Essent Group Ltd.
Form 10-Q
November 09, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended September 30, 2018

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 001-36157

ESSENT GROUP LTD.
(Exact name of registrant as specified in its charter)

Bermuda	Not Applicable
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Clarendon House
2 Church Street
Hamilton HM11, Bermuda
(Address of principal executive offices and zip code)

(441) 297-9901
(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 ý No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes ý 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

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 ý

The number of the registrant’s common shares outstanding as of November 2, 2018 was 98,139,176.

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Essent Group Ltd. and Subsidiaries

Form 10-Q

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Unless the context otherwise indicates or requires, the terms “we,” “our,” “us,” “Essent,” and the “Company,” as used in this Quarterly Report on Form 10-Q, refer to Essent Group Ltd. and its directly and indirectly owned subsidiaries, including our primary operating subsidiaries, Essent Guaranty, Inc. and Essent Reinsurance Ltd., as a combined entity, except where otherwise stated or where it is clear that the terms mean only Essent Group Ltd. exclusive of its subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, or Quarterly Report, includes forward-looking statements pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts or present facts or conditions, such as statements regarding our future financial condition or results of operations, our prospects and strategies for future growth, the introduction of new products and services, and the implementation of our marketing and branding strategies. In many cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this Quarterly Report reflect our views as of the date of this Quarterly Report about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described below, in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report, and in Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission. These factors include, without limitation, the following:

- changes in or to Fannie Mae and Freddie Mac, which we refer to collectively as the GSEs, whether through Federal legislation, restructurings or a shift in business practices;
- failure to continue to meet the mortgage insurer eligibility requirements of the GSEs;
- competition for our customers on the basis of price, terms and conditions or otherwise, or the loss of a significant customer;
- lenders or investors seeking alternatives to private mortgage insurance;
- increase in the number of loans insured through Federal government mortgage insurance programs, including those offered by the Federal Housing Administration;
- decline in the volume of low down payment mortgage originations;
- uncertainty of loss reserve estimates;
- decrease in the length of time our insurance policies are in force;
- deteriorating economic conditions;

- the impact of recently enacted U.S. Federal tax reform on us, our shareholders and our operations;
- the definition of "Qualified Mortgage" reducing the size of the mortgage origination market or creating incentives to use government mortgage insurance programs;
- the definition of "Qualified Residential Mortgage" reducing the number of low down payment loans or lenders and investors seeking alternatives to private mortgage insurance;
- the implementation of the Basel III Capital Accord, which may discourage the use of private mortgage insurance;
- management of risk in our investment portfolio;

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- fluctuations in interest rates;
- inadequacy of the premiums we charge to compensate for our losses incurred;
- dependence on management team and qualified personnel;
- disturbance to our information technology systems;
- change in our customers’ capital requirements discouraging the use of mortgage insurance;
- declines in the value of borrowers’ homes;
- limited availability of capital;
- unanticipated claims arise under and risks associated with our contract underwriting program;
- industry practice that loss reserves are established only upon a loan default;
- disruption in mortgage loan servicing;
- risk of future legal proceedings;
- customers’ technological demands;
- our non-U.S. operations becoming subject to U.S. Federal income taxation;
- becoming considered a passive foreign investment company for U.S. Federal income tax purposes; and
- potential inability of our insurance subsidiaries to pay dividends.

Readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. All of the forward-looking statements we have included in this Quarterly Report are based on information available to us on the date of this Quarterly Report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as otherwise required by law.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Essent Group Ltd. and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

