FitchRatings

Insurance
Mortgage Insurers
United States

Radian Group Inc.

Key Rating Drivers

Improving Company Profile: Fitch Ratings ranks Radian Group Inc.'s overall business profile at the high end of 'Moderate' compared with other U.S. mortgage insurers (USMIs), although with a positive trend. This ranking aligns with Fitch's 'bbb+' credit factor score and has a higher influence on the rating.

Radian Guaranty Inc. is the second largest of the six active USMIs based on new insurance written (NIW), with an 18.6% market share in 2023, up from 16.8% in 2022. Radian Guaranty is one of four legacy USMIs that wrote business before the 2007–2009 recession. Radian Guaranty's 2008 and prior vintage years represent 2.9% of insurance in force, 2.8% of risk in force (RIF) and 23.9% of loss reserves at Dec. 31, 2023.

Strong Capitalization: Radian Group's capital position provides a strong cushion against the operational and financial risks the company faces. Radian Guaranty's private mortgage insurer eligibility requirements (PMIERs) coverage increased to a very strong 162% at YE 2023, from a strong 145% at YE 2022. The improvement reflects 6% higher available assets and a 5% decline in minimum required assets due to reinsurance programs. Radian Guaranty's risk-to-capital ratio was a strong 10.4:1 at YE 2023, down from 10.7:1 at YE 2022.

Reduced Financial Leverage: Radian Group employed a moderate financial leverage ratio (FLR) of 23.1% at YE 2023, down from 24.4% at YE 2022. In February 2023, Radian Group issued $625 million of senior notes due 2029 to redeem its $525 million senior notes due March 2025. Radian Group expects to repay, redeem or repurchase its $450 million senior notes due October 2024 without incurring additional debt, which would reduce the pro forma FLR to 18.5%.

Improved Dividend Capacity: As of Dec. 31, 2023, Radian Guaranty had positive unassigned surplus of $120 million and in February 2024 paid an ordinary dividend of $100 million to Radian Group. This follows paying ordinary dividends of $400 million to Radian Group during 2023 after having attained positive unassigned surplus at YE 2022. Radian Guaranty is also expected to release material contingency reserves into surplus in 2024, which will improve its unassigned surplus position and therefore assist its capacity to pay dividends to Radian Group.

Holding Company Liquidity: Radian Group maintains material liquidity at the holding company level, including $992 million in cash and marketable securities at YE 2023. This level should be more than adequate to meet its cash needs, including for holding company expenses, interest on financial debt and stock repurchases.

Strong Financial Performance: Radian Guaranty's statutory combined ratio increased to 30.6% in 2023, from negative 0.6% in 2022, as reserve development declined to a still favorable 15.0 points in 2023, from 51.0 points in 2022. The reduced reserve releases reflect a lessened amount of remaining pandemic reserves. The very strong underwriting results, with a continued negative provision for losses, and increased net investment income from higher interest rates supported solid overall net income and returns in 2023.

Favorable recent underwriting performance also reflects low USMI default rates. The percentage of loans in default on primary mortgage loans was 2.2% at both YE 2023 and YE 2022. This is improved from 5.25% at YE 2020. Fitch expects 2024 results to benefit from low unemployment and strong household balance sheets, despite interest rates challenging home affordability. Radian Group's results will also benefit from continued expected high persistency rates (84.0% at YE 2023), which contribute to insurance in force and revenue growth.

Ratings

Radian Group Inc.	
Long-Term IDR	BBB
Radian Guaranty Inc.	
Insurer Financial Strength	A–

Outlook

Long-Term IDR	Positive

Debt Ratings

Senior Unsecured Long-Term Rating	BBB–

Financial Data

Radian Group Inc.

($ Mil.)	12/31/22	12/31/23
New Insurance Written	67,954	52,670
Insurance in Force	260,994	269,979
Risk in Force	66,094	69,710
Statutory Capital	5,190	5,594
Statutory Net Income	1,092	804

Note: Reported on a statutory accounting basis.
Source: Fitch Ratings, Radian Group Inc.

