RADIAN GROUP INC
Form 10-Q
May 09, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 1-11356

Radian Group Inc.
(Exact name of registrant as specified in its charter)

Delaware	23-2691170
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1500 Market Street, Philadelphia, PA	19102
(Address of principal executive offices)	(Zip Code)

(215) 231-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o	Emerging growth company o
		(Do not check if a smaller reporting company)		

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 214,621,425 shares of common stock, $0.001 par value per share, outstanding on May 4, 2018.

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GLOSSARY OF ABBREVIATIONS AND ACRONYMS

The following list defines various abbreviations and acronyms used throughout this report, including the Condensed Consolidated Financial Statements, the Notes to Unaudited Condensed Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

Term	Definition
2014 Master Policy	Radian Guaranty's master insurance policy, setting forth the terms and conditions of our mortgage insurance coverage, which became effective October 1, 2014
2016 Single Premium QSR Transaction	Quota share reinsurance agreement entered into with a panel of third-party reinsurance providers in the first quarter of 2016 and subsequently amended in the fourth quarter of 2017
2017 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2017
2018 Single Premium QSR Transaction	Quota share reinsurance agreement entered into with a panel of third-party reinsurance providers in October 2017 to cede a portion of Single Premium NIW beginning January 1, 2018
ABS	Asset-backed securities
Alt-A	Alternative-A loans, representing loans for which the underwriting documentation is generally limited as compared to fully documented loans (considered a non-prime loan grade)
Available Assets	As defined in the PMIERs, assets primarily including the liquid assets of a mortgage insurer, and reduced by premiums received but not yet earned
Back-end	With respect to credit risk transfer programs established by the GSEs, policies written on loans that are already part of an existing GSE portfolio, as contrasted with loans that are to be purchased by the GSEs in the future
BofA Settlement Agreement	The Confidential Settlement Agreement and Release dated September 16, 2014, by and among Radian Guaranty and Countrywide Home Loans, Inc. and Bank of America, N.A., as a successor to BofA Home Loan Servicing f/k/a Countrywide Home Loan Servicing LP, entered into in order to resolve various actual and potential claims or disputes as to mortgage insurance coverage on the specific population of loans covered by the agreement
Borrower	With respect to our securities lending agreements, the third-party institutions to which we loan certain securities in our investment portfolio for short periods of time
Claim Curtailment	Our legal right, under certain conditions, to reduce the amount of a claim, including due to servicer negligence
Claim Denial	Our legal right, under certain conditions, to deny a claim
Claim Severity	The total claim amount paid divided by the original coverage amount
Clayton	Clayton Holdings LLC, a Delaware domiciled indirect non-insurance subsidiary of Radian Group
CMBS	Commercial mortgage-backed securities
Convertible Senior Notes due 2017	Our 3.000% convertible unsecured senior notes due November 2017 ($450 million original principal amount)
Convertible Senior Notes due 2019	Our 2.250% convertible unsecured senior notes due March 2019 ($400 million original principal amount)
Cures	Loans that were in default as of the beginning of a period and are no longer in default because payments were received such that the loan is no longer 60 or more days past due
Default to Claim Rate	The percentage of defaulted loans that are assumed to result in a claim
Deficiency Amount	The assessed tax liabilities, penalties and interest associated with a formal Notice of Deficiency from the IRS
Discrete Item(s)	

	For tax calculation purposes, certain items that are required to be accounted for in the provision for income taxes as they occur and are not considered a component of the estimated annualized effective tax rate for purposes of reporting interim results. Generally, these are items that are: (i) clearly defined (such as changes in tax rate or tax law); (ii) infrequent or unusual in nature; or (iii) gains or losses that are not a component of continuing operating income, such as income from discontinued operations or losses reflected as a component of other comprehensive income. These items impact the difference between the statutory rate and Radian's effective tax rate.
EnTitle Direct	EnTitle Direct Group, Inc., a wholly-owned subsidiary of Radian Group
EnTitle Insurance	EnTitle Insurance Company, a wholly-owned subsidiary of EnTitle Direct

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Term	Definition
Exchange Act	Securities Exchange Act of 1934, as amended
Extraordinary Dividend	A dividend distribution required to be approved by an insurance company's primary regulator that is greater than would be permitted as an ordinary dividend which does not require regulatory approval
Fannie Mae	Federal National Mortgage Association
FASB	Financial Accounting Standards Board
FEMA	Federal Emergency Management Agency, an agency of the U.S. Department of Homeland Security
FEMA Designated Area	Generally, an area that has been subject to a disaster, designated by FEMA as an individual assistance disaster area for the purpose of determining eligibility for various forms of federal assistance
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FHLB	Federal Home Loan Bank of Pittsburgh
FICO	Fair Isaac Corporation ("FICO") credit scores, for Radian's portfolio statistics, represent the borrower's credit score at origination and, in circumstances where there is more than one borrower, the FICO score for the primary borrower is utilized
Flow Basis	With respect to mortgage insurance, includes mortgage insurance policies that are written on an individual loan basis as each loan is originated or on an aggregated basis (in which each individual loan in a group of loans is insured in a single transaction, typically shortly after the loans have been originated). Among other items, Flow Basis business excludes Pool Insurance, which we originated prior to 2009.
Foreclosure Stage Default	The Stage of Default indicating that the foreclosure sale has been scheduled or held
Freddie Mac	Federal Home Loan Mortgage Corporation
Front-end	With respect to credit risk transfer programs established by the GSEs, policies written on loans that are to be purchased by the GSEs in the future, as contrasted with loans that are already part of an existing GSE portfolio
GAAP	Accounting principles generally accepted in the U.S.
Green River Capital	Green River Capital LLC, a wholly-owned subsidiary of Clayton
GSEs	Government-Sponsored Enterprises (Fannie Mae and Freddie Mac)
HARP	Home Affordable Refinance Program
IBNR	Losses incurred but not reported
IIF	Insurance in force, equal to the aggregate unpaid principal balances of the underlying loans
IRC	Internal Revenue Code of 1986, as amended
IRS	Internal Revenue Service
IRS Matter	Our dispute with the IRS related to the Deficiency Amount from the IRS's examination of our 2000 through 2007 consolidated federal income tax returns. See Note 9 of Notes to Unaudited Condensed Consolidated Financial Statements for more information.
JCT	Congressional Joint Committee on Taxation
LAE	Loss adjustment expenses, which include the cost of investigating and adjusting losses and paying claims
Legacy Portfolio	Mortgage insurance written during the poor underwriting years of 2005 through 2008, together with business written prior to 2005
Loss Mitigation Activity/Activities	Activities such as Rescissions, Claim Denials, Claim Curtailments and cancellations
LTV	Loan-to-value ratio, calculated as the percentage of the original loan amount to the original value of the property

Master Policies	The Prior Master Policy and the 2014 Master Policy, collectively
Minimum Required Assets	A risk-based minimum required asset amount, as defined in the PMIERs, calculated based on net RIF (RIF, net of credits permitted for reinsurance) and a variety of measures related to expected credit performance and other factors