(In thousands, except per share amounts)	September 30, 2018	December 31, 2017
Assets		
Investments		
Fixed maturities available for sale, at fair value (amortized cost: 2018 — $2,527,850; 2017 — $1,994,200)	$2,473,840	$1,992,371
Short-term investments available for sale, at fair value (amortized cost: 2018 — $191,911; 2017 — $312,714)	191,912	312,694
Total investments available for sale	2,665,752	2,305,065
Other invested assets	24,865	500
Total investments	2,690,617	2,305,565
Cash	29,797	43,524
Accrued investment income	17,125	12,807
Accounts receivable	35,597	29,752
Deferred policy acquisition costs	16,159	15,354
Property and equipment (at cost, less accumulated depreciation of $53,005 in 2018 and $50,466 in 2017)	7,387	6,979
Prepaid federal income tax	185,935	252,157
Other assets	10,806	8,230
Total assets	$2,993,423	$2,674,368
Liabilities and Stockholders' Equity		
Liabilities		
Reserve for losses and LAE	$53,355	$46,850
Unearned premium reserve	292,331	259,672
Net deferred tax liability	155,349	127,636
Credit facility borrowings (at carrying value, less unamortized deferred costs of $1,513 in 2018 and $1,409 in 2017)	223,487	248,591
Securities purchases payable	21,741	14,999
Other accrued liabilities	32,021	36,184
Total liabilities	778,284	733,932
Commitments and contingencies (see Note 7)		
Stockholders' Equity		
Common shares, $0.015 par value:		
Authorized - 233,333; issued and outstanding - 98,128 shares in 2018 and 98,434 shares in 2017	1,472	1,476
Additional paid-in capital	1,107,206	1,127,137
Accumulated other comprehensive loss	(47,449)	(3,252)
Retained earnings	1,153,910	815,075
Total stockholders' equity	2,215,139	1,940,436

Total liabilities and stockholders’ equity	$2,993,423	$2,674,368

See accompanying notes to condensed consolidated financial statements.

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Essent Group Ltd. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share amounts)	2018	2017	2018	2017
Revenues:				
Net premiums written	$175,221	$155,055	$508,850	$408,415
Increase in unearned premiums	(8,546)	(17,115)	(32,659)	(26,261)
Net premiums earned	166,675	137,940	476,191	382,154
Net investment income	16,646	10,626	45,494	28,461
Realized investment gains, net	524	564	1,160	1,763
Other income	1,153	1,073	3,384	3,023
Total revenues	184,998	150,203	526,229	415,401
Losses and expenses:				
Provision for losses and LAE	5,452	4,313	12,574	9,776
Other underwriting and operating expenses	36,899	37,035	111,451	109,053
Interest expense	2,500	1,456	7,568	3,361
Total losses and expenses	44,851	42,804	131,593	122,190
Income before income taxes	140,147	107,399	394,636	293,211
Income tax expense	24,136	29,006	55,801	76,102
Net income	$116,011	$78,393	$338,835	$217,109
Earnings per share:				
Basic	$1.19	$0.83	$3.48	$2.35
Diluted	1.18	0.82	3.46	2.31
Weighted average shares outstanding:				
Basic	97,438	94,185	97,388	92,285
Diluted	98,013	96,094	97,944	94,104
Net income	$116,011	$78,393	$338,835	$217,109
Other comprehensive income (loss):				
Change in unrealized (depreciation) appreciation of investments, net of tax (benefit) expense of ($1,352) and $752 in the three months ended September 30, 2018 and 2017 and ($7,963) and $6,462 in the nine months ended September 30, 2018 and 2017	(8,201)	1,978	(44,197)	15,298
Total other comprehensive (loss) income	(8,201)	1,978	(44,197)	15,298
Comprehensive income	$107,810	$80,371	$294,638	$232,407

See accompanying notes to condensed consolidated financial statements.

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Essent Group Ltd. and Subsidiaries

Condensed Consolidated Statements of Changes in Stockholders’ Equity (Unaudited)

(In thousands)	Common Shares	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders’ Equity
Balance at January 1, 2017	$ 1,397	$918,296	$ (12,255)	$436,335	$ —	$ 1,343,773
Net income				379,747		379,747
Other comprehensive income			8,068			8,068
Issuance of common shares, net of issuance cost of $1,802	75	197,623				197,698
Issuance of management incentive shares	8	(8)				—
Stock-based compensation expense		18,688				18,688
Cumulative effect of ASU 2016-09 adoption		111		(72)		39
Treasury stock acquired					(7,577)	(7,577)
Cancellation of treasury stock	(4)	(7,573)			7,577	—
Reclassification of certain income tax effects resulting from tax reform			935	(935)		—
Balance at December 31, 2017	$ 1,476	$ 1,127,137	$ (3,252)	$815,075	$ —	$ 1,940,436
Net income				338,835		338,835
Other comprehensive loss			(44,197)			(44,197)
Issuance of management incentive shares	6	(6)				—
Stock-based compensation expense		11,269				11,269
Treasury stock acquired					(31,204)	(31,204)
Cancellation of treasury stock	(10)	(31,194)			31,204	—
Balance at September 30, 2018	$ 1,472	$ 1,107,206	$ (47,449)	$ 1,153,910	$ —	$ 2,215,139

See accompanying notes to condensed consolidated financial statements.