Applicable Criteria

Insurance Rating Criteria (March 2024)

Related Research

Radian Group Inc. – Ratings Navigator (April 2024)

Fitch Revises Radian's Outlook to Positive; Affirms Ratings (April 2024)

U.S. Mortgage Insurance Dashboard (March 2024)

Fitch Rates Radian's Senior Notes 'BBB-' (February 2024)

U.S. Mortgage Insurance Outlook 2024 (November 2023)

Analysts

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- An improvement in the company profile score to 'a-'
- Consistently maintaining the PMIERs coverage ratio above 150%, while maintaining the holding company capital buffer
- An FLR sustained at 20% or lower
- Due to its monoline nature, any strongly positive event for the mortgage insurance industry

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- An Outlook revision to Stable could occur if Radian is not meeting or near meeting the upgrade rating sensitivities.
- A decline in company profile score to below 'bbb+'
- A decline in the PMIERs coverage ratio to consistently below 130%, or an indication that holding company capital is not available to support the insurance entities
- Deterioration in statutory coverage, especially if Radian Group's tax- and expense-sharing arrangement was revoked
- Due to its monoline nature, any strongly negative event for the mortgage insurance industry

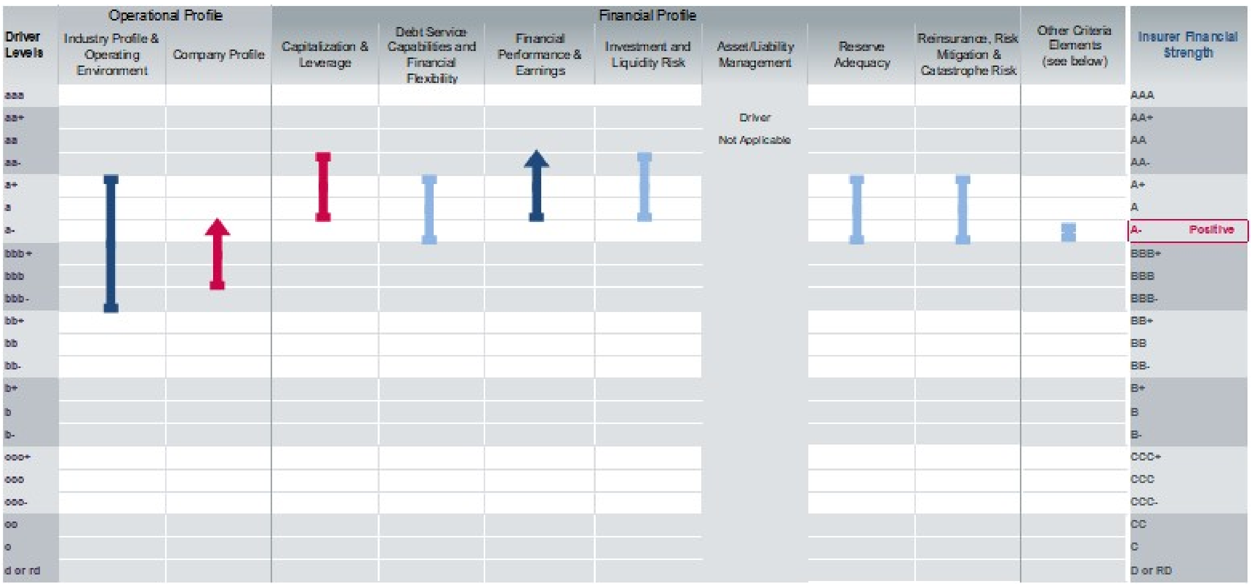
Latest Developments

The capitalization and leverage score of 'a+' with a stable outlook was revised from the prior navigator, which was 'a' with a stable outlook, due to improved risk adjusted capitalization and lower financial leverage.