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Term	Definition
Model Act	Mortgage Guaranty Insurers Model Act, as issued by the NAIC to establish minimum capital and surplus requirements for mortgage insurers
Monthly and Other Premiums	Insurance policies where premiums are paid on a monthly or other installment basis, in contrast to Single Premium Policies
Monthly Premium Policies	Insurance policies where premiums are paid on a monthly installment basis
Moody's	Moody's Investors Service
Mortgage Insurance	Radian's Mortgage Insurance business segment, which provides credit-related insurance coverage, principally through private mortgage insurance, as well as other credit risk management solutions to mortgage lending institutions nationwide
MPP Requirement	Certain states' statutory or regulatory risk-based capital requirement that the mortgage insurer must maintain a minimum policyholder position, which is calculated based on both risk and surplus levels
NAIC	National Association of Insurance Commissioners
NIW	New insurance written
NOL	Net operating loss; for tax purposes, accumulated during years a company reported more tax deductions than taxable income. NOLs may be carried back or carried forward a certain number of years, depending on each jurisdiction, thus reducing a company's tax liability
Notices of Deficiency	Formal letters from the IRS informing the taxpayer of an IRS determination of tax deficiency and appeal rights
OCI	Other comprehensive income (loss)
Persistency Rate	The percentage of insurance in force that remains in force over a period of time
PMIERs	Private Mortgage Insurer Eligibility Requirements effective on December 31, 2015, issued by the GSEs under oversight of the FHFA to set forth requirements an approved insurer must meet and maintain to provide mortgage guaranty insurance on loans acquired by the GSEs
Pool Insurance	Pool Insurance differs from primary insurance in that our maximum liability is not limited to a specific coverage percentage on an individual mortgage loan. Instead, an aggregate exposure limit, or "stop loss," is applied to the initial aggregate loan balance on a group or "pool" of mortgages
Post-legacy	The time period subsequent to 2008
Post-legacy Portfolio	Mortgage insurance on loans written subsequent to 2008
Prior Master Policy	Radian Guaranty's master insurance policy, setting forth the terms and conditions of our mortgage insurance coverage, which was in effect prior to the effective date of its 2014 Master Policy
QSR Transactions	The quota share reinsurance agreements entered into with a third-party reinsurance provider in the second and fourth quarters of 2012, collectively
Radian	Radian Group Inc. together with its consolidated subsidiaries
Radian Group	Radian Group Inc.
Radian Guaranty	Radian Guaranty Inc., a Pennsylvania domiciled insurance subsidiary of Radian Group
Radian Reinsurance	Radian Reinsurance Inc., a Pennsylvania domiciled insurance subsidiary of Radian Group
RBC States	Risk-based capital states, which are those states that currently impose a statutory or regulatory risk-based capital requirement
Red Bell	Red Bell Real Estate, LLC, a wholly-owned subsidiary of Clayton
Reinstatements	Reversals of previous Rescissions, Claim Denials and Claim Curtailments
REMIC	Real Estate Mortgage Investment Conduit
REO	Real estate owned
Rescission	Our legal right, under certain conditions, to unilaterally rescind coverage on our mortgage insurance policies if we determine that a loan did not qualify for insurance

RIF	Risk in force; for primary insurance, RIF is equal to the underlying loan unpaid principal balance multiplied by the insurance coverage percentage, whereas for Pool Insurance, it represents the remaining exposure under the agreements

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Term	Definition
Risk-to-capital	Under certain state regulations, a minimum ratio of statutory capital calculated relative to the level of net RIF
RMBS	Residential mortgage-backed securities
S&P	Standard & Poor’s Financial Services LLC
SAB 118	Staff Accounting Bulletin No. 118, “Income Tax Accounting Implications of the Tax Cuts and Jobs Act,” issued by the SEC staff in December 2017
SAPP	Statutory accounting principles and practices include those required or permitted, if applicable, by the insurance departments of the respective states of domicile of our insurance subsidiaries
SEC	United States Securities and Exchange Commission
Senior Notes due 2017	Our 9.000% unsecured senior notes due June 2017 ($195.5 million original principal amount, of which the remaining outstanding principal was redeemed in August 2016)
Senior Notes due 2019	Our 5.500% unsecured senior notes due June 2019 ($300 million original principal amount)
Senior Notes due 2020	Our 5.250% unsecured senior notes due June 2020 ($350 million original principal amount)
Senior Notes due 2021	Our 7.000% unsecured senior notes due March 2021 ($350 million original principal amount)
Senior Notes due 2024	Our 4.500% unsecured senior notes due October 2024 ($450 million original principal amount)
Services	Radian’s Services business segment, which is primarily a fee-for-service business that offers a broad array of both mortgage and real estate services to market participants across the mortgage and real estate value chain
Single Premium NIW (or IIF)	New insurance written or insurance in force, respectively, on Single Premium Policies
Single Premium Policy/Policies	Insurance policies where premiums are paid in a single payment and includes 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 shortly after the loans have been originated)
Single Premium QSR Transactions	The 2016 Single Premium QSR Transaction and the 2018 Single Premium QSR Transaction, collectively
Stage of Default	The stage a loan is in relative to the foreclosure process, based on whether a foreclosure sale has been scheduled or held
Statutory RBC Requirement	Risk-based capital requirement imposed by the RBC States, requiring a minimum surplus level and, in certain states, a minimum ratio of statutory capital relative to the level of risk
Surplus Note	An intercompany 0.000% surplus note issued by Radian Guaranty to Radian Group
TCJA	H.R. 1, known as the Tax Cuts and Jobs Act, signed into law on December 22, 2017
Time in Default	The time period from the point a loan reaches default status (based on the month the default occurred) to the current reporting date
U.S.	The United States of America
U.S. Treasury	United States Department of the Treasury
VA	U.S. Department of Veterans Affairs
ValuAmerica	ValuAmerica, Inc., a wholly-owned subsidiary of Clayton

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Cautionary Note Regarding Forward-Looking Statements—Safe Harbor Provisions

All statements in this report that address events, developments or results that we expect or anticipate may occur in the future are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Exchange Act and the U.S. Private Securities Litigation Reform Act of 1995. In most cases, forward-looking statements may be identified by words such as "anticipate," "may," "will," "could," "should," "would," "expect," "intend," "pl "contemplate," "believe," "estimate," "predict," "project," "potential," "continue," "seek," "strategy," "future," "likely" or the other variations on these words and other similar expressions. These statements, which may include, without limitation, projections regarding our future performance and financial condition, are made on the basis of management's current views and assumptions with respect to future events. Any forward-looking statement is not a guarantee of future performance and actual results could differ materially from those contained in the forward-looking statement. These statements speak only as of the date they were made, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We operate in a changing environment where new risks emerge from time to time and it is not possible for us to predict all risks that may affect us. The forward-looking statements, as well as our prospects as a whole, are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements. These risks and uncertainties include, without limitation:

- changes in economic and political conditions that impact the size of the insurable market, the credit performance of our insured portfolio, and our business prospects;
- changes in the way customers, investors, ratings agencies, regulators or legislators perceive our performance, financial strength and future prospects;
- Radian Guaranty's ability to remain eligible under the PMIERs and other applicable requirements imposed by the FHFA and by the GSEs to insure loans purchased by the GSEs;
- our ability to successfully execute and implement our capital plans and to maintain sufficient holding company liquidity to meet our short- and long-term liquidity needs;
- our ability to successfully execute and implement our business plans and strategies, including plans and strategies to reposition our Services segment as well as plans and strategies that require GSE and/or regulatory approvals and licenses;
- our ability to maintain an adequate level of capital in our insurance subsidiaries to satisfy existing and future state regulatory requirements;
- changes in the charters or business practices of, or rules or regulations imposed by or applicable to, the GSEs, including: changes imposed by the FHFA that impact the GSEs' business prospects; the GSEs' interpretation and application of the PMIERs and the proposed changes to the PMIERs; and the GSEs' use of alternative forms of credit enhancement;
- changes in the current housing finance system in the U.S., including the role of the FHA, the GSEs and private mortgage insurers in this system;
- any disruption in the servicing of mortgages covered by our insurance policies, as well as poor servicer performance;
- a significant decrease in the Persistency Rates of our mortgage insurance on monthly premium products;
- competition in our mortgage insurance business, including price competition and competition from the FHA and VA, as well as from other forms of credit enhancement;
- the effect of the Dodd-Frank Wall Street Reform and Consumer Protection Act on the financial services industry in general, and on our businesses in particular;
- legislative and regulatory activity (or inactivity), including the adoption of (or failure to adopt) new laws and regulations, or changes in existing laws and regulations, or the way they are interpreted or applied, including interpretations and guidance pertaining to recently enacted tax reform legislation;
- legal and regulatory claims, assertions, actions, reviews, audits, inquiries and investigations that could result in adverse judgments, settlements, fines, injunctions, restitutions or other relief that could require significant expenditures or have other effects on our business;
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the amount and timing of potential settlements, payments or adjustments associated with federal or other tax examinations, including the IRS matter;

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- the possibility that we may fail to estimate accurately the likelihood, magnitude and timing of losses in establishing loss reserves for our mortgage insurance business or in assessing our ability to comply with the proposed PMIERs when implemented;
- volatility in our results of operations caused by changes in the fair value of our assets and liabilities, including a significant portion of our investment portfolio, and potential volatility in our Available Assets if proposed changes to the PMIERs requiring us to mark certain of our Available Assets to fair value were to become effective;
- potential future impairment charges related to our goodwill and other intangible assets, and uncertainties regarding our ability to execute our restructuring plans within expected costs;
- changes in GAAP or SAPP rules and guidance, or their interpretation;
- our ability to attract and retain key employees; and
- legal and other limitations on dividends and other amounts we may receive from our subsidiaries.

For more information regarding these risks and uncertainties as well as certain additional risks that we face, you should refer to the Risk Factors detailed in Item 1A of our 2017 Form 10-K, and to subsequent reports filed from time to time with the SEC. We caution you not to place undue reliance on these forward-looking statements, which are current only as of the date on which we issued this report. We do not intend to, and we disclaim any duty or obligation to, update or revise any forward-looking statements to reflect new information or future events or for any other reason.