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Essent Group Ltd. and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
(In thousands)	2018	2017
Operating Activities		
Net income	$338,835	$217,109
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on the sale of investments, net	(1,160)	(1,763)
Depreciation and amortization	2,539	2,955
Stock-based compensation expense	11,269	13,980
Amortization of premium on investment securities	10,701	8,752
Deferred income tax provision	35,676	49,032
Change in:		
Accrued investment income	(4,318)	(2,351)
Accounts receivable	(5,842)	(7,657)
Deferred policy acquisition costs	(805)	(1,431)
Prepaid federal income tax	66,222	(52,185)
Other assets	(2,439)	21
Reserve for losses and LAE	6,505	3,437
Unearned premium reserve	32,659	26,261
Other accrued liabilities	(3,888)	(4,139)
Net cash provided by operating activities	485,954	252,021
Investing Activities		
Net change in short-term investments	120,782	(164,165)
Purchase of investments available for sale	(861,042)	(567,335)
Proceeds from maturity of investments available for sale	82,746	51,440
Proceeds from sales of investments available for sale	241,865	197,623
Purchase of other invested assets	(24,751)	—
Distributions from other invested assets	386	—
Purchase of property and equipment	(2,947)	(2,661)
Net cash used in investing activities	(442,961)	(485,098)
Financing Activities		
Issuance of common shares, net of costs	—	198,212
Credit facility borrowings	15,000	125,000
Credit facility repayments	(40,000)	(50,000)
Treasury stock acquired	(31,204)	(7,329)
Payment of issuance costs for credit facility	(516)	(2,596)
Net cash (used in) provided by financing activities	(56,720)	263,287
Net (decrease) increase in cash	(13,727)	30,210
Cash at beginning of year	43,524	27,531
Cash at end of period	$29,797	$57,741

Supplemental Disclosure of Cash Flow Information

Income tax payments	$(18,600)	$(28,300)
Interest payments	(7,051)	(3,120)
Noncash Transactions		
Repayment of borrowings with term loan proceeds (see Note 6)	$(100,000)	$(125,000)

See accompanying notes to condensed consolidated financial statements.

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Essent Group Ltd. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

In these notes to condensed consolidated financial statements, “Essent”, “Company”, “we”, “us”, and “our” refer to Essent Gro
Ltd. and its subsidiaries, unless the context otherwise requires.

Note 1. Nature of Operations and Basis of Presentation

Essent Group Ltd. (“Essent Group”) is a Bermuda-based holding company, which, through its wholly-owned subsidiaries, offers private mortgage insurance and reinsurance for mortgages secured by residential properties located in the United States. Mortgage insurance facilitates the sale of low down payment (generally less than 20%) mortgage loans into the secondary mortgage market, primarily to two government-sponsored enterprises (“GSEs”), Fannie Mae and Freddie Mac.

The primary mortgage insurance operations are conducted through Essent Guaranty, Inc. (“Essent Guaranty”), a wholly-owned subsidiary approved as a qualified mortgage insurer by the GSEs and is licensed to write mortgage insurance in all 50 states and the District of Columbia. A significant portion of our premium revenue relates to master policies with certain lending institutions. For the nine months ended September 30, 2018 one lender represented 10% of our total revenue. The loss of this customer could have a significant impact on our revenues and results of operations.

Essent Guaranty reinsures 25% of GSE-eligible new insurance written to Essent Reinsurance Ltd. (“Essent Re”), an affiliated Bermuda domiciled Class 3A Insurer licensed pursuant to Section 4 of the Bermuda Insurance Act 1978 that provides insurance and reinsurance coverage of mortgage credit risk. Essent Re also provides insurance and reinsurance to Freddie Mac and Fannie Mae. In 2016, Essent Re formed Essent Agency (Bermuda) Ltd., a wholly-owned subsidiary, which provides underwriting services to third-party reinsurers. In accordance with certain state law requirements, Essent Guaranty also reinsures that portion of the risk that is in excess of 25% of the mortgage balance with respect to any loan insured, after consideration of other reinsurance, to Essent Guaranty of PA, Inc. (“Essent PA”), an affiliate.

