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# Radian Group Inc. (RDN)

Q4 2018 Earnings Call

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### **Emily Riley**

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### Richard G. Thornberry

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### J. Franklin Hall

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### OTHER PARTICIPANTS

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Analyst, B. Riley FBR, Inc.

### Mark C. DeVries

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### MANAGEMENT DISCUSSION SECTION

**Operator**: Ladies and gentlemen, thank you for standing by, and welcome to the Radian 2018 Fourth Quarter Earnings Call. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder, today's conference is being recorded. I would now like to turn the floor over to our host, Ms. Emily Riley, Senior Vice President of Investor Relations and Corporate Communications. Please go ahead.

### **Emily Riley**

Senior Vice President-Corporate Communications & Investor Relations, Radian Group Inc.

Thank you, and welcome to Radian's fourth quarter and year-end 2018 conference call. Our press release, which contains Radian's financial results, was issued earlier this morning and is posted to the Investors section of our website at www.radian.biz. This press release includes certain non-GAAP measures which will be discussed during today's call including adjusted pre-tax operating income, adjusted diluted net operating income per share, adjusted net operating return on equity, and Services adjusted EBITDA. A complete description of these measures and the reconciliation to GAAP may be found in press release Exhibits F and G and on the Investors section of our website.

In addition, we've also presented a related non-GAAP measure, Services adjusted EBITDA margin which we calculate by dividing Services adjusted EBITDA by GAAP total revenue for the Services segment.

This morning, you will hear from Rick Thornberry, Radian's Chief Executive Officer; and Frank Hall, Chief Financial Officer. Also on hand for the Q&A portion of the call is Derek Brummer, Senior Executive Vice President of Mortgage Insurance and Risk Services.

Before we begin, I would like to remind you that comments made during this call will include forward-looking statements. These statements are based on current expectations, estimates, projections and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially. For a discussion of these risks, please review the cautionary statements regarding forward-looking statements included in our earnings release, and the risk factors included in our 2017 Form 10-K and subsequent reports filed with the SEC. These are also available on our website.

Now, I would like to turn the call over to Rick

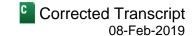
### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Thank you, Emily, and good morning. Thank you all for joining us today and for your interest in Radian. I am delighted to report another outstanding quarter and year for our company. These results are a testament to the hard work of the entire Radian team across all of our businesses, from Mortgage Insurance and Risk Services to Title, Mortgage and Real Estate Services.

I'd like to take a moment now to recognize the team and to thank our customers, investors and business partners for helping us deliver such exceptional results. 2018 was a year where we delivered on our strategy in a consistent manner but also celebrated several firsts for the company. We wrote \$56 billion (sic) [56.5 billion] of

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flow NIW which set a company record for the highest flow volume in our more than 40-year history. Net premiums earned exceeded \$1 billion and we grew primary insurance in force 10% year-over-year to \$221 billion.

We executed the mortgage industry's first-ever simultaneous ILN and XOL reinsurance placement which has enhanced our capital efficiency and strengthened our risk profile. We improved our financial flexibility with a \$450 million return of capital from Radian Guaranty to Radian Group. And we have aligned all of our businesses and products under the Radian brand to reflect the combined strength of our unified team. And these are just a few highlights from an outstanding year.

Before I turn the call over to Frank to cover our financial position, I'd like to take the opportunity to review several other topics. In terms of financial performance, net income for the fourth quarter grew to \$140 million or \$0.64 per share. Net income for the full-year 2018 was \$606 million or \$2.77 per share. Adjusted diluted net operating income per share increased 48% year-over-year to \$2.69. Return on equity was 18.7% and adjusted net operating return on equity was 18.2% for 2018.

In terms of our mortgage insurance business, we wrote \$12.7 billion of NIW in the fourth quarter which, as I mentioned earlier, contributed to our record-breaking volume of new flow business written in 2018 at \$56.5 billion. This is our third consecutive year of record breaking annual volume, and we are pleased with the projected economic value of this new business which we expect to provide significant earnings and attractive returns for our shareholders.

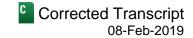
Given our projections based on industry forecasts including a slight decline in the overall mortgage origination market but a modest increase in purchase originations, we expect to write new MI business in 2019 in the range of \$50 billion. This would be in line with the record-breaking levels of NIW we have achieved over the past three years and similar to our guidance a year ago.

As I've said before, this is a great time to be in the mortgage insurance business. The business fundamentals are incredibly strong supported by an excellent credit environment and with guardrails in place for mortgage lending and servicing under Dodd-Frank. And our mortgage insurance industry is governed by clear, consistent, and transparent risk-based capital requirements under PMIERs, and operating guidelines with a uniform master policy. There's also continued demand for Private Mortgage Insurance. Looking ahead to 2019, industry projections suggests mortgage origination market that is relatively flat to 2018 but with a 4% increase in purchased loans. This is a positive trend for our mortgage insurance industry given the purchased loans are 3 to 5 times more likely to have MI versus a refinance loan. During this past quarter, purchased loans accounted for 95% of our NIW. Housing demand is also expected to remain strong given more stability in both mortgage rates and home price growth, coupled with expected wage growth. This combination provides for a stable and healthy real estate market.

During our last earnings call, we discussed how the mortgage insurance industry was continuing to evolve away from a pure rate card pricing model to an environment where MI market participants will deploy a variety of pricing methodologies. At Radian, while our pricing options are all risk-based in nature, they have different levels of granularity and are delivered to our customers based on their individual needs and loan origination processes.

Just last month, we introduced RADAR Rates, an MI pricing option where each rate quote is finely tuned to a borrower's individual risk profile and loan attributes. This increased granularity allows us to more dynamically shape the risk profile of our MI portfolio and ultimately the economic value of the business that we write. We believe that the combination of flexible pricing options, excellent customer service, and outstanding business relationships is the right market strategy to both address our customers' needs and provide an attractive risk-

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adjusted return for Radian. After only a few weeks in the market RADAR Rate is already gaining traction among our customers and for those who have chosen to adopt it, the transition has been seamless.

Turning to our mortgage insurance portfolio, our record new business volume combined with favorable persistency drove a 10% increase in our mortgage insurance in force portfolio year-over-year. Our \$221 billion mortgage insurance portfolio, which is one of the largest in our industry, is the primary driver of our future earnings for the company. It is important to note that the projected economic value of this portfolio is not reflected in the current period financial statements nor is it reflected in our reported book value. But it is expected to be recognized over time. Importantly, the value of this portfolio provides us with significant strategic financial flexibility.