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PART I—FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)
Radian Group Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

($ in thousands, except per-share amounts)	March 31, 2018	December 31, 2017
Assets		
Investments (Note 5)		
Fixed-maturities available for sale—at fair value (amortized cost $3,594,591 and $3,426,217)	$3,554,734	$3,458,719
Trading securities—at fair value	563,377	606,401
Equity securities—at fair value (at December 31, 2017, classified as available for sale with related cost of $163,106)	111,032	162,830
Short-term investments—at fair value (includes $39,077 and $19,357 of reinvested cash collateral held under securities lending agreements)	435,756	415,658
Other invested assets—at fair value (amortized cost at December 31, 2017)	3,318	334
Total investments	4,668,217	4,643,942
Cash	122,481	80,569
Restricted cash	7,623	15,675
Accounts and notes receivable	80,068	72,558
Deferred income taxes, net (Note 9)	253,381	229,567
Goodwill and other intangible assets, net (Note 6)	61,465	64,212
Prepaid reinsurance premium	390,241	386,509
Other assets (Note 8)	426,773	407,849
Total assets	$6,010,249	$5,900,881
Liabilities and Stockholders' Equity		
Unearned premiums	$723,100	$723,938
Reserve for losses and loss adjustment expense ("LAE") (Note 10)	488,656	507,588
Senior notes (Note 11)	1,027,875	1,027,074
Reinsurance funds withheld	305,409	288,398
Other liabilities (Note 12)	412,793	353,845
Total liabilities	2,957,833	2,900,843
Commitments and contingencies (Note 13)		
Stockholders' equity		
Common stock: par value $0.001 per share; 485,000,000 shares authorized at March 31, 2018 and December 31, 2017; 233,160,146 and 233,416,989 shares issued at March 31, 2018 and December 31, 2017, respectively; 215,542,607 and 215,814,188 shares outstanding at March 31, 2018 and December 31, 2017, respectively	233	233
Treasury stock, at cost: 17,617,539 and 17,602,801 shares at March 31, 2018 and December 31, 2017, respectively	(894,191)	(893,888)
Additional paid-in capital	2,748,233	2,754,275
Retained earnings	1,229,616	1,116,333
Accumulated other comprehensive income (loss) (Note 15)	(31,475)	23,085
Total stockholders' equity	3,052,416	3,000,038
Total liabilities and stockholders' equity	$6,010,249	$5,900,881

See Notes to Unaudited Condensed Consolidated Financial Statements.

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Radian Group Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,	
(In thousands, except per-share amounts)	2018	2017
Revenues:		
Net premiums earned—insurance	$242,550	$221,800
Services revenue	33,164	38,027
Net investment income	33,956	31,032
Net gains (losses) on investments and other financial instruments	(18,887)	(2,851)
Other income	807	746
Total revenues	291,590	288,754
Expenses:		
Provision for losses	37,283	46,913
Policy acquisition costs	7,117	6,729
Cost of services	23,126	28,375
Other operating expenses	63,243	68,377
Restructuring and other exit costs (Note 1)	551	—
Interest expense	15,080	15,938
Loss on induced conversion and debt extinguishment	—	4,456
Amortization and impairment of other intangible assets	2,748	3,296
Total expenses	149,148	174,084
Pretax income	142,442	114,670
Income tax provision	27,956	38,198
Net income	$114,486	$76,472
Net income per share:		
Basic	$0.53	$0.36
Diluted	$0.52	$0.34
Weighted-average number of common shares outstanding—basic	215,967	214,925
Weighted-average number of common and common equivalent shares outstanding—diluted	219,883	221,497
Dividends per share	$0.0025	$0.0025

See Notes to Unaudited Condensed Consolidated Financial Statements.

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Radian Group Inc.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(In thousands)	Three Months Ended March 31, 2018	2017
Net income	$114,486	$76,472
Other comprehensive income, net of tax (Note 15):		
Unrealized gains (losses) on investments:		
Unrealized holding gains (losses) arising during the period	(60,643)	7,367
Less: Reclassification adjustment for net gains (losses) included in net income	(3,132)	(1,631)
Net unrealized gains (losses) on investments	(57,511)	8,998
Unrealized foreign currency translation adjustments	3	34
Cumulative effect of adopting the accounting standard update for financial instruments	224	—
Cumulative effect of adopting the accounting standard update for the reclassification of certain tax effects	2,724	—
Other comprehensive income (loss), net of tax	(54,560)	9,032
Comprehensive income	$59,926	$85,504

See Notes to Unaudited Condensed Consolidated Financial Statements.

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Radian Group Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDERS' EQUITY (UNAUDITED)

	Three Months Ended March 31,	
(In thousands)	2018	2017
Common Stock		
Balance, beginning of period	$233	$232
Issuance of common stock under incentive and benefit plans	—	1
Balance, end of period	233	233
Treasury Stock		
Balance, beginning of period	(893,888)	(893,332)
Repurchases of common stock under incentive plans	(303)	(40)
Balance, end of period	(894,191)	(893,372)
Additional Paid-in Capital		
Balance, beginning of period	2,754,275	2,779,891
Issuance of common stock under incentive and benefit plans	1,433	3,548
Share-based compensation	2,528	3,222
Impact of extinguishment of convertible senior notes	—	(42,940)
Cumulative effect of adopting the accounting standard update for share-based payment transactions	—	756
Change in equity component of currently redeemable convertible senior notes	—	(883)
Shares repurchased under share repurchase program (Note 14)	(10,003)	—
Balance, end of period	2,748,233	2,743,594
Retained Earnings		
Balance, beginning of period	1,116,333	997,890
Net income	114,486	76,472
Dividends declared	(540)	(538)
Cumulative effect of adopting the accounting standard update for financial instruments	2,061	—
Cumulative effect of adopting the accounting standard update for the reclassification of certain tax effects from accumulated other comprehensive income	(2,724)	—
Cumulative effect of adopting the accounting standard update for share-based payment transactions, net of tax	—	(491)
Balance, end of period	1,229,616	1,073,333
Accumulated Other Comprehensive Income (Loss)		
Balance, beginning of period	23,085	(12,395)
Net foreign currency translation adjustment, net of tax	3	34
Net unrealized gains (losses) on investments, net of tax	(57,511)	8,998
Cumulative effect of adopting the accounting standard update for financial instruments	224	—
Cumulative effect of adopting the accounting standard update for the reclassification of certain tax effects from accumulated other comprehensive income	2,724	—
Balance, end of period	(31,475)	(3,363)
Total Stockholders' Equity	$3,052,416	$2,920,425

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See Notes to Unaudited Condensed Consolidated Financial Statements.

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Radian Group Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	Three Months Ended March 31, 2018	2017
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	$118,447	$83,932
Cash flows from investing activities:		
Proceeds from sales of:		
Fixed-maturity investments available for sale	224,597	253,121
Equity securities	55,795	—
Trading securities	11,964	46,688
Proceeds from redemptions of:		
Fixed-maturity investments available for sale	94,356	123,683
Trading securities	17,890	19,543
Purchases of:		
Fixed-maturity investments available for sale	(482,260)	(444,873)
Equity securities	(19,994)	—
Sales, redemptions and (purchases) of:		
Short-term investments, net	(17,217)	57,923
Other assets and other invested assets, net	92	222
Purchases of property and equipment, net	(4,702)	(7,687)
Acquisitions, net of cash acquired	(261)	(86)
Net cash provided by (used in) investing activities	(119,740)	48,534
Cash flows from financing activities:		
Dividends paid	(540)	(538)
Purchases and redemptions of senior notes	—	(110,160)
Issuance of common stock	663	2,865
Purchase of common shares	(10,003)	—
Credit facility commitment fees paid	(185)	—
Change in secured borrowings (Note 12)	38,719	—
Proceeds from secured borrowings (with terms greater than 3 months)	6,550	—
Repayment of other borrowings	(50)	(81)
Net cash provided by (used in) financing activities	35,154	(107,914)
Effect of exchange rate changes on cash and restricted cash	(1)	24
Increase (decrease) in cash and restricted cash	33,860	24,576
Cash and restricted cash, beginning of period	96,244	61,814
Cash and restricted cash, end of period	$130,104	$86,390

See Notes to Unaudited Condensed Consolidated Financial Statements.

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1. Condensed Consolidated Financial Statements—Business Overview, Recent Developments and Significant Accounting Policies

Business Overview

We are a diversified mortgage and real estate services business, providing both credit-related insurance coverage and other credit risk management solutions, as well as a broad array of mortgage and real estate services. We have two reportable business segments—Mortgage Insurance and Services.