In addition to offering mortgage insurance, we provide contract underwriting services on a limited basis through CUW Solutions, LLC ("CUW Solutions"), a Delaware limited liability company, that provides, among other things, mortgage contract underwriting services to lenders and mortgage insurance underwriting services to affiliates.

We have prepared the condensed consolidated financial statements included herein pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). We have condensed or omitted certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) pursuant to such rules and regulations. In the opinion of management, the statements include all adjustments (which include normal recurring adjustments) required for a fair statement of financial position, results of operations and cash flows for the interim periods presented. These statements should be read in conjunction with the consolidated financial statements and notes thereto, including Note 1 and Note 2 to the consolidated financial statements, included in our Annual Report on Form 10-K for the year ended December 31, 2017, which discloses the principles of consolidation and a summary of significant accounting policies. The results of operations for the interim periods are not necessarily indicative of the results for the full year. We evaluated the need to recognize or disclose events that occurred subsequent to September 30, 2018 prior to the issuance of these condensed consolidated financial statements.

Within the Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2017, the financing activities were revised to reflect the repayment of credit facility borrowings with term loan proceeds of $125 million as a non-cash transaction to be consistent with the December 31, 2017 presentation. The term loan proceeds were directly applied at closing to pay down credit facility borrowings. This revision did not impact net cash provided by financing activities or the net increase in cash or any other financial statements or disclosures for the nine months ended September 30, 2017.

Certain amounts in prior years have been reclassified to conform to the current year presentation.

Note 2. Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This update is intended to provide a consistent approach in recognizing revenue. In accordance with the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In December 2016, the FASB clarified that all contracts that are within the scope of Topic 944, Financial Services-Insurance, are excluded from the scope of ASU 2014-09. The Company adopted this ASU effective January 1, 2018. The adoption of this ASU did not have a material effect on the Company's consolidated operating results or financial position.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This update requires certain equity investments (except those accounted for under the equity method of accounting or result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. An entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. A qualitative assessment for impairment is required for equity investments without readily determinable fair values. This update also requires public entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. In addition, an entity is required to evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale investment securities in combination with the entity’s other deferred tax assets. The Company adopted this ASU effective January 1, 2018. The adoption of this ASU did not have a material effect on the Company's consolidated operating results or financial position.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This update will require organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance will also require additional disclosures about the amount, timing and uncertainty of cash flows arising from leases. The provisions of this update are effective for annual and interim periods beginning after December 15, 2018. We anticipate adopting this standard on January 1, 2019 using the retrospective adoption approach as of the adoption date and electing certain practical expedients allowed under the standard. The adoption of this ASU is not expected to have a material effect on the Company's consolidated operating results or financial position.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (Topic 326). This update is intended to provide financial statement users with more information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments in this ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new guidance requires financial assets measured at amortized cost to be presented at the net amount expected to be collected through the use of an allowance for credit losses. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance rather than as a write-down of the amortized cost of the securities. The provisions of this update are effective for annual and interim periods beginning after December 15, 2019. While the Company is still evaluating this ASU, we do not expect it to impact our accounting for insurance losses and loss adjustment expenses ("LAE") as these items are not within the scope of this ASU.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this update modify the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The provisions of this update are effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted for the removed disclosures. The Company is evaluating the impact the adoption of this ASU will have on the consolidated financial statements and related disclosures.

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 3. Investments

Investments available for sale consist of the following:

September 30, 2018 (In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$275,423	$ —	$(10,190)	$265,233
U.S. agency securities	33,651	—	(974)	32,677
U.S. agency mortgage-backed securities	588,499	117	(21,990)	566,626
Municipal debt securities(1)	462,546	2,096	(7,136)	457,506
Non-U.S. government securities	44,964	87	(253)	44,798
Corporate debt securities(2)	720,722	295	(14,687)	706,330
Residential and commercial mortgage securities	102,093	547	(991)	101,649
Asset-backed securities	299,952	280	(1,211)	299,021
Money market funds	191,911	1	—	191,912
Total investments available for sale	$2,719,761	$ 3,423	$(57,432)	$2,665,752
December 31, 2017 (In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	$231,905	$ 2	$(4,102)	$227,805
U.S. agency securities	33,669	—	(555)	33,114
U.S. agency mortgage-backed securities	462,986	567	(7,516)	456,037
Municipal debt securities(1)	457,418	9,098	(1,261)	465,255
Corporate debt securities(2)	610,516	4,249	(3,037)	611,728
Residential and commercial mortgage securities	78,974	791	(358)	79,407
Asset-backed securities	167,638	467	(183)	167,922
Money market funds	263,808	—	(11)	263,797
Total investments available for sale	$2,306,914	$ 15,174	$(17,023)	$2,305,065