We continue to benefit from positive credit trends in 2018. Webcast slide 9 includes a breakdown of our total mortgage insurance portfolio which illustrates this positive credit environment and its impact on our company. Today, 94% of our primary mortgage insurance risk in force, including HARP loans, consists of business written after 2008. And it's important to highlight that of the performing loans in the remaining pre-2009 portfolio also including HARP loans, more than half has never been in default.

Now moving to our Services segment, we made great progress during 2018 in focusing Title, Mortgage and Real Estate Services on our core products and capabilities. Our Services segment generated positive Services adjusted EBITDA across each quarter of 2018 with revenue and Services adjusted EBITDA margin in line with our guidance for the second half of 2018. We remain confident we have the customer relationships and team in place to grow revenues, increase the financial contribution, and build value across the segment.

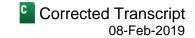
Consistent with Radian's growth and diversification strategy, during the year, we increased our core capabilities through three small but strategic acquisitions. These new companies helped to increase our footprint across our core Title, Mortgage and Real Estate Services adding new real estate information, valuation and risk management tools to our existing product suite, as well as proprietary disruptive technologies, data analytics and predictive models. In a competitive mortgage insurance market, we continue to believe that these capabilities uniquely position us with our customers.

In terms of capital management, as we reported this morning, the Pennsylvania Insurance Department approved a \$450 million return on capital from Radian Guaranty to Radian Group during the fourth quarter of 2018. This return on capital is part of our long-term capital plan which is designed to improve our financial flexibility and capital position. For example, we plan to use a portion of these proceeds to retire our \$159 million of senior notes when due in June of 2019.

During our last earnings call, we announced the launch of a capital markets transaction which was the mortgage insurance industry's first simultaneous mortgage insurance linked notes and excess of loss insurance placement (sic) [excess of loss reinsurance placement] (00:11:23). We believe there are a number of strategic benefits from leveraging and regularly assessing both the capital and reinsurance markets to distribute risk including increased financial flexibility, a reduction of our overall cost of capital, enhanced capital efficiency and, most importantly, the opportunity to reduce portfolio and financial volatility through economic cycles. We believe the execution of our capital plan will enhance our already strong capital structure and further demonstrate our commitment to effectively manage capital for our shareholders. We look forward to providing updates on our progress.

Turning to the regulatory and legislative landscape, we remain actively engaged with key legislators in Washington on the topics most important to our company and we continue to be encouraged by the support for an increased role for private capital including Private Mortgage Insurance. We believe our industry is well-positioned

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for any new housing and finance framework that may develop. However, it remains difficult to determine exactly what shape that framework will ultimately take and when. We are also closely following the upcoming change in leadership at the FHFA. While we do not know what actions this change may bring, we do know that Mark Calabria has been nominated and is awaiting confirmation as FHFA Director, while Joe Otting of the OCC is the acting Director. Both have shown support for an increased role of private capital for reducing taxpayer exposure.

Finally, we believe that our industry continues to gain share from the FHA on higher FICO business and that it remains unlikely that the FHA will reduce its pricing. The FHA's focus appears to be on modernizing its internal systems and processes.

Now, I would like to turn the call over to Frank for details of our financial position.

### J. Franklin Hall

Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

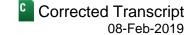
Thank you, Rick, and good morning, everyone. To recap our financial results reported earlier this morning, we reported net income of \$139.8 million or \$0.64 per diluted share for the fourth quarter of 2018 as compared to \$0.66 per diluted share in the third quarter of 2018 and \$0.03 per diluted share in the fourth quarter of 2017.

Full-year 2018 net income was \$606 million or \$2.77 per diluted share compared to \$121.1 million or \$0.55 per diluted share for the full year 2017. The year-over-year increase was primarily driven by the 2017 impact of an incremental tax provision of \$102.6 million resulting from the tax law change as well as the pre-tax impairment of goodwill and other acquired intangible assets related to our Services segment of \$200.2 million. Adjusted diluted net operating income was \$0.70 per share in the fourth quarter of 2018, a decrease of 1% to the third quarter of 2018, an increase of 37% over the same quarter last year. Adjusted diluted net operating income for the full year 2018 was \$2.69 per share, a 48% increase over prior year.

I will now focus on some of the drivers of our adjusted diluted net operating results for the quarter and the full year. I'll start with the key drivers of our revenue. Our new insurance written was \$12.7 billion during the quarter compared to \$15.8 billion last quarter and \$14.4 billion in the fourth quarter of 2017. For the full-year 2018, we wrote \$56.5 billion of NIW, a 5% increase over full year 2017. In addition to record volume, we continue to enhance the product mix of our new business. Monthly and other renewal premium NIW represented 83% of our NIW this quarter. On a full-year basis, monthly premium NIW increased 7% in 2018 compared to 2017. Borrower-paid single premium policies represented 12% of our NIW this quarter, while lender-paid single premium policies declined to 5% of our volume this quarter. A year ago, nearly all of our single premium NIW was lender-paid. This shift in business mix is expected, intentional and designed to improve the return profile of our single premium business overall, as borrower-paid singles have higher expected return than lender-paid policies. In total, borrower-paid policies represented 94% of our new business for the fourth quarter. The new business we are writing today continues to consist of loans that are expected to produce excellent risk-adjusted returns.

Primary insurance in force increased to \$221.4 billion at the end of the quarter, our fourth consecutive quarter with year-over-year insurance in force growth of 10%. It is important to note that monthly premium insurance in force increased 12% year-over-year and has grown by over \$29 billion over the past two years. As Rick previously mentioned, the in force portfolio is the primary source of our future earned premiums and as such, is expected to generate future earnings that are not reflected in the current period financial statements nor reflected in our reported book value. The economic value of our portfolio is expected to be recognized in the book value over time.

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Persistency trends remain positive and our 12-month Persistency Rate increased to 83.1% of the fourth quarter 2018 compared to 81.4% in the third quarter of 2018. Our quarterly persistency was 85.5% this quarter, which is the highest level we have observed in recent years. Our direct in force premium yield was 49 basis points this quarter compared to 48.6 basis points last quarter and 48.1 basis points in the fourth quarter of 2017 as seen on slide 10. Net premium yields declined slightly from 47.8 basis points in the prior quarter to 47.4 basis points this quarter, primarily driven by ceded premium associated with our recent ILN, XOL transaction.

