

(2) Total investment portfolio comprises total investments per the consolidated balance sheets including securities loaned under securities lending agreements that are classified as other assets in our consolidated balance sheets.

(3) Change in value expressed as a percentage of the market value of the related fixed income portfolio.

The average duration of our total fixed income portfolio was 4.1 years at June 30, 2018 compared to 4.5 years at December 31, 2017. To assist us in setting duration targets for the investment portfolio, we analyze: (i) the interest-rate sensitivities of our liabilities, including prepayment risk associated with premium cash flows and credit losses; (ii) entity specific cash flows under various economic scenarios; (iii) return, volatility and correlation of specific asset classes and the interconnection with our liabilities; and (iv) our current risk appetite.

Securities Lending Agreements. Radian Guaranty and Radian Reinsurance from time to time enter into certain short-term securities lending agreements with third-party Borrowers for the purpose of increasing the yield on our investment securities portfolio with minimal incremental risk. Market factors, including changes in interest rates, credit spreads and equity prices, may impact the timing or magnitude of cash outflows for the return of cash collateral. For the purpose of illustrating our interest-rate risk and credit-spread risk, we have included our fixed income securities loaned in the sensitivity table above. As of June 30, 2018 and December 31, 2017, the carrying value of these securities was $38.4 million and $28.0 million, respectively.

Under our securities lending agreements, the Borrower generally may return the loaned securities to us at any time, which would require us to return the cash and other collateral within the standard settlement period for the loaned securities on the principal exchange or market in which the securities are traded. We manage this liquidity risk associated with the cash collateral by maintaining the cash collateral in a short-term money-market fund with daily availability.

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The credit risk under these programs is reduced by the amounts of collateral received. On a daily basis, the value of the underlying securities that we have loaned to the Borrowers is compared to the value of cash and securities collateral we received from the Borrowers, and additional cash or securities are requested or returned, as applicable. In addition, we are indemnified against counterparty credit risk by the intermediary. We also have the right to request the return of the loaned securities at any time. For additional information on our securities lending agreements, see Note 5 of Notes to Unaudited Condensed Consolidated Financial Statements.

Foreign Exchange Rate Risk

As of June 30, 2018 and December 31, 2017, we did not hold any foreign currency denominated securities in our investment portfolio. Exchange gains and losses on foreign currency transactions from our foreign operation have not been material due to its limited amount of business. Currency risk is further limited because, in general, both the revenues and expenses of our foreign operation are denominated in the same functional currency, based on the country in which the operation occurs.

Equity Market Price

Equity Investments at June 30, 2018. At June 30, 2018, the market value and cost of the equity securities in our investment portfolio were $123.0 million and $124.0 million, respectively. These amounts include market value and cost of fixed income exchange-traded funds of $76.4 million and $77.7 million, respectively, which are subject to interest-rate risk and credit-spread risk consistent with our other fixed income securities. Therefore, these fixed income exchange-traded funds have been included in the table above for purposes of illustrating our sensitivity to these risks.

The remaining $46.6 million and $46.3 million of market value and cost, respectively, of equity securities at June 30, 2018, primarily consists of publicly-traded business development company equity securities and equity-related exchange-traded funds. Due to our limited basis in these investments at June 30, 2018, our exposure to changes in equity market prices is not significant.

Equity Investments at December 31, 2017. At December 31, 2017, the market value and cost of the equity securities in our investment portfolio were $162.8 million and $163.1 million, respectively. These amounts include market value and cost of fixed income exchange-traded funds of $134.1 million and $135.0 million, respectively, which are subject to interest-rate risk and credit-spread risk consistent with our other fixed income securities. Therefore, these fixed income exchange-traded funds have been included in the table above for purposes of illustrating our sensitivity to these risks.

The remaining $28.8 million and $28.1 million of market value and cost, respectively, of equity securities at December 31, 2017, consists of publicly-traded business development company equity securities and equity-related exchange-traded funds. Due to our limited basis in these investments at December 31, 2017, our exposure to changes in equity market prices was not significant.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of June 30, 2018, pursuant to Rule 15d-15(e) under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2018, 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.