The financial performance and earnings score of 'a+' with a positive outlook was revised from the prior navigator, which was 'a' with a stable outlook, due to improved operating results from favorable underwriting and increased investment yields.

In February 2024, the company announced a 9% increase in its quarterly dividend to $0.245 per share, or approximately $150 million annual.

Key Rating Drivers — Scoring Summary



Other Drivers & Criteria Elements				
Provisional Insurer Financial Strength Rating				A-
Non-Insurance Attributes	Positive	Neutral	Negative	+0
Ownership / Group Support	Positive	Neutral	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	**No**	0	+0
Insurer Financial Strength Rating			Final:	**A-**
IFS Recovery Assumption	**Good**			-1
Issuer Default Rating (IDR)			Final:	**n.a.**

Bar Chart Legend:
Vertical Bars = Range of Driver
Bar Colors = Relative Importance
Higher Influence
Moderate Influence
Lower Influence
Bar Arrows = Driver Outlook
⇧ Positive
⇩ Negative
⇳ Evolving
☐ Stable

Company Profile

Improving U.S. Mortgage Insurance Business Profile

Fitch ranks Radian Group's business profile at the high end of "moderate" compared with other U.S. mortgage insurers, although with a positive trend. This ranking aligns with Fitch's 'bbb+' credit factor score and has a higher influence on the rating. Radian Guaranty has a substantive franchise within the USMI sector. Radian Group has a nascent competitive advantage through its diversification into other mortgage credit-related businesses, such as mortgage, real estate and title services.

Radian Guaranty's operating scale is favorable overall. Radian Guaranty had a 18.6% USMI market share for 2023 based on NIW, the second largest in the industry. Fitch considers this level of market share to be moderate, but only 4.4 percentage points of market share separate all six competitors. Radian Guaranty's statutory capital was $5.6 billion at Dec. 31, 2023, which is favorable and the second largest in the industry.

Radian Guaranty has slightly above-average exposure to high loan-to-value mortgages and borrowers with FICO scores below 680. As a legacy mortgage insurer (one of the four surviving mortgage insurers that wrote business before the 2007–2009 recession), Radian Guaranty has exposure to loans written prior to 2009 and bears the PMIERs asset charge that is associated with reserves from those vintages. This is a disadvantage that had diminished significantly as most of the pre-2009 loans amortized, resulting in a reduced distinction between the "new" and the "legacy" USMIs. Radian Guaranty's 2008 and prior vintage years represent 2.9% of insurance in force, 2.8% of RIF and 23.9% of loss reserves at Dec. 31, 2023.

By regulation, USMIs are monoline insurers. All six USMIs have roughly the same geographic diversification, writing in all 50 states and the District of Columbia. Radian Guaranty's three largest states are Texas (10.0% of RIF), California (8.5% of RIF) and Florida (5.8% of RIF), which are the three most populous states. The company is also well diversified by customer. The company's MI sales force markets to mortgage originators, such as mortgage bankers, commercial banks, savings institutions, credit unions and community banks. Its largest single mortgage insurance customer accounted for 8% of primary NIW during 2023 and 2022, with the top 10 generating 34% of NIW in both 2023 and 2022.

Unlike most of its competitors, Radian Group also offers title, real estate and real estate technology products and services outside its mortgage insurance operation through its homegenius segment. These businesses provide information and other resources used to originate, evaluate, acquire, securitize, service and monitor residential real estate and loans secured by residential real estate. Radian Group markets these services to mortgage lenders, financial institutions, investors and government entities. Title insurance is sold to mortgage lenders and directly to borrowers. The common thread is that all of these other businesses leverage Radian Group's underwriting expertise, mortgage data and technology. For 2023, homegenius revenue comprised 5% of total reportable segment GAAP revenue, down from 9% for 2022, and generated pretax operating losses of $86 million in 2023 and $88 million in 2022.

In July 2022, Radian Group launched Radian Mortgage Capital