Net mortgage insurance premiums earned were \$261.7 million in the fourth quarter of 2018 compared to \$258.4 million in the third quarter of 2018 and \$245.2 million in the fourth quarter of 2017. This 7% increase from the fourth quarter of 2017 was primarily attributable to our insurance in force growth. On a full year basis, net premiums earned exceeded \$1 billion and grew by 8% in 2018 compared to 2017, or 10% after adjusting for lower single premium acceleration observed in 2018 compared to 2017.

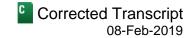
Total Services segment revenue increased slightly to \$41.5 million for the fourth quarter of 2018, compared to \$40.9 million for the third quarter of 2018 and \$41 million in the fourth quarter of 2017. The revenue increase on a linked-quarter basis includes \$1.5 million of Services revenue from our recent acquisition of Independent Settlement Services, a national appraisal and title management services company. Our reported Services adjusted EBITDA was \$3.2 million for the fourth quarter of 2018. Excluding the \$1.2 million impact of both restructuring charges and the operating impact of our 2018 acquisitions, the Services adjusted EBITDA would have been \$4.4 million. It is important to note that since the restructuring of our Services businesses in the third quarter of 2017, Services adjusted EBITDA has been consistently positive and there have been substantial improvements in the operational and financial aspects of the business.

Our investment income this quarter was \$42 million, an 8% increase over the prior quarter and a 25% increase over prior year due to both higher rates and higher balances in our investment portfolio. We are continually looking for ways to enhance the performance of our investment portfolio and apply our management expertise to produce greater investment income while also being mindful of asset and liability duration matching and risk levels.

Moving now to our loss provision and credit quality, as noted on slide 14, during the fourth quarter of 2018 we had positive reserve development on prior-period defaults of \$13.8 million. This positive development was driven primarily by a reduction in assumed claim rates on existing defaults based on observed trends including an increase in cure rates on these defaults. The default to claim rate applied to new primary defaults received in the quarter, which reflects recent observed trends, was approximately 8% compared to 8.5% in the third quarter of 2018 and 10% in the fourth quarter of 2017. We believe that if observed trends continue, default to claim rates could fall further although the likelihood and timing of this decline are difficult to predict. The total number of new defaults increased by 7% compared to the third quarter of 2018, consistent with typical seasonal patterns and decreased by 31.5% compared to the fourth quarter of 2017. As a reminder, the fourth quarter of 2017 included an elevated level of new defaults in FEMA Designated Areas associated with 2017 hurricanes. Webcast slide 16 shows the default trends associated with 2017 FEMA Designated Areas over the past five quarters. As expected, most of the new defaults we received between 2017 of September and February 2018 in these areas have cured. And the total default count in these areas has returned to pre-hurricane levels. As economic indicators have continued their positive trends, cumulative loss ratios on our post-2008 business continue to track to historically low levels.

Overall, the performance of our portfolio remains strong with positive trends continuing. Our primary MI risk in force now consists of 94% of business written after 2008, including HARP loans and there is greater predictability around the pre-2009 portfolio.

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Now, turning to expenses. Other operating expenses were \$77.3 million in the fourth quarter of 2018 compared to \$70.1 million in the third quarter of 2018 and \$66 million in the fourth quarter of 2017. Compared to the fourth quarter of 2017, the primary drivers of the increase in expenses were higher incentive compensation and benefits based on year-to-date performance of approximately \$5.5 million and incremental expenses related to the operations of businesses acquired in 2018 of approximately \$4.1 million.

Moving now to taxes, our overall effective tax rate for the fourth quarter of 2018 was 21%. Our expectation for our 2019 annualized effective tax rate before discrete items is approximately the statutory rate of 21%.

And now, moving to capital. As Rick mentioned, with respect to the capital activities for this quarter, in November and as previously announced, we closed on an insurance linked note transaction of approximately \$434 million and \$21 million of additional excess-of-loss reinsurance for total risk distribution of \$455 million. Assuming continued favorable market conditions, we would expect to utilize these forms of risk distribution on a recurring basis going forward and would announce any such actions upon completion. We expect that this prudent risk distribution strategy and our disciplined capital management will continue to enhance our risk profile and improve our financial flexibility.

As a result of a long series of capital enhancement actions and our continued strong financial performance, in December 2018, following the approval of the Pennsylvania Insurance Department, Radian Guaranty returned \$450 million of capital to its parent, Radian Group. A utilization of the enhanced capital flexibility is expected to include retirement of the next maturity of debt which occurs in June 2019 of approximately \$159 million. And once eliminated, would reduce our debt-to-capital ratio by approximately 4 percentage points, bringing our debt-to-total capital to approximately 20%.

Holding company liquidity at the end of this quarter was \$714 million compared to \$246 million at the end of the third quarter of 2018. The increase in the holding company liquidity during the fourth quarter was primarily due to the \$450 million return of capital from Radian Guaranty. Under the current PMIERs, after consideration of this return of capital, Radian Guaranty had available assets of \$3.5 billion and our Minimum Required Assets were \$2.9 billion as of the end of the fourth quarter 2018. The excess available assets over the Minimum Required Assets of \$567 million represent a 19% PMIERs cushion and a \$37 million increase from the prior quarter. We have also noted on slide 20, our PMIERs excess available resources on a consolidated basis of \$1.5 billion which, if fully utilized, represents 51% of our Minimum Required Assets. We believe that our ongoing risk distribution strategy coupled with organic growth and PMIERs' available assets should be sufficient to cover a broad range of potential capital actions under PMIERs 2.0 as well including contemplation of additional capital distributions from Radian Guaranty to Radian Group. These actions may include a request of our Pennsylvania regulator for repayment of the \$100 million surplus note and/or a request for additional returns of capital after calibrating for an appropriate PMIERs cushion at the operating company under the new PMIERs 2.0. We expect the PMIERs cushion to be sufficient to support projected organic growth and support potential volatility such as a cyclical economic downturn.

I'm sure there will be many questions about our future capital plans but I should remind you that we have demonstrated the ability to execute our capital plan and our practice is to inform you on the elements of this plan as the events occur and we look forward to updating you as our progress continues.

I will now turn the call back over to Rick.

### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Thank you, Frank. Before we open the call to questions, I'd like to invite those of you who are interested in learning more about Radian to join us for an Investor Day on Tuesday, May 7 in Philadelphia. More information will be coming to you shortly.