Changes in Internal Control Over Financial Reporting

During the six-month period ended June 30, 2018, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II—OTHER INFORMATION
Item 1. Legal Proceedings.
We are routinely involved in a number of legal actions and proceedings, including litigation and other disputes arising in the ordinary course of our business.
In July 2018, we finalized a settlement with the IRS related to adjustments we had been contesting that resulted from the examination by the IRS of our 2000 through 2007 consolidated federal income tax returns. The IRS was opposing the recognition of certain tax losses and deductions that were generated through our investment in a portfolio of non-economic REMIC residual interests and proposed denying the associated tax benefits of these items. We appealed these proposed adjustments to the Internal Revenue Service Office of Appeals and made “qualified deposits” with the U.S. Treasury of $85 million in June 2008 relating to the 2000 through 2004 tax years and $4 million in May 2010 relating to the 2005 through 2007 tax years, in order to avoid the accrual of incremental above-market-rate interest with respect to the proposed adjustments.
We attempted to reach a compromised settlement with the Internal Revenue Service Office of Appeals, but in September 2014 we received Notices of Deficiency covering the 2000 through 2007 tax years that asserted unpaid taxes and penalties of $157 million. The Notices of Deficiency also reflected additional amounts due of $105 million, which were primarily associated with the disallowance of the previously filed carryback of our 2008 NOL to the 2006 and 2007 tax years. On December 3, 2014, we petitioned the U.S. Tax Court to litigate the Deficiency Amount. On September 1, 2015, we received a notice that the case had been scheduled for trial. However, the parties jointly filed, and the U.S. Tax Court approved, motions for continuance in this matter to postpone the trial date. Also, in February 2016, the U.S. Tax Court approved a joint motion to consolidate for trial, briefing and opinion our case with a similar case involving MGIC Investment Corporation. During 2016, we held several meetings with the IRS in an attempt to reach a settlement on the issues presented in our dispute. In October 2017, the parties informed the U.S. Tax Court that they believed they had reached agreement in principle on all issues in the dispute. As required by law, this agreement was reported to the JCT for review, and in April 2018, we were notified that the JCT had no objection to the terms of the agreement and that the IRS was working towards finalizing the settlement decision documents.
In July 2018, we finalized a settlement with the IRS which resolves the issues and concludes all disputes relating to the IRS Matter discussed above. Under the terms of the settlement, Radian will submit to the IRS approximately $31 million of its $89 million “qualified deposits” with the U.S. Treasury, and the remaining balance will be returned to Radian. We have excluded the expected $31 million payment from our total available holding company liquidity as of June 30, 2018. In connection with the final settlement, in the second quarter of 2018, we realized tax benefits of $73.6 million, which includes both the impact of the settlement with the IRS as well as the reversal of certain previously accrued state and local tax liabilities. See Note 9 of Notes to Unaudited Condensed Consolidated Financial Statements for additional information regarding the IRS Matter.
On December 22, 2016, Ocwen Loan Servicing, LLC and Homeward Residential, Inc. (collectively, “Ocwen”) filed a complaint in the U.S. District Court for the Eastern District of Pennsylvania against Radian Guaranty (the “Complaint”) alleging breach of contract and bad faith claims and seeking monetary damages and declaratory relief. Ocwen has also initiated similar legal proceedings against several other mortgage insurers. On December 17, 2016, Ocwen separately filed a parallel arbitration petition against Radian Guaranty before the American Arbitration Association (“AAA”) asserting substantially the same allegations (the “Arbitration”). Ocwen’s filings together listed 9,420 mortgage insurance certificates issued under multiple insurance policies, including Pool Insurance policies, as subject to the dispute. On June 5, 2017, Ocwen filed an amended complaint and an amended petition (collectively, the “Amended Filings”) with both the court and the AAA, respectively, together listing 8,870 certificates as subject to the dispute. On April 11, 2018, the parties entered into a confidential agreement with respect to all certificates subject to the dispute. The confidential agreement resolved certain categories of claims involved in the dispute and, on April 12, 2018, the parties filed a stipulation of voluntary dismissal of the federal court proceeding and the trial judge issued an Order dismissing all claims and counterclaims subject to the parties’ agreement. Radian Guaranty was not required to make any payment in connection with this confidential agreement. Pursuant to the confidential agreement, the parties: (1) dismissed the federal court proceeding; (2) narrowed the scope of the dispute to Ocwen’s breach of contract claims seeking payment

of insurance benefits on approximately 2,500 certificates that Ocwen was previously pursuing through the Amended Filings; and (3) agreed to resolve the remaining dispute through the Arbitration. Radian Guaranty believes that Ocwen's allegations and claims in the legal proceedings described above are without merit and legally deficient, and plans to defend these claims vigorously. We are not able to estimate a reasonably possible loss, if any, or range of loss in this matter because of the preliminary stage of the Arbitration.