(1) The following table summarizes municipal debt securities as of :	September 30, 2018	December 31, 2017
Special revenue bonds	66.3 %	63.6 %
General obligation bonds	28.6	30.7
Certificate of participation bonds	3.7	4.4
Tax allocation bonds	0.9	0.8
Special tax bonds	0.5	0.5
Total	100.0 %	100.0 %

(2) The following table summarizes corporate debt securities as of :	September 30, 2018	December 31, 2017
Financial	37.7 %	45.9 %
Consumer, non-cyclical	21.4	16.2
Communications	12.4	7.3
Energy	6.9	7.8
Consumer, cyclical	5.5	5.3
Industrial	5.4	6.3

Utilities	4.7	5.3
Technology	3.5	3.9
Basic materials	2.5	2.0
Total	100.0 %	100.0 %

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Essent Group Ltd. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

The amortized cost and fair value of investments available for sale at September 30, 2018, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Because most U.S. agency mortgage-backed securities, residential and commercial mortgage securities and asset-backed securities provide for periodic payments throughout their lives, they are listed below in separate categories.

(In thousands)	Amortized Cost	Fair Value
U.S. Treasury securities:		
Due in 1 year	$1,995	$1,977
Due after 1 but within 5 years	173,681	170,686
Due after 5 but within 10 years	70,168	65,030
Due after 10 years	29,579	27,540
Subtotal	275,423	265,233
U.S. agency securities:		
Due in 1 year	—	—
Due after 1 but within 5 years	33,651	32,677
Subtotal	33,651	32,677
Municipal debt securities:		
Due in 1 year	27,808	27,768
Due after 1 but within 5 years	91,977	91,050
Due after 5 but within 10 years	174,111	172,250
Due after 10 years	168,650	166,438
Subtotal	462,546	457,506
Non-U.S. government securities:		
Due in 1 year	—	—
Due after 1 but within 5 years	19,770	19,790
Due after 5 but within 10 years	25,194	25,008
Subtotal	44,964	44,798
Corporate debt securities:		
Due in 1 year	76,859	76,455
Due after 1 but within 5 years	375,792	369,276
Due after 5 but within 10 years	259,457	252,293
Due after 10 years	8,614	8,306
Subtotal	720,722	706,330
U.S. agency mortgage-backed securities	588,499	566,626
Residential and commercial mortgage securities	102,093	101,649
Asset-backed securities	299,952	299,021
Money market funds	191,911	191,912
Total investments available for sale	$2,719,761	$2,665,752

Gross gains and losses realized on the sale of investments available for sale were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2018	2017	2018	2017
Realized gross gains	$574	$605	$1,883	$2,035
Realized gross losses	50	41	723	272

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Essent Group Ltd. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

The fair value of investments in an unrealized loss position and the related unrealized losses were as follows:

September 30, 2018 (In thousands)	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury securities	$122,842	$(1,525)	$142,391	$(8,665)	$265,233	$(10,190)
U.S. agency securities	500	(15)	32,177	(959)	32,677	(974)
U.S. agency mortgage-backed securities	266,952	(5,822)	277,959	(16,168)	544,911	(21,990)
Municipal debt securities	277,700	(5,196)	55,770	(1,940)	333,470	(7,136)
Non-U.S. government securities	23,316	(253)	—	—	23,316	(253)
Corporate debt securities	518,678	(10,146)	139,222	(4,541)	657,900	(14,687)
Residential and commercial mortgage securities	50,881	(473)	10,095	(518)	60,976	(991)
Asset-backed securities	214,400	(1,099)	6,281	(112)	220,681	(1,211)
Total	$1,475,269	$(24,529)	$663,895	$(32,903)	$2,139,164	$(57,432)

December 31, 2017 (In thousands)	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury securities	$151,119					