Now, operator, we'd like to take questions.

# QUESTION AND ANSWER SECTION

**Operator**: [Operator Instructions] And our first question today comes from the line of Randy Binner with B. Riley FBR. Please go ahead.

Randy Binner

Analyst, B. Riley FBR, Inc.

Hi. Good morning. I think I'll start on the capital front and I guess there's two pieces to the question. One, going back to the ILN, how was that accounted for from kind of a required capital versus absolute capital position? Meaning it didn't seem like that all went into your capital line but some of it may have been reflected in the required capital for the PMIERs calculation.

And then just the other piece was right at the end of your comments about what would an appropriate cushion maybe look like trying to adjust for the senior note pay-down and the surplus note as well potentially.

J. Franklin Hall

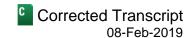
Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

Sure. Thanks for the question, Randy. This is Frank. So, the insurance-linked notes are accounted for just as traditional excess-of-loss reinsurance. So, when you think about it from a capital perspective, especially as it relates to PMIERs, it's a reduction in the Minimum Required Assets. So, when we talk about PMIERs capital, it's really just a reduction in that requirement and so we reflect it as such. But the accounting of it is identical to excess-of-loss reinsurance.

And then I think the second part of your question related to cushions and how we contemplate those going forward, and as I shared with you in my prepared remarks, it's part of the overall capital planning that we do. And as you can see through the fourth quarter, we had a lot of activities going on as related to the ILN, the return of capital from Pennsylvania, et cetera, and then also contemplating what PMIERs 2.0 looks like for us as an organization as we put that against our organic growth plans, and also taking into account some volatility associated with the potential for an economic downturn.

So, taking all of these things into account, it's hard to put a fine number on it. But as we look at it, our projection is to have under – it's noted on slide 20, is to have – if PMIERs 2.0 were effective today, it would be roughly a 12% cushion. And so, as you think about it in those, the 12%, 10%, 15%, I mean those types of numbers certainly in the near term, feel like an appropriate range. But I would just caution you that all of those things are subject to change just simply as we look forward and plan for the unexpected.

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### Randy Binner

Analyst, B. Riley FBR, Inc.

Fair enough. The one follow-up I have then is that you mentioned organic growth plan, but the NIW you discussed would be down something like 10%, and I understand that that's being conservative, but is that really the plan that you would be down that much in NIW because that would actually free up a lot of capital, I would think?

J. Franklin Hall

Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

Yeah. Those are the actual results. We haven't disclosed anything about our future plans for NIW.

Randy Binner

Analyst, B. Riley FBR, Inc.

Oh, I'm sorry. I thought you said around \$50 billion.

Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Yeah. No, we did – this is Rick. We said it would be around \$50 billion for 2019, I think as we said last year as well. And by the way, when you think about capital requirements in this business, it's really the growth in the insurance in force portfolio year-over-year. And so, current NIW at that level would result in a growth on our portfolio. But given the capital we generate every quarter, we do believe that we are a very capital-strong company now both in terms of existing capital strength. And as Frank mentioned, the PMIERs really looking at the operating company, when you look at the combined capital strength across on a consolidated basis with the capital we have at holdco as well, this is a very strong, well-capitalized entity with a lot of financial flexibility. And so, yeah, even with the assumption that we will do around \$50 billion next year, we'll see growth in the insurance in force portfolio and apply capital quarterly.

Randy Binner

Analyst, B. Riley FBR, Inc.

Okay. Thank you.

Operator: We have a question from Mark DeVries with Barclays. Please go ahead.

Mark C. DeVries

Analyst, Barclays Capital, Inc.

Yeah. Thanks. Frank, you may have preempted me a little bit with some of your prepared comments, so I'm going to ask about capital returns anyway. Understanding you're not going to be specific, could you just talk about how you're thinking about your options for capital returns at the holding company and how you would prioritize those here?

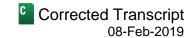
And then, finally, is there a minimum cash balance that you would want to maintain at the holding company?

J. Franklin Hall

Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

Yeah. Great question. Thanks, Mark. Yeah, so, I'll put it in the broad context again of just capital planning overall and as you think about the conversations that we're having amongst the management team and our board of

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directors, the full range of options get discussed. But primarily, what we're looking to do is make sure that we have sufficient capital to support the business and our expected growth overall. And then, as we think about the capital flexibility that could be derived from further risk distribution, further upstream of capital from the operating company to the holding company, and we think about targeted leverage ratios, and things of that nature, the full range of options get discussed. I think what you've seen from us historically is that we're opportunistic about returns of capital to shareholders. Traditionally, we've done it through share buybacks. But again, as we're looking to capital plan, we are in a great position of strength. And so, that does allow us to contemplate a broader range. But again, all of those things are being looked at and contemplated but in the context of the overall capital plan.

### Mark C. DeVries

Analyst, Barclays Capital, Inc.

Okay, understood. And then, just I know you're not going to be more specific about what options you're going to address now but when you think about buybacks, is the stock at a valuation here where it looks attractive to you guys in terms of being kind of at or below intrinsic value?

### J. Franklin Hall

Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

Yeah. That's a great question. And I would just point you to how we've managed our share repurchases historically. We certainly can't peg a price and say that that's what we're managing to. But our share repurchases program historically have been value-based in nature and we see that view around share repurchases likely to continue. But you hit the nail on the head on value relative to – intrinsic value is one of the metrics that we look at, certainly book value as well. So, without pegging it to a number, I would just broadly categorize it as value-based.

### Mark C. DeVries

Analyst, Barclays Capital, Inc.

Okay. And then just finally a follow-up on your comments around the PMIERs cushion, it sounds like you feel comfortable with that 12% to 15% range here. Does that imply that if you saw the cycle start to look a little bit more concerning to you, that that you'd probably flex that cushion up if you're a little bit more concerned about kind of the forward outlook for the business?

### J. Franklin Hall

Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

Certainly that's part of the purpose of having the cushion is to deal with the volatility associated with potential for economic downturn. I would tell you that we contemplate some level of that as we do our capital planning overall. And I would also just caution around pegging to a 10% to 15% cushion, I would say, ordinary course. That's a comfortable level. But to your point, if circumstances change, we would we would manage it in the current context.