Mortgage Insurance

Our Mortgage Insurance segment provides credit-related insurance coverage, principally through private mortgage insurance, as well as other credit risk management solutions, to mortgage lending institutions nationwide. We provide our mortgage insurance products and services mainly through our wholly-owned subsidiary, Radian Guaranty. Private mortgage insurance plays an important role in the U.S. housing finance system because it promotes affordable home ownership and helps protect mortgage lenders, investors and other beneficiaries by mitigating default-related losses on residential mortgage loans. Generally, these loans are made to home buyers who make down payments of less than 20% of the purchase price for their home or, in the case of refinancings, have less than 20% equity in their homes. Private mortgage insurance also facilitates the sale of these low down payment loans in the secondary mortgage market, most of which are sold to the GSEs.

Our Mortgage Insurance segment currently offers primary mortgage insurance coverage on residential first-lien mortgage loans. Our total direct primary mortgage insurance RIF was $52.2 billion as of March 31, 2018.

The GSEs and state insurance regulators impose various capital and financial requirements on our insurance subsidiaries. These include Risk-to-capital, other risk-based capital measures and surplus requirements, as well as the PMIERs financial requirements discussed below. Failure to comply with these capital and financial requirements may limit the amount of insurance that our insurance subsidiaries may write or prohibit our insurance subsidiaries from writing insurance altogether. The GSEs and state insurance regulators also possess significant discretion with respect to our insurance subsidiaries and all aspects of their business. See Note 16 for additional regulatory information.

PMIERs. In order to be eligible to insure loans purchased by the GSEs, mortgage insurers such as Radian Guaranty must meet the GSEs' eligibility requirements, or PMIERs. At March 31, 2018, Radian Guaranty is an approved mortgage insurer under the PMIERs and is in compliance with the PMIERs financial requirements.

The PMIERs are comprehensive, covering virtually all aspects of the business and operations of a private mortgage insurer, including internal risk management and quality controls, the relationship between the GSEs and the approved insurer as well as the approved insurer's financial condition. In addition, the GSEs have a broad range of consent rights under the PMIERs, and require private mortgage insurers to obtain the prior consent of the GSEs before taking certain actions, which may include paying dividends, entering into various intercompany agreements, and commuting or reinsuring risk, among others. If Radian Guaranty is unable to satisfy the requirements set forth in the PMIERs, the GSEs could restrict it from conducting certain types of business with them or take actions that may include not purchasing loans insured by Radian Guaranty.

The PMIERs financial requirements require that a mortgage insurer's Available Assets meet or exceed its Minimum Required Assets. 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. Further, the PMIERs specifically provide that the factors applied to determine a mortgage insurer's Minimum Required Assets may be updated every two years following a minimum of 180 days' notice, or more frequently, as determined by the GSEs. As previously announced, Radian Guaranty received, on a confidential basis, proposed changes to the PMIERs. Based on this information, which has been subject to comment by the private mortgage insurance industry, Radian expects to be able to fully comply with the proposed PMIERs and to maintain an excess of

Available Assets over Minimum Required Assets under the PMIERs as of their effective date, which is expected to be no earlier than the end of 2018.

From time to time, we enter into reinsurance transactions as part of our strategy to manage our capital position and risk profile, which includes managing Radian Guaranty's position under the PMIERs financial requirements. The credit that we receive under the PMIERs financial requirements for these transactions is subject to the periodic review of the GSEs.

Services

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. These services comprise mortgage services, real estate services and title services that provide mortgage lenders, financial institutions, mortgage and real estate investors and government entities, among others, with information and other resources and services that are used to originate, evaluate, acquire, securitize, service and monitor residential real estate and loans secured by residential real estate.

Our mortgage services include transaction management services such as loan review, RMBS securitization and distressed asset reviews, servicer and loan surveillance and underwriting. Our real estate services include: REO asset management; review and valuation services related to single family rental properties; real estate valuation services and real estate brokerage services. Our title services include title search, title insurance, settlement and closing services.

2018 Developments

Capital and Liquidity Actions. 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 months ended March 31, 2018, we purchased 531,013 shares at an average price of $18.84 per share, including commissions. At March 31, 2018, purchase authority of up to $40.0 million remained available under this program. Subsequent to March 31, 2018, we have purchased additional shares under this program. See Note 14 for additional information.

Restructuring and Other Exit Costs. Pretax restructuring charges of $0.6 million were recognized in the first quarter of 2018, including $0.5 million in cash expenses. These charges were a result of the Company's 2017 plan to restructure the Services business. We expect to incur additional pretax charges of approximately $3.1 million under this plan, including approximately $2.5 million in cash payments. These remaining charges are expected to be recognized by December 31, 2018. The total estimated restructuring charges of approximately $3.7 million during 2018 are expected to consist of: (i) asset impairment charges of approximately $0.6 million; (ii) employee severance and benefit costs of approximately $0.9 million; (iii) facility and lease termination costs of approximately $1.6 million; and (iv) contract termination and other restructuring costs of approximately $0.6 million. See Notes 1 and 7 of Notes to Consolidated Financial Statements in our 2017 Form 10-K for additional information, including the events that led to the restructuring decision.

Developments subsequent to March 31, 2018. For information on events that occurred subsequent to March 31, 2018, including capital actions and the IRS Matter, see Notes 9 and 14, respectively.

Significant Accounting Policies

Basis of Presentation

Our condensed consolidated financial statements are prepared in accordance with GAAP and include the accounts of Radian Group Inc. and its subsidiaries. All intercompany accounts and transactions, and intercompany profits and losses, have been eliminated. We have condensed or omitted certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with GAAP pursuant to the instructions set forth in Article 10 of Regulation S-X of the SEC.

We refer to Radian Group Inc. together with its consolidated subsidiaries as "Radian," the "Company," "we," "us" or "our," unless the context requires otherwise. We generally refer to Radian Group Inc. alone, without its consolidated subsidiaries, as "Radian Group." Unless otherwise defined in this report, certain terms and acronyms used throughout this report are defined in the Glossary of Abbreviations and Acronyms included as part of this report.

The financial information presented for interim periods is unaudited; however, such information reflects all adjustments that are, in the opinion of management, necessary for the fair statement of the financial position, results of operations, comprehensive income and cash flows for the interim periods presented. Such adjustments are of a normal recurring nature. The year-end condensed balance sheet data was derived from our audited financial statements, but does not include all disclosures required by GAAP. These interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in our 2017 Form 10-K. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year or for any other period. Certain prior period amounts have been reclassified to conform to current period presentation.

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Use of Estimates
The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of our contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. While the amounts included in our condensed consolidated financial statements include our best estimates and assumptions, actual results may vary materially.
Other Significant Accounting Policies
See Note 2 of Notes to Consolidated Financial Statements in our 2017 Form 10-K for information regarding other significant accounting policies. There have been no significant changes in our significant accounting policies from those discussed in our 2017 Form 10-K, other than described below, including in "—Revenues" and "—Recent Accounting Pronouncements—Accounting Standards Adopted during 2018."
Revenue Recognition—Services
The FASB issued an update to the accounting standard regarding revenue recognition, Revenue from Contracts with Customers, which establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from our contracts with customers to provide services. We adopted this update effective January 1, 2018, using the modified retrospective approach. The principle of this update requires an entity to recognize revenue representing the transfer of services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those services, recognized as the performance obligations are satisfied.
The majority of our revenue-generating transactions are not subject to the new standard as this update did not change revenue recognition principles related to our investments and insurance products, which together represented the majority of our total revenue for the three months ending March 31, 2018 and are subject to other GAAP guidance discussed elsewhere within our disclosures. This update is primarily applicable to revenues from our Services segment. See "—Business Overview—Services" for information about the services we offer.
The table below represents the disaggregation of Services revenues by revenue type:

	Three Months Ended March 31,	
(In thousands)	2018	2017
Services segment revenue		
Mortgage Services (1)	$13,989	$18,371
Real Estate Services (1)	17,903	17,014
Title Services	2,274	4,704
Total (2)	$34,166	$40,089

(1) 2017 revenues include immaterial amounts of Services revenue related to services that we no longer offer as a result of restructuring our Services business.
(2) Includes inter-segment revenues of $1.0 million and $2.1 million for the three months ended March 31, 2018 and 2017, respectively. See Note 3 for segment information.