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We also are periodically subject to reviews and audits, as well as inquiries, information-gathering requests and investigations. In connection with these matters, from time to time we receive requests and subpoenas seeking information and documents related to aspects of our business. In March 2017, Green River Capital, a subsidiary of Clayton, received a letter from the staff of the SEC stating that it is conducting an investigation captioned, “In the Matter of Certain Single Family Rental Securitizations,” and that it is requesting information from market participants. The letter requested that Green River Capital provide information regarding broker price opinions that Green River Capital provided on properties included in SFR securitization transactions. Green River Capital has been cooperating with the SEC in this matter.

The legal and regulatory matters discussed above and in our 2017 Form 10-K could result in adverse judgments, settlements, fines, injunctions, restitutions or other relief that could require significant expenditures or have other effects on our business. Management believes, based on current knowledge and after consultation with counsel, that the outcome of such actions will not have a material adverse effect on our consolidated financial condition. However, the outcome of litigation and other legal and regulatory matters and proceedings is inherently uncertain, and it is possible that one or more of the matters currently pending or threatened could have an unanticipated adverse effect on our liquidity, financial condition or results of operations for any particular period.

Item 1A. Risk Factors.

There have been no material changes to our risk factors from those previously disclosed in our 2017 Form 10-K.

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

Issuance of Unregistered Securities

During the three and six months ended June 30, 2018, no equity securities of Radian Group were sold that were not registered under the Securities Act.

Issuer Purchases of Equity Securities

The following table provides information about purchases of Radian Group common stock by us (and our affiliated purchasers) during the three months ended June 30, 2018.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
Share repurchase program				
4/1/2018 to 4/30/2018	926,262	$ 16.25	924,720	$ 25,007,505
5/1/2018 to 5/31/2018	1,591,556	$ 16.02	1,567,123	$ —
6/1/2018 to 6/30/2018	—	$ —	—	$ —
Total	2,517,818		2,491,843	

(1) Includes 25,975 shares tendered by employees as payment of taxes withheld on the vesting of certain restricted stock awards granted under the Company’s equity compensation plans.

(2) On August 9, 2017, Radian Group’s board of directors renewed the Company’s share repurchase program that enables it to spend up to $50 million to repurchase its common stock. At June 30, 2018, there was no remaining purchase authority under this program. See Note 14 of Notes to Unaudited Condensed Consolidated Financial Statements.

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Explanation of Responses:

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Item 6. Exhibits

Exhibit No.	Exhibit Name
4.1	Fifth Supplemental Indenture dated as of September 26, 2017 between Radian Group Inc. and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (file no. 1-11356) dated September 26, 2017 and filed on September 26, 2017)
4.2	Form of 4.500% Senior Notes due 2024 (included as Exhibit A to the Fifth Supplemental Indenture in Exhibit 4.1)
+*10.1	2018 Performance-Based Restricted Stock Unit Grant Letter (book value) under the Radian Group Inc. Equity Compensation Plan between the Registrant and Richard G. Thornberry
+*10.2	2018 Time-Based Restricted Stock Unit Grant Letter under the Radian Group Inc. Equity Compensation Plan between the Registrant and Richard G. Thornberry
+*10.3	Form of Executive Officer 2018 Performance-Based Restricted Stock Unit Grant Letter (book value) under the Radian Group Inc. Equity Compensation Plan
+*10.4	Form of Executive Officer 2018 Time-Based Restricted Stock Unit Grant Letter under the Radian Group Inc. Equity Compensation Plan
*12	Statement of Ratio of Earnings to Fixed Charges
*31	Rule 13a - 14(a) Certifications
**32	Section 1350 Certifications
*101	Pursuant to Rule 405 of Regulation S-T, the following financial information from Radian Group Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 is formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017; (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2018 and 2017; (iii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2018 and 2017; (iv) Condensed Consolidated Statements of Changes in Common Stockholders' Equity for the six months ended June 30, 2018 and 2017; (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017; and (vi) the Notes to Unaudited Condensed Consolidated Financial Statements.

+ Management contract, compensatory plan or arrangement.
* Filed herewith.
** Furnished herewith.

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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.

	Radian Group Inc.
August 6, 2018	/s/ J. FRANKLIN HALL
	J. Franklin Hall
	Senior Executive Vice President, Chief Financial Officer
	/s/ CATHERINE M. JACKSON
	Catherine M. Jackson
	Senior Vice President, Controller

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