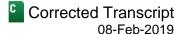
### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Yeah. And I think, Mark, to Frank's point, when you look at the overall capital strength of the business between OPCO, between Radian Guaranty and Radian Group, you've got a significant amount of capital and financial flexibility. And we have the ability to look at it holistically and be very thoughtful about how we allocate capital to future uses.

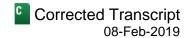
And I think the other part of it is, as Frank and I have talked about in previous quarters, one of the great things about having a strong insurance in force portfolio provides a significant strength, capital flexibility, as a source of

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capital as well. So, we've distributed very little of our risk in force and I think it continues to provide us a tremendous amount of flexibility around capital. Mark C. DeVries Analyst, Barclays Capital, Inc. Okay. Got it. Thank you. Richard G. Thornberry Chief Executive Officer & Director, Radian Group Inc. Sure. Thank you. **Operator:** We have a question from Bose George with KBW. Please go ahead. Bose George Analyst, Keefe, Bruyette & Woods, Inc. Hey, good morning. So, just here following up on just capital. In terms of future use of the ILN market, is that likely to be – if you do it, is that likely to be on [ph] 2018 and future production (00:38:10)? Is there any reason to do anything with the older books? And also just given your excess capital position, how does that play into your decision to use many more ILNs? J. Franklin Hall Chief Financial Officer & Senior Executive Vice President, Radian Group Inc. Thanks, Bose, for that question. I think I would just broadly describe it, I think Rick has said this in the past as well. We are in a very fortunate position to not have a need to do anything in the insurance-linked note market. Our capital position is very strong, and it's sufficient to support our organic growth going forward. So, you think about how we utilize ILNs on a go-forward basis, it really is with an eye toward shaping the portfolio from a risk management standpoint and optimizing it in that regard. So, as it pertains to any particular vintage or any particular portfolio, we're careful to evaluate that in the context of what's right for us from a risk management standpoint. So, I wouldn't want to just come out and say on a wholesale basis it will look like this on a repeated basis. We are going to look for the opportunities to do what's right for our portfolio primarily from a risk management context. Bose George Analyst, Keefe, Bruyette & Woods, Inc. Okay, makes sense. Thanks. And then, actually just switching to the ILN expense, can you remind us when that sort of when it started hitting the P&L this quarter and the full impact of that going forward just in basis points? J. Franklin Hall Chief Financial Officer & Senior Executive Vice President, Radian Group Inc. Sure. So, we first took the charge – or excuse me, took the expense into the run rate in November and it's roughly half a basis point. Bose George Analyst, Keefe, Bruyette & Woods, Inc. And the half a basis point was the impact just for this quarter, you mean?

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J. Franklin Hall Chief Financial Officer & Senior Financial Visco President Padien Crown Inc.	_
Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.  That's an annualized number.	"
Bose George Analyst, Keefe, Bruyette & Woods, Inc.	C
That's an annualized number. Okay. Perfect. Thank you.	
Operator: We have a question from Doug Harter with Credit Suisse. Please	e go ahead.
Douglas Harter Analyst, Credit Suisse Securities (USA) LLC	C
Can you talk about what your target debt-to-capital ratio might be longer term of your maturity is beyond the 2019?	n and how you would think about kind
J. Franklin Hall Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.	Δ
Sure. So, what we have said historically is that our debt-to-capital ratio is vie really in our overall capital planning but also with an eye towards rating agen would like to return to investment grade, and so we think it's important to have support that conclusion from the rating agencies.	cies. We've said historically that we
So, as you think about our debt maturities, we've got the June 2019 coming the next after that is the June 2020 of \$234 million. I would say that we are a through a much, much broader lens of overall capital planning. But the debt-think operating in the low-20s is an appropriate place to support a rating age they choose to do so.	again just viewing all of those things to-capital, in particular, is one that we
Douglas Harter Analyst, Credit Suisse Securities (USA) LLC	C
Great. Thank you.	
Operator: We have a question from Phil Stefano with Deutsche Bank. Plea	se go ahead.
Phil Stefano Analyst, Deutsche Bank Securities, Inc.	C
Yeah. Thanks. Going back to the – I think it was the mid-August announcem authorization. I was under the impression there was going to be a 10b5 prog	

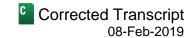
Yeah. Thanks. Going back to the – I think it was the mid-August announcement that there was the repurchase authorization. I was under the impression there was going to be a 10b5 program in place. And I guess I'm a little surprised that the stock wasn't at the value that the 10b5 would have had you actively repurchasing shares in the fourth quarter, and I was hoping you could talk around that. Was there a 10b5 in place?

### J. Franklin Hal

Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

Great question, Phil. The way that I would characterize the – and you're correct, there is a share repurchase authorization in place, has been since, I believe, June of the prior year. When we were going through and looking

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at the capital plan, and again all of these capital-related levers that we're speaking to are always viewed in the context of the overall capital plan. And so, the landscape throughout the last half of the year was viewed through the lens of PMIERs 2. It was viewed through the lens of issuing our first ILN and XOL structure. It was viewed through the lens of the dividend – or excuse me, the return of capital [ph] that we requested of PA (00:42:55)

And so, as we look through all of those options and opportunities, it was, I would say, sufficient capital activities that we felt comfortable landing where we did. And you'll also notice, and nobody's asked this just yet, but the surplus note that we had in place at the end of last year also remains in place at the end of this year. And so, as we think about the things that we were managing toward for year-end 2018, we felt that what we accomplished in the fourth quarter was appropriate for our capital structure.

Phil Stefano

Analyst, Deutsche Bank Securities, Inc.

No. I agree. I guess my thought was always that the 10b5 program operated on its own, and when the stock was of a valuation that the 10b5 program prescribed, you'd be buying back shares.

J. Franklin Hall

Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

Yes. So, that is certainly one option that we have to utilize a share repurchase program. I won't comment on the specifics around how we've utilized it thus far. You are correct in your statement but that's only one way to manage a share repurchase program.

Phil Stefano

Analyst, Deutsche Bank Securities, Inc.

Got it. Understood. Okay. And then switching gears, I was hoping to talk about RADAR Rates. How many pricing inputs are you currently utilizing and do you have a number of metrics in mind where it hits the tipping point that you've kind of hit scale?

Derek V. Brummer

Senior Executive Vice President, Mortgage Insurance and Risk Services, Radian Group Inc.