Our Services segment revenues are recognized over time and measured each period based on the progress to date as services are performed and made available to customers. Our contracts with customers, including payment terms, are generally short-term in nature; therefore, any impact related to timing is immaterial. Revenue recognized related to services made available to customers and billed is reflected in accounts receivables. Revenue recognized related to services performed and not yet billed is recorded in unbilled receivables and reflected in other assets. We have no material bad-debt expense. The following represents balances related to Services contracts as of the dates indicated:

(In thousands)	March 31, 2018	December 31, 2017
Accounts Receivable - Services Contracts	$13,236	$ 17,391
Unbilled Receivables - Services Contracts	20,949	22,257
Deferred Revenues - Services Contracts	3,481	3,235

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Revenue expected to be recognized in any future period related to remaining performance obligations, such as contracts where revenue is recognized as invoiced and contracts with variable consideration related to undelivered performance obligations, is not material.

Fee-for-Service Contracts

Generally, our contracts with our clients do not include minimum volume commitments and can be terminated at any time by our clients. Although some of our contracts and assignments are recurring in nature, and include repetitive monthly assignments, a significant portion of our engagements are transactional in nature and may be performed in connection with securitizations, loan sales, loan purchases or other transactions. Due to the transactional nature of our business, our Services segment revenues may fluctuate from period to period as transactions are commenced or completed. We do not recognize revenue or expense related to amounts advanced by us and subsequently reimbursed by clients for maintenance or repairs because we do not take control of the service prior to the client taking control. We record an expense if an advance is made that is not in accordance with a client contract and the client is not obligated to reimburse us.

Due to the nature of the services provided, our Services arrangements with customers may include any of the following three basic types of contracts:

Fixed-Price Contracts. We use fixed-price contracts in our real estate valuation and component services, our loan review, underwriting and due diligence services as well as our title and closing services. We also use fixed-price contracts in our surveillance business for our servicer oversight services and RMBS surveillance services, and in our asset management business activities. Under fixed-price contracts we agree to perform the specified services and deliverables for a pre-determined per-unit or per-file price or day rate. Each service qualifies as a separate performance obligation and revenue is recognized as the service performed is made available to the client.

Time-and-Expense Contracts. The Services segment also derives a portion of its revenue from professional service activities under time-and-expense contracts. In these types of contracts, we are paid a fixed hourly rate, and we are reimbursed for billable out-of-pocket expenses as work is performed. These contracts are used in our loan review, underwriting and due diligence services. Services revenue consisting of billed time fees and pass-through expenses is recorded over time and based on the progress to date as services are performed and made available to customers. Services revenue may also include expenses billed to clients, which includes travel and other out-of-pocket expenses, and other reimbursable expenses.

Percentage-of-Sale Contracts. Under percentage-of-sale contracts, we are paid a contractual percentage of the sale proceeds upon the sale of each property. These contracts are only used for a portion of our REO management services and our real estate brokerage services. In addition, through the use of our proprietary technology, property leads are sent to select clients. Revenue attributable to services provided under a percentage-of-sale contract is recognized over time and measured based on the progress to date and typically coincides with the client’s successful closing on the property. The revenue recognized for these transactions is based on a percentage of the sale.

In certain instances, fees are received at the time that an asset is assigned to Radian for management. These fees are recorded as deferred revenue and are recognized over time based on progress to date and the availability to customers.

Recent Accounting Pronouncements

Accounting Standards Adopted During 2018. In May 2014, the FASB issued an update to the accounting standard regarding revenue recognition. In July 2015, the FASB delayed the effective date for this updated standard for public companies to interim and annual periods beginning after December 15, 2017, and subsequently issued various clarifying updates. Our adoption of this standard, effective January 1, 2018, had no material impact on our financial statements. The disclosures required by this update are included above in “—Revenue Recognition—Services.”

In January 2016, the FASB issued an update that makes certain changes to the standard for the accounting of financial instruments. Among other things, the update requires: (i) equity investments to be measured at fair value with changes in fair value recognized in net income; (ii) the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (iii) separate presentation of financial assets and financial liabilities by measurement category and form of financial asset; and (iv) separate presentation in other comprehensive income of the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as “own credit”) when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The update also eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. This update is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. In February 2018, the FASB issued technical corrections related to this update, which addresses common questions regarding the application and adoption of the new guidance and the subsequent amendments. As a result of adopting these updates, equity securities are no longer classified as available for sale securities and changes in fair value are recognized through earnings. Consequently, we recorded a cumulative effect adjustment to retained earnings from accumulated other comprehensive income representing unrealized losses related to equity securities in the amount of $0.2 million, net of tax. In addition, we elected to utilize net asset value as a practical expedient to measure certain other investments, which resulted in an increase to other invested assets with an offset to retained earnings in the amount of $2.3 million, net of tax. Our adoption of both these updates effective January 1, 2018 resulted in a net adjustment to retained earnings of $2.1 million. See Notes 4 and 5 for additional information.

In February 2018, the FASB issued an update to the accounting standard regarding income statement reporting of comprehensive income and reclassification of certain tax effects from accumulated other comprehensive income. The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the TCJA. The provisions of this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period, for reporting periods for which financial statements have not been available for issuance. We elected to early adopt this update effective January 1, 2018. As a result we recorded a reclassification adjustment from other comprehensive income to retained earnings in the amount of $2.7 million. See Note 9 for additional information regarding the TCJA.

Accounting Standards Not Yet Adopted.

In February 2016, the FASB issued an update that replaces the existing accounting and disclosure requirements for leases of property, plant and equipment. The update requires lessees to recognize, as of the lease commencement date, assets and liabilities for all leases with lease terms of more than 12 months, which is a change from the current GAAP requirement to recognize only capital leases on the balance sheet. Pursuant to the new standard, the liability initially recognized for the lease obligation is equal to the present value of the lease payments not yet made, discounted over the lease term at the implicit interest rate of the lease, if available, or otherwise at the lessee’s incremental borrowing rate. The lessee is also required to recognize an asset for its right to use the underlying asset for the lease term, based on the liability subject to certain adjustments, such as for initial direct costs. Leases are required to be classified as either operating or finance, with expense on operating leases recorded as a single lease cost on a straight-line basis. For finance leases, interest expense on the lease liability is required to be recognized separately from the straight-line amortization of the right-of-use asset. Quantitative disclosures are required for certain items, including the cost of leases, the weighted-average remaining lease term, the weighted-average discount rate and a maturity analysis of lease liabilities. Additional qualitative disclosures are also required regarding the nature of the leases, such as basis, terms and conditions of: (i) variable interest payments; (ii) extension and termination options; and (iii) residual value guarantees. This update is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The new standard must be adopted by applying the new guidance as of the beginning of the earliest comparative period presented, using a modified retrospective transition approach with certain optional practical expedients. We are currently evaluating the impact to our financial statements and future disclosures as a result of this update. See Note 13 of our 2017 Form 10-K for additional information about our leases.

In June 2016, the FASB issued an update to the accounting standard regarding the measurement of credit losses on financial instruments. This update requires that financial assets measured at their amortized cost basis be presented at the net amount expected to be collected. Credit losses relating to available-for-sale debt securities are to be recorded through an allowance for credit losses, rather than a write-down of the asset, with the amount of the allowance limited to the amount by which fair value is less than amortized cost. This update is effective for public companies for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. This update is not applicable to credit losses associated with our mortgage insurance policies. We are currently evaluating the impact to our financial statements and future disclosures as a result of this update.

In March 2017, the FASB issued an update to the accounting standard regarding receivables. The new standard requires certain premiums on purchased callable debt securities to be amortized to the earliest call date. The amortization period for callable debt securities purchased at a discount will not be impacted. The provisions of this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the impact to our financial statements and future disclosures as a result of this update.

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2. Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted-average number of common shares outstanding, while diluted net income per share is computed by dividing net income attributable to common shareholders by the sum of the weighted-average number of common shares outstanding and the weighted-average number of dilutive potential common shares. Dilutive potential common shares relate to our share-based compensation arrangements and our outstanding convertible senior notes.

The calculation of basic and diluted net income per share was as follows:

	Three Months Ended March 31,	
(In thousands, except per-share amounts)	2018	2017
Net income—basic	$114,486	$76,472
Adjustment for dilutive Convertible Senior Notes due 2019, net of tax (1)	—	(215)
Net income—diluted	$114,486	$76,257
Average common shares outstanding—basic	215,967	214,925
Dilutive effect of Convertible Senior Notes due 2017	—	701
Dilutive effect of Convertible Senior Notes due 2019	—	1,854
Dilutive effect of share-based compensation arrangements (2)	3,916	4,017
Adjusted average common shares outstanding—diluted	219,883	221,497
Net income per share:		
Basic	$0.53	$0.36
Diluted	$0.52	$0.34

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(1) As applicable, includes coupon interest, amortization of discount and fees, and other changes in income that would result from the assumed conversion. Included in the three months ended March 31, 2017 is a benefit related to our adjustment of estimated accrued expense to actual amounts, resulting from the January 2017 settlement of our obligations on the remaining Convertible Senior Notes due 2019.

(2) The following number of shares of our common stock equivalents issued under our share-based compensation arrangements were not included in the calculation of diluted net income per share because they were anti-dilutive:

	Three Months Ended March 31,	
(In thousands)	2018	2017
Shares of common stock equivalents	170	445

3. Segment Reporting

We have two strategic business units that we manage separately—Mortgage Insurance and Services. Adjusted pretax operating income (loss) for each segment represents segment results on a standalone basis; therefore, inter-segment eliminations and reclassifications required for consolidated GAAP presentation have not been reflected.

We allocate to our Mortgage Insurance segment: (i) corporate expenses based on its forecasted annual percentage of total revenue, which approximates the estimated percentage of time spent on the Mortgage Insurance segment; (ii) all interest expense except for interest expense related to an intercompany note with terms consistent with the original issued amount of $300 million from the Senior Notes due 2019 that were used to fund our purchase of Clayton; and (iii) all corporate cash and investments.

We allocate to our Services segment: (i) corporate expenses based on its forecasted annual percentage of total revenue, which approximates the estimated percentage of time spent on the Services segment and (ii) as noted above, allocated interest expense. No material corporate cash or investments are allocated to the Services segment. Inter-segment activities are recorded at market rates for segment reporting and eliminated in consolidation.

Contract underwriting activities are reported within our Services segment. We include underwriting-related expenses for mortgage insurance, based on a pro-rata volume of mortgage applications excluding third-party contract underwriting services, in our Mortgage Insurance segment's other operating expenses before corporate allocations. We include underwriting-related expenses for third-party contract underwriting services, based on a pro-rata volume of mortgage applications, in our Services segment's cost of services and other operating expenses before corporate allocations, as applicable.

Adjusted Pretax Operating Income (Loss)

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 each of Radian's business segments and to allocate resources to the segments. Adjusted pretax operating income (loss) is defined as pretax income (loss) from continuing operations excluding the effects of net gains (losses) on investments and other financial instruments, loss on induced conversion and debt extinguishment, acquisition-related expenses, amortization or impairment of goodwill and other intangible assets, and net impairment losses recognized in earnings and losses from the sale of lines of business.

Although adjusted pretax operating income 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. 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).

(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).

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.

(5) 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).

Summarized operating results for our segments for the periods indicated, are as follows:

	Three Months Ended March 31,	
(In thousands)	2018	2017
Mortgage Insurance		
Net premiums written—insurance (1)	$237,980	$224,665
(Increase) decrease in unearned premiums	4,570	(2,865)
Net premiums earned—insurance	242,550	221,800
Net investment income	33,956	31,032
Other income	807	746
Total (2)	277,313	253,578
Provision for losses	37,391	47,232
Policy acquisition costs	7,117	6,729
Other operating expenses before corporate allocations	31,888	39,289
Total (3)	76,396	93,250
Adjusted pretax operating income before corporate allocations	200,917	160,328
Allocation of corporate operating expenses	18,577	14,186
Allocation of interest expense	10,629	11,509
Adjusted pretax operating income	$171,711	$134,633

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(1) Net of ceded premiums written under the QSR Transactions and the Single Premium QSR Transactions. See Note 7 for additional information.

(2) Excludes net losses on investments and other financial instruments of $18.9 million for the three months ended March 31, 2018, and net losses on investments and other financial instruments of $2.9 million for the three months ended March 31, 2017, not included in adjusted pretax operating income.

(3) Includes inter-segment expenses as follows:

	Three Months Ended March 31,	
(In thousands)	2018	2017
Inter-segment expenses	$1,002	$2,062

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(In thousands)	Three Months Ended March 31, 2018	2017
Services		
Services revenue (1)	$34,166	$40,089
Cost of services	23,270	28,690
Other operating expenses before corporate allocations	10,744	12,604
Restructuring and other exit costs (2)	525	—
Total	34,539	41,294
Adjusted pretax operating income (loss) before corporate allocations	(373)	(1,205)
Allocation of corporate operating expenses	2,784	3,718
Allocation of interest expense	4,451	4,429
Adjusted pretax operating income (loss)	$(7,608)	$(9,352)

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(1) Includes inter-segment revenues as follows:

(In thousands)	Three Months Ended March 31, 2018	2017
Inter-segment revenues	$1,002	$2,062

(2) Primarily includes employee severance and related benefit costs. Does not include impairment of long-lived assets, which is not a component of adjusted pretax operating income.

Selected balance sheet information for our segments, as of the periods indicated, is as follows:

(In thousands)	At March 31, 2018 Mortgage Insurance	Services	Total
Total assets	$5,843,685	$166,564	$6,010,249

(In thousands)	At December 31, 2017 Mortgage Insurance	Services	Total
Total assets	$5,733,918	$166,963	$5,900,881

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The reconciliation of adjusted pretax operating income to consolidated pretax income (loss) is as follows:

	Three Months Ended March 31,	
(In thousands)	2018	2017
Adjusted pretax operating income (loss):		
Mortgage Insurance (1)	$171,711	$134,633
Services (1)	(7,608)	(9,352)
Total adjusted pretax operating income	164,103	125,281
Net losses on investments and other financial instruments	(18,887)	(2,851)
Loss on induced conversion and debt extinguishment	—	(4,456)
Acquisition-related expenses (2)	—	(8)
Amortization and impairment of other intangible assets	(2,748)	(3,296)
Impairment of other long-lived assets and loss from the sale of a business line (3)	(26)	—
Consolidated pretax income	$142,442	$114,670

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(1) Includes inter-segment expenses and revenues as listed in the notes to the preceding tables.
(2) Acquisition-related expenses represent expenses incurred to effect the acquisition of a business, net of adjustments to accruals previously recorded for acquisition expenses.
(3) Included within restructuring and other exit costs. See Note 1.

On a consolidated basis, “adjusted pretax operating income” is a measure not determined in accordance with GAAP. 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. Our definition of adjusted pretax operating income may not be comparable to similarly-named measures reported by other companies.

4. Fair Value of Financial Instruments

Available for sale securities, trading securities, equity securities and certain other assets are recorded at fair value. All changes in the fair value of trading securities, equity securities and certain other assets are included in our condensed consolidated statements of operations. All changes in the fair value of available for sale securities are recorded in accumulated other comprehensive income. As a result of our implementation of the update to the standard for the accounting of financial instruments, we elected to measure certain other investments using the net asset value as a practical expedient. See Note 1 “—Significant Accounting Policies—Recent Accounting Pronouncements—Accounting Standards Adopted During 2018” for additional information. There were no other changes to our fair value methodologies during the three months ended March 31, 2018.

In accordance with GAAP, we established a three-level valuation hierarchy for disclosure of fair value measurements based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the measurement in its entirety. The three levels of the fair value hierarchy are defined below:

Level I — Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level II — Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities; and

Level III — Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Level III inputs are used to measure fair value only to the extent that observable inputs are not available.

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The level of market activity used to determine the fair value hierarchy is based on the availability of observable inputs market participants would use to price an asset or a liability, including market value price observations. We provide a qualitative description of the valuation techniques and inputs used for recurring and non-recurring fair value measurements in our audited financial statements and notes thereto included in our 2017 Form 10-K. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in our 2017 Form 10-K.

The following is a list of assets that are measured at fair value by hierarchy level as of March 31, 2018:

(In thousands)	Level I	Level II	Total	
Assets at Fair Value				
Investment Portfolio:				
U.S. government and agency securities	$154,347	$7,890	$162,237	
State and municipal obligations	—	372,465	372,465	
Money market instruments	144,207	—	144,207	
Corporate bonds and notes	—	2,298,885	2,298,885	
RMBS	—	254,124	254,124	
CMBS	—	520,468	520,468	
Other ABS	—	736,518	736,518	
Foreign government and agency securities	—	36,576	36,576	
Equity securities	136,159	1,882	138,041	
Other investments (1)	—	45,774	45,774	
Total Investments at Fair Value (2)	434,713	4,274,582	4,709,295	(3)
Total Assets at Fair Value	$434,713	$4,274,582	$4,709,295	(3)

(1) Comprising short-term certificates of deposit and commercial paper.