This is Derek. So, I'm not going to get into exactly how many pricing inputs we utilize. I consider that kind of a proprietary information. The way to look at it and the way we look at the pricing inputs is kind of utilizing our proprietary modeling. We have a lot of inputs that can be used for kind of its predictive power. So, when we're kind of determining what we're going to use for pricing, it's really balancing what variables are going to predict loan performance, also factoring in the operational complexity for our customers to actually utilize those in pricing, and then also taking into account the competitive landscape. So, with respect to that, we have an ability to add or kind of subtract variables. I would say this, in terms of number of variables, in terms of the unique rates you come up with, the variables currently in the system, it will be over a million different rates that you can kind of come up with the various combinations.

Phil Stefano

Analyst, Deutsche Bank Securities, Inc.

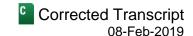
Got it. Okay. Thanks, guys. Best of luck.

Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

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Thank you.

### Derek V. Brummer

Senior Executive Vice President, Mortgage Insurance and Risk Services, Radian Group Inc.

A

Thank you.

Operator: A question from Jack Micenko with SIG. Please go ahead.

### John Gregory Micenko

Analyst, Susquehanna International Group, LLP (SIG)



Good morning. I guess first question, looking at some of the, looks like some share shift in the fourth quarter and then Rick, your guide on the \$50 billion of NIW down pretty significantly. Is there anything that you're doing or pulling away from business-wise that maybe is driving some of that?

### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

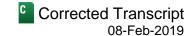


So, just in terms of the \$50 billion – and by the way, thank you for the question, Jack. I think in terms of the \$50 billion, just keep in mind, that's exactly what we said last year as well. And I think we certainly overperformed or outperformed that number. I think as we look at the market today and I think as we've said for the past several quarters, we're less focused on market share and more focused on building economic value and the construction of our portfolio for long term returns for our shareholders. And so, as we think about the business today and as we have for the last few years, we're focused on doing business with the customers that we believe do business in the right way and with – both originate and service in the right way. So, I think as Brien McMahon likes to say, often, we fight for every NIW policy that fits our profile. And I think as you see the markets shifting today, it's really evolving to our strength but we have to be mindful that we're in the business of value creation not market share and not – I've been in the mortgage industry for a long, long time and I've never seen anybody win on market share. You win on focused on value, value creation, thinking very thoughtfully about where you do business profitably versus just do business.

And so, our approach, and Derek and I and Frank and the rest of the team, we are very, very focused on making sure that the business we do is of high quality, at the right risk-adjusted returns and that we're doing business with the customers that originate service loans in a quality way. So, I think what differentiates us in the market is really how analytical we are about our approach to the business. So, things like risk-based pricing, granular pricing, played to our strength given our proprietary analytics. But we go beyond that is to really we use our analytics to determine who the right customers are; how do we help them become more profitable and more effective through our relationship with them; whose services are at risk because remember, one of the great first things I learned when I got to this business is other people's service are at risk every day, so whose services are [ph] risked well (00:48:11); how does it all play together from a long-term sustainable value point of view.

So, from our guidance that we gave this morning, I would not read anything into that in terms of kind of year-over-year kind of market share kind of thoughts. But what I would want you to hear is that our focus is – has not been and won't be as long as I'm here and I think the rest of the team is on market share purely. But I think our sales team and the relationships we have in the marketplace, working with our great customers, I think we're able to grow a very valuable and profitable business here. And we couldn't do it without the team in the field working with our customers and the customers that value working with us. So, I feel very good about where we're at. I feel very good about how we're playing – approaching the market and quite frankly I think the market changes played to

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our strength and being well-capitalized, very analytical, great customer relationships, delivering great service is the winning combination.

### John Gregory Micenko

Analyst, Susquehanna International Group, LLP (SIG)

Okay. Great. And then I guess one for Frank. How do we think about the operating expense line in 2019? And I guess my question is does Radian leverage in 2019 on the expense ratio versus 2018? And as a side to that, the \$4 million – correct me if I'm wrong, but the \$4 million of deal expenses that was in operating, why would – why isn't that in the Services expense line or am I confusing where [indiscernible] (00:49:48)?

J. Franklin Hall

Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

Yes, it is. It is in Services and it is in our operating expense line [oh] on a consolidated (00:49:56)...

Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

But it doesn't reflect deal expenses or ongoing operating expenses of the acquired entities.

J. Franklin Hall

Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

That's correct.

John Gregory Micenko

Analyst, Susquehanna International Group, LLP (SIG)

Okay.

J. Franklin Hall
Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

Yes. And so, just broadly – and great question on expenses – the way that we have evolved our analysis and management of expenses is to look at it on an operating leverage basis. And you've heard me say for years now that positive operating leverage is our objective, which simply means our revenues are growing at a faster rate than our expenses are. So, while we certainly pay attention to the absolute level of expenses as we start to bring in different types of businesses as well, we think that's the right metric to use for the management of that. And so, if you look at the full year of 2018, we had revenue growth of 8%. We had expense growth of 1%. So, that creates

positive operating leverage of 7% and that is a very strong number. And so, as we look for ways to lever the business, as you say, that's what we're looking towards.

John Gregory Micenko

Analyst, Susquehanna International Group, LLP (SIG)

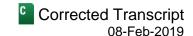
And so, it's safe to assume that that trend should continue or at least that's your goal?

J. Franklin Hall

Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

Yes, so we would expect the positive operating leverage to continue, and I will tell you that it's a relatively sensitive metric to expenses. And depending upon whether we're bringing in new businesses, investing in them or

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acquiring new businesses whose financial performance has not yet been optimized, that could change slightly, but we'll be sure to call out those items when they occur.

John Gregory Micenko Analyst, Susquehanna International Group, LLP (SIG)	Q
All right. Thanks.	
Richard G. Thornberry Chief Executive Officer & Director, Radian Group Inc.	A
Thank you.	
Operator: We have a question from Chris Gamaitoni with Compass Point. Please go	ahead.
Chris Gamaitoni Analyst, Compass Point Research & Trading LLC	Q
Good morning, everyone.	
J. Franklin Hall Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.	A
Good morning, Chris.	
Richard G. Thornberry Chief Executive Officer & Director, Radian Group Inc.	A
Good morning.	, ,
Chris Gamaitoni Analyst, Compass Point Research & Trading LLC	Q

Good morning. Most of my questions have been answered. I guest just a final follow-up is – this question was asked, but I don't think we got a clear answer. How do you view holdingco cash requirements? Is it some type of run rate of holdco expenses or just how do we envision on a long-term basis how you view – how much capital you need at the holdco?

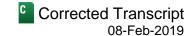
### J. Franklin Hall

Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

Sure, another great question. And this is Frank. Again, I'll bring you back to the overall capital planning that we do. We view it as certainly a place where we have the most financial flexibility and we would expect to manage that at the appropriate level, given what our future plans and expectations are in the context of that long-range capital plan. It's available truly for anything, but on a near-term basis certainly \$159 million of the upcoming 2019 maturities. The other thing that we look to as well is our credit facility which is available to us. And so, when we look at that combination there, I think we've managed it very well over time and we have continued to build strength in the combination of the hard cash, if you will, and that credit facility. And that credit facility really is also a testament to the enhanced financial strength that Radian has achieved over the past several years.

And so, to peg it to a hard number or a multiple of anything, I know some companies do that as far as interest coverage or years of interest expense, Radian is also in a very fortunate position to have an interest and tax sharing arrangement where through an agreement that we have in place with our subsidiary, we don't need to

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request special dividends or returns of capital to deal with the operating expenses and the interest expense associated with that debt.

So, as you look at again back to financial flexibility, we really have achieved a tremendous amount of financial flexibility to deal with any of the burdens both known and potentially unknown that we may encounter. But yes, hopefully that's helpful.

### Chris Gamaitoni

Analyst, Compass Point Research & Trading LLC

Okay. And one probably for Derek, how do we think about reserve adequacy at this point maybe just like where default to claim rates are relative to historical basis? Obviously, there has been reserve releases over time, but just like ny perspective on if there's still room to go down versus what, call it, a normalized level would be?

#### Derek V. Brummer

Senior Executive Vice President, Mortgage Insurance and Risk Services, Radian Group Inc.

Yeah. Well, you're not going to be surprised in terms of where we think we are from a reserve perspective. We think we're appropriately reserved. So, that's kind of an easy one. But in terms of looking at it kind of historically and you look at those roll rates on new default, those are getting at pretty low levels. I think the lowest we've seen them historically on kind of the new defaults is, ultimate, roll-to-claim rate of about 8%. So, we're [ph] kind of down (00:55:06) to those levels. So, obviously, if you continue to see positive economic development, home price appreciation, you could potentially see continued positive development. But I'm not going to really speculate in terms of how much positive development we would have embedded, if any.

### Chris Gamaitoni

Analyst, Compass Point Research & Trading LLC

Okay. Thank you.

### Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Thank you.

Operator: We have a question from here Mihir Bhatia with Bank of America, please go ahead.

### Mihir Bhatia

Analyst, Bank of America Merrill Lynch

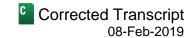
Hi. Thank you for taking my question. Very quickly just in your premium yields. I was looking at slide 10, the in force premium yield. It's been trending higher for the last couple of quarters which is I think a little surprising given concerns around pricing and the fact that you put in the new pricing last year. And I was just wondering what is driving that? Is it mix or something else?

#### J. Franklin Hall

Chief Financial Officer & Senior Executive Vice President, Radian Group Inc.

Yeah. That is a great question. This is Frank. As you look at the change, I think, what you'll pick up on and you obviously have there is an uptick but it's due primarily to a little bit of mix shift, a little bit of seasonality and there was just a very small accounting adjustment in there. So, you add up the combined impact of those three, it looks like a trend. I wouldn't read too much into it though.

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### Mihir Bhatia

Analyst, Bank of America Merrill Lynch

Got it. And then with the new pricing engine that you put in place, how does that pricing compare to the oil pricing? So, like let's say if all your business was running on that in Q4, what would that have looked like? Any chance you'd answer that?

### Derek V. Brummer

Senior Executive Vice President, Mortgage Insurance and Risk Services, Radian Group Inc.

Sure. This is Derek. So, the one thing we look at it really from a return perspective. So, in terms of the exact pricing and the way that filters through that's going to depend upon your particular mix of business. So, when we've rolled it out, I would say the response has been very positive. So, we've had, as Rick had indicated, we've indicated in the past, once we're ready to go, it would be pretty seamless, and that's what we found. So, we found significant transition, lenders moving in, which is a positive insofar as it allows us to more dynamically and effectively manage the mix of our portfolio, the risk return profile and ultimately optimize the economic value. So, when we're looking at it, I wouldn't just look at kind of the premiums overall, it's really how that translates depending upon the variables we use to price into a return. And from that perspective, we haven't changed our return target for the business overall.

#### Mihir Bhatia

Analyst, Bank of America Merrill Lynch

Okay. No. That's very helpful. And just so I understand, how dynamic is it? In a sense, how often do you or can you go in and change the price and I guess whether you see something that you don't like or something that looks particularly attractive or you see an opportunity? Is it a lot more dynamic now?

### Derek V. Brummer

Senior Executive Vice President, Mortgage Insurance and Risk Services, Radian Group Inc.

Very dynamic. And I would say we will change pricing as often as we need to. And by as often as we need to, it's really balancing all those things in terms of customer, right, what they need, what they can deliver, and also what we need to do in order to maximize the risk-return profile of the business coming in. So, to the extent we see mix shifts that we're not comfortable with or seeing kind of product shifts and that could be driven by consumers in the market, it can be driven by competitors, our ability to switch that pricing and do it frequently, it's very dynamic. We can do that kind of as often as we need to.

### Richard G. Thornberry

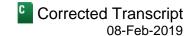
Chief Executive Officer & Director, Radian Group Inc.

Yeah. I would just add to Derek's point because I think this is a really important point for everyone, which is the analytic framework we have in our business enables us to do that on a real-time basis. So, it's a combination of kind of the technology and the connectivity we have with our customers to deliver the price and the analytics that we have supporting it. Again, I go back to my comment earlier, this whole change I believe plays to our strength and when you're driven by market share and volume on one end, versus one who's focused in his long-term focus on delivering economic value, this is a great time to be in the mortgage insurance industry with the tools that we have.

### Mihir Bhatia

Analyst, Bank of America Merrill Lynch

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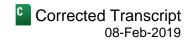


Got it. Well, thank you for that. One last question on claims bid. The number, I think, was \$27-million-ish this quarter is down. I understand that the volume of claims paid is going down, too. But even adjusting for that, if I look at it over the last couple of years, it feels like it's been trending lower. And I was wondering, is there something that's driving that? Any reason why it would keep going lower or higher going forward?

Derek V. Brummer Senior Executive Vice President, Mortgage Insurance and Risk Services, Radian Group Inc.	A
Talking about the aggregate claims paid number?	
Mihir Bhatia Analyst, Bank of America Merrill Lynch	Q
Yes. Yes. Well, whether at the aggregate or even on a per-paid basis, if you will.	
Mihir Bhatia Analyst, Bank of America Merrill Lynch	Q
All right. Yeah, so some of that's going to be driven by a couple of factors. One, just we're — our default inverse decreasing, right, year-over-year, so your aggregate number is going to go down. And when you look at it per-claims basis, a lot of that's going to be driven by kind of the geographies that are kind of coming through these claims, right, so to the extent you have relatively higher concentrations in higher-balanced states like it California, that's going to affect your claims paid number as well. So, it's really a combination of the aggregative of your default inventory, and then I would say the distribution within it in terms of how long they've been default, and kind of the geographic location of those outstanding defaults. So, it's really going to be those factorized as a result of those things, you can have some movements up and down kind of quarter-to-quarter.	on a  in in ite n in
Mihir Bhatia Analyst, Bank of America Merrill Lynch	Q
Okay, but there's no reason why the trend should be lower or something like that, just looking out in the next or two [ph] in claims for default (01:00:57)?	t year
Derek V. Brummer Senior Executive Vice President, Mortgage Insurance and Risk Services, Radian Group Inc.	A
Well, again	
Mihir Bhatia Analyst, Bank of America Merrill Lynch	Q
Again, [ph] claims for default (01:00:54) not on aggregate. I get the aggregate point, I'm just saying [ph] ever adjust (01:01:00) – take the total claims paid divided by the number of – your number of claims paid, you'll se that number is trending low.	
Derek V. Brummer Senior Executive Vice President, Mortgage Insurance and Risk Services, Radian Group Inc.	A
I would say that in terms of the trend on a kind of per loan basis, no I don't see a reason to think of it going particularly one direction or another. You could just see kind of volatility around that number over time.	
Mihir Bhatia	

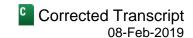
Analyst, Bank of America Merrill Lynch

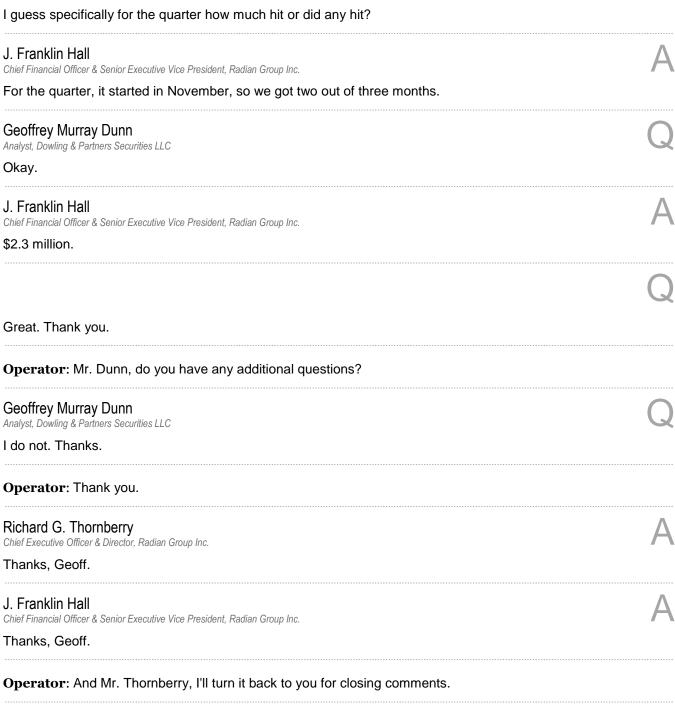
# Radian Group Inc. (RDN) Q4 2018 Earnings Call



Okay. Great. Thank you. Thanks for taking my questions.	
Derek V. Brummer Senior Executive Vice President, Mortgage Insurance and Risk Services, Radian Group Inc. You're welcome.	A
Richard G. Thornberry Chief Executive Officer & Director, Radian Group Inc. Thank you.	A
<b>Operator:</b> The last question today comes from the line of Geoffrey Dunn with Dowling & Partners. Please g ahead.	lo
Geoffrey Murray Dunn Analyst, Dowling & Partners Securities LLC Thanks. Good morning.	Q
Richard G. Thornberry Chief Executive Officer & Director, Radian Group Inc. Good morning.	A
J. Franklin Hall Chief Financial Officer & Senior Executive Vice President, Radian Group Inc. Hey, Geoff.	A
Geoffrey Murray Dunn  Analyst, Dowling & Partners Securities LLC  Frank, was there any ILN cost in the premium line this quarter and what is the expectation on the quarterly rurate for call it first half next year?	Q un
J. Franklin Hall Chief Financial Officer & Senior Executive Vice President, Radian Group Inc. Yes. So, the cost is amortized over the expected life, the ILN, and I mentioned earlier the ongoing cost associated with the ILN is about half a basis point.	A
Geoffrey Murray Dunn Analyst, Dowling & Partners Securities LLC No specific dollars?	Q
J. Franklin Hall Chief Financial Officer & Senior Executive Vice President, Radian Group Inc. Whatever the — the math on that [indiscernible] (01:02:00), I can find it for you here.	A

# Radian Group Inc. (RDN) Q4 2018 Earnings Call Geoffrey Murray Dunn Analyst, Dowling & Partners Securities LLC I guess specifically for the quarter how much hit or did any hit? J. Franklin Hall Chief Financial Officer & Senior Executive Vice President, Radian Group Inc. For the quarter, it started in November, so we got two out of three months. Geoffrey Murray Dunn Analyst, Dowling & Partners Securities LLC Okay. J. Franklin Hall Chief Financial Officer & Senior Executive Vice President, Radian Group Inc. \$2.3 million.





# Richard G. Thornberry

Chief Executive Officer & Director, Radian Group Inc.

Well, thank you all for all your excellent questions. I'd like to just as we wrap up the year 2018, I'd like to thank our team for all the great efforts. I'd like to thank each of you and our investors for the continuing interest in Radian and I wish you all the best in 2019 and we look forward to talking to you soon. Thank you.

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**Operator:** And ladies and gentlemen, that does conclude our conference for today. Thank you for your participation and for using AT&T Conferencing Service. You may now disconnect.

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