(2) Does not include certain other invested assets ($3.3 million), primarily invested in limited partnership investments valued using the net asset value as a practical expedient. Includes cash collateral held under securities lending agreements ($39.1 million) reinvested in money market instruments.

(3) Includes $44.4 million of securities loaned to third-party Borrowers under securities lending agreements, classified as other assets in our consolidated balance sheets. See Note 5 for more information.

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The following is a list of assets that are measured at fair value by hierarchy level as of December 31, 2017:

(In thousands)	Level I	Level II	Total
Assets at Fair Value			
Investment Portfolio:			
U.S. government and agency securities	$124,969	$8,023	$132,992
State and municipal obligations	—	386,111	386,111
Money market instruments	213,357	—	213,357
Corporate bonds and notes	—	2,304,017	2,304,017
RMBS	—	216,749	216,749
CMBS	—	503,955	503,955
Other ABS	—	676,158	676,158
Foreign government and agency securities	—	36,448	36,448
Equity securities	175,205	860	176,065
Other investments (1)	—	25,720	25,720
Total Investments at Fair Value (2)	513,531	4,158,041	4,671,572 (3)
Total Assets at Fair Value	$513,531	$4,158,041	$4,671,572 (3)

(1) Comprising short-term certificates of deposit and commercial paper.
(2) Does not include certain other invested assets ($0.3 million), primarily invested in limited partnerships, accounted for as cost-method investments and not measured at fair value. Includes cash collateral held under securities lending agreements ($19.4 million) reinvested in money market instruments.
(3) Includes $28.0 million of securities loaned to third-party Borrowers under securities lending agreements, classified as other assets in our consolidated balance sheets. See Note 5 for more information.

There were no Level III assets measured at fair value at March 31, 2018 or December 31, 2017, and no Level III liabilities. There were no investment transfers between Level I, Level II or Level III for the three months ended March 31, 2018 and 2017.

Other Fair Value Disclosure

The carrying value and estimated fair value of other selected assets and liabilities not carried at fair value in our condensed consolidated balance sheets were as follows as of the dates indicated:

	March 31, 2018		December 31, 2017	
(In thousands)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Other invested assets (1)	$ —	$ —	$334	$ 3,226
Liabilities:				
Senior notes	1,027,875	1,056,437	1,027,074	1,093,934

(1) As a result of implementing the update to the standard for the accounting of financial instruments effective January 1, 2018, other invested assets are no longer carried at amortized cost.

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5. Investments
Available for Sale Securities
Our available for sale securities within our investment portfolio consisted of the following as of the dates indicated:

	March 31, 2018				
(In thousands)	Amortized Cost	Fair Value		Gross Unrealized Gains	Gross Unrealized Losses
Fixed-maturities available for sale:					
U.S. government and agency securities	$65,278	$63,656	(1)	$ —	$ 1,622
State and municipal obligations	157,176	159,329		3,882	1,729
Corporate bonds and notes	1,910,482	1,881,117		10,525	39,890
RMBS	233,144	228,040	(2)	128	5,232
CMBS	476,601	470,834		1,085	6,852
Other ABS	736,967	736,518		1,819	2,268
Foreign government and agency securities	32,412	32,396		257	273
Total fixed-maturities available for sale	$3,612,060	$3,571,890	(3)	$ 17,696	$ 57,866

(1) Includes securities with a fair value of $4.8 million serving as collateral for FHLB advances.
(2) Includes securities with a fair value of $23.3 million serving as collateral for FHLB advances.
(3) Includes $17.2 million of fixed maturity securities loaned to third-party Borrowers under securities lending agreements, classified as other assets in our condensed consolidated balance sheets, as further described below.

	December 31, 2017				
(In thousands)	Amortized Cost	Fair Value		Gross Unrealized Gains	Gross Unrealized Losses
Fixed-maturities available for sale:					
U.S. government and agency securities	$69,667	$69,396		$ 96	$ 367
State and municipal obligations	156,587	161,722		5,834	699
Corporate bonds and notes	1,869,318	1,894,886		33,620	8,052
RMBS	189,455	187,229		636	2,862
CMBS	451,595	453,394		3,409	1,610
Other ABS	672,715	674,548		2,655	822
Foreign government and agency securities	31,417	32,207		823	33
Total fixed-maturities available for sale	3,440,754	3,473,382	(1)	47,073	14,445
Equity securities available for sale (2)	176,349	176,065	(1)	1,705	1,989
Total debt and equity securities	$3,617,103	$3,649,447		$ 48,778	$ 16,434

(1) Includes $14.7 million of fixed maturity securities and $13.2 million of equity securities loaned to third-party Borrowers under securities lending agreements, classified as other assets in our condensed consolidated balance sheets, as further described below.
(2) Primarily consists of investments in fixed-income and equity exchange-traded funds and publicly-traded business development company equities.

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Gross Unrealized Losses and Fair Value of Available for Sale Securities
For securities deemed "available for sale" and that are in an unrealized loss position, the following tables show the gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of the dates indicated. Included in the amounts as of March 31, 2018 and December 31, 2017, are loaned securities under securities lending agreements that are classified as other assets in our condensed consolidated balance sheets, as further described below.

	March 31, 2018								
	Less Than 12 Months			12 Months or Greater			Total		
($ in thousands) Description of Securities	# of securities	Fair Value	Unrealized Losses	# of securities	Fair Value	Unrealized Losses	# of securities	Fair Value	Unrealized Losses
U.S. government and agency securities	7	$41,246	$ 1,116	3	$9,520	$ 506	10	$50,766	$ 1,622
State and municipal obligations	28	79,897	1,729	—	—	—	28	79,897	1,729
Corporate bonds and notes	344	1,348,488	32,623	28	127,265	7,267	372	1,475,753	39,890
RMBS	20	112,041	1,606	27	79,087	3,626	47	191,128	5,232
CMBS	67	375,353	6,592	5	2,814	260	72	378,167	6,852
Other ABS	127	439,883	2,228	5	4,649	40	132	444,532	2,268
Foreign government and agency securities	19	20,800	273	—	—	—	19	20,800	273
Total	612	$2,417,708	$ 46,167	68	$223,335	$ 11,699	680	$2,641,043	$ 57,866

	December 31, 2017								
	Less Than 12 Months			12 Months or Greater			Total		
($ in thousands) Description of Securities	# of securities	Fair Value	Unrealized Losses	# of securities	Fair Value	Unrealized Losses	# of securities	Fair Value	Unrealized Losses
U.S. government and agency securities	6	$23,309	$ 129	3	$9,799	$ 238	9	$33,108	$ 367
State and municipal obligations	21	65,898	699	—	—	—	21	65,898	699
Corporate bonds and notes	152	672,318	4,601	32	139,105	3,451	184	811,423	8,052
RMBS	8	19,943	204	26	101,812	2,658	34	121,755	2,862
CMBS	35	139,353	1,395	4	3,518	215	39	142,871	1,610
Other ABS	92	260,864	777	7	8,297	45	99	269,161	822
Foreign government and agency securities	5	7,397	33	—	—	—	5	7,397	33
Equity securities	13	149,785	1,989	—	—	—	13	149,785	1,989
Total	332	$1,338,867	$ 9,827	72	$262,531	$ 6,607	404	$1,601,398	$ 16,434

Impairments due to credit deterioration that result in a conclusion that the present value of cash flows expected to be collected will not be sufficient to recover the amortized cost basis of the security are considered other-than-temporary. Other declines in fair value (for example, due to interest rate changes, sector credit rating changes or company-specific rating changes) that result in a conclusion that the present value of cash flows expected to be collected will not be sufficient to recover the amortized cost basis of the security also may serve as a basis to conclude that an other-than-temporary impairment has occurred. To the extent we determine that a security is deemed to have had an other-than-temporary impairment, an impairment loss is recognized.

During the three months ended March 31, 2018, we recorded other-than-temporary impairment losses in earnings of $0.9 million due to our intent to sell certain corporate and state and municipal bonds at a loss. For the year ended December 31, 2017, we recorded other-than-temporary impairment losses in earnings of $1.4 million. These losses comprised $0.4 million recorded due to our intent to sell certain corporate bonds at a loss and $1.0 million recorded due to credit deterioration, which included $0.5 million related to a convertible note of a non-public company issuer included in debt securities and $0.5 million related to a privately-placed equity security. There were no credit-related impairment losses recognized in accumulated other comprehensive income (loss) during the three months ended March 31, 2018 or year ended December 31, 2017.

Although we held securities in an unrealized loss position as of March 31, 2018, we did not consider those securities to be other-than-temporarily impaired as of such date. For all investment categories, the unrealized losses of 12 months or greater duration as of March 31, 2018 were generally caused by interest rate or credit spread movements since the purchase date, and as such, we expect the present value of cash flows to be collected from these securities to be sufficient to recover the amortized cost basis of these securities. As of March 31, 2018, we did not have the intent to sell any debt securities in an unrealized loss position, and we determined that it is more likely than not that we will not be required to sell the securities before recovery of their cost basis, which may be at maturity; therefore, we did not consider these investments to be other-than-temporarily impaired at March 31, 2018.

Trading Securities

The trading securities within our investment portfolio, which are recorded at fair value, consisted of the following as of the dates indicated:

(In thousands)	March 31, 2018	December 31, 2017
Trading securities:		
State and municipal obligations	$203,188	$ 214,841
Corporate bonds and notes	280,323	307,271
RMBS	26,084	29,520
CMBS	49,634	50,561
Foreign government and agency securities	4,180	4,241
Total (1)	$563,409	$ 606,434

(1) Includes a de minimis amount of loaned securities under securities lending agreements that are classified as other assets in our consolidated balance sheets, as further described below.

For trading securities held at March 31, 2018, we had net unrealized losses associated with those securities of $11.4 million during the three months ended March 31, 2018, compared to net unrealized gains of $3.5 million for the three months ended March 31, 2017. For equity securities held at March 31, 2018, we had net losses of $1.8 million during the three months ended March 31, 2018. Prior to the implementation of the update to the standard for the accounting of financial instruments effective January 1, 2018, the unrealized losses associated with equity securities were classified in accumulated other comprehensive income.

For the three months ended March 31, 2018, we did not transfer any securities from the available for sale or trading categories.

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Securities Lending Agreements

During the third quarter of 2017, we commenced participation in a securities lending program whereby we loan certain securities in our investment portfolio to Borrowers for short periods of time. These securities lending agreements are collateralized financing arrangements whereby we transfer securities to third parties through an intermediary in exchange for cash or other securities. In all of our securities lending agreements, the securities we transfer to Borrowers (loaned securities) may be transferred or loaned by the Borrowers; however, we maintain effective control over all loaned securities, including: (i) retaining ownership of the securities; (ii) receiving the related investment or other income; and (iii) having the right to request the return of the loaned securities at any time. Although we report such securities at fair value within other assets in our condensed consolidated balance sheets, the detailed information regarding investments provided in this Note includes these securities.

Under our securities lending agreements, the Borrower is required to provide to us collateral, consisting of cash or securities, in amounts generally equal to or exceeding (i) 102% of the value of the loaned securities (105% in the case of foreign securities) or (ii) another agreed-upon percentage not less than 100% of the market value of the loaned securities. Any cash collateral we receive may be invested in liquid assets.

The Borrower generally may return the loaned securities to us at any time, which would require us to return the 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 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.

Key components of our securities lending agreements at March 31, 2018 and December 31, 2017 consisted of the following:

(In thousands)	March 31, 2018	December 31, 2017
Loaned securities (1):		
U.S. government and agency securities	$ 975	$ —
Corporate bonds and notes	15,508	13,862
Foreign government and agency securities	904	867
Equity securities	27,009	13,235
Total loaned securities, at fair value	$ 44,396	$ 27,964
Total loaned securities, at amortized cost	$ 45,266	$ 27,846
Securities collateral on deposit from Borrowers (2)	6,345	9,342
Reinvested cash collateral, at estimated fair value (3)	39,077	19,357

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(1) Our securities loaned under securities lending agreements are reported at fair value within other assets in our condensed consolidated balance sheets. All of our securities lending agreements are classified as overnight and revolving. None of the amounts are subject to offsetting.

(2) Securities collateral on deposit with us from Borrowers may not be transferred or re-pledged unless the Borrower is in default, and is therefore not reflected in our condensed consolidated financial statements.

(3) All cash collateral received has been reinvested in accordance with the securities lending agreements and is included in short-term investments in our condensed consolidated balance sheets. Amounts payable on the return of cash collateral under securities lending agreements are included within other liabilities in our condensed

consolidated balance sheets.

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Net Gains (Losses) on Investments and Other Financial Instruments

Net realized and unrealized gains (losses) on investments and other financial instruments consisted of:

(In thousands)	Three Months Ended March 31, 2018	2017
Net realized gains (losses):		
Fixed-maturities available for sale	$(3,120)	$(2,509)
Equity securities	142	—
Trading securities	(538)	(5,694)
Short-term investments	—	6
Other invested assets	62	—
Other gains (losses)	12	18
Net realized gains (losses) on investments	(3,442)	(8,179)
Other-than-temporary impairment losses	(844)	—
Unrealized gains (losses) on investment securities (1)	(12,804)	5,226
Total net gains (losses) on investments	(17,090)	(2,953)
Net gains (losses) on other financial instruments	(1,797)	102
Net gains (losses) on investments and other financial instruments	$(18,887)	$(2,851)

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(1) These amounts include unrealized gains (losses) on investment securities other than securities available for sale. For the three months ended March 31, 2017, the amount excludes the net change in unrealized gains and losses on equity securities. Prior to the implementation of the update to the standard for the accounting of financial instruments effective January 1, 2018, the unrealized losses associated with equity securities were classified in accumulated other comprehensive income.

Contractual Maturities

The contractual maturities of fixed-maturity investments available for sale were as follows:

(In thousands)	March 31, 2018 Available for Sale Amortized Cost	Fair Value
Due in one year or less (1)	$35,241	$35,146
Due after one year through five years (1)	745,894	735,622
Due after five years through 10 years (1)	1,016,043	989,756
Due after 10 years (1)	368,170	375,974
RMBS (2)	233,144	228,040
CMBS (2)	476,601	470,834
Other ABS (2)	736,967	736,518
Total (3)	$3,612,060	$3,571,890

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(1) Actual maturities may differ as a result of calls before scheduled maturity.
(2) RMBS, CMBS and Other ABS are shown separately, as they are not due at a single maturity date.
(3) Includes securities loaned under securities lending agreements.

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Other
At March 31, 2018, Radian had an aggregate amount of $28.1 million of U.S. government and agency securities and RMBS, classified as fixed-maturities available for sale within our investment securities portfolio, serving as collateral for our FHLB advances. There were no FHLB advances outstanding at December 31, 2017. See Note 12 for additional information.
Securities on deposit with various state insurance commissioners amounted to $14.9 million and $11.8 million at March 31, 2018 and December 31, 2017, respectively.

6. Goodwill and Other Intangible Assets, Net

All of our goodwill and other intangible assets relate to our Services segment. The following table shows the changes in the carrying amount of goodwill for the year-to-date periods ended March 31, 2018 and December 31, 2017:

(In thousands)	Goodwill	Accumulated Impairment Losses	Net
Balance at December 31, 2016	$197,265	$(2,095)	$195,170
Goodwill acquired	126	—	126
Impairment losses	—	(184,374)	(184,374)
Balance at December 31, 2017	197,391	(186,469)	10,922
Goodwill acquired	—	—	—
Impairment losses	—	—	—
Balance at March 31, 2018	$197,391	$(186,469)	$10,922

Accounting Policy Considerations
Goodwill is an asset representing the estimated future economic benefits arising from the assets we have acquired that are not individually identified and separately recognized, and includes the value of the discounted expected future cash flows from these businesses, the workforce, expected synergies with our other affiliates and other unidentifiable intangible assets. Goodwill is deemed to have an indefinite useful life and is subject to review for impairment annually, or more frequently, whenever events and circumstances indicate potential impairment. For purposes of performing our goodwill impairment test, we have concluded that the Services segment constitutes one reporting unit to which all of our recorded goodwill is related.
For additional information on our accounting policies for goodwill and other intangible assets, see Note 2 of Notes to Consolidated Financial Statements in our 2017 Form 10-K.
Other Intangible Assets
The following is a summary of the gross and net carrying amounts and accumulated amortization of our other intangible assets as of the periods indicated:

	March 31, 2018		
(In thousands)	Original Amount Acquired	Accumulated Amortization and Impairment	Net Carrying Amount
Client relationships (1)	$82,530	$ (43,254)	$ 39,276
Technology (2)	15,250	(9,457)	5,793
Trade name and trademarks	8,340	(3,218)	5,122
Client backlog	6,680	(6,343)	337
Non-competition agreements	185	(170)	15
Total	$112,985	$ (62,442)	$ 50,543

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	December 31, 2017		
(In thousands)	Original Amount Acquired	Accumulated Amortization	Net Carrying Amount
Client relationships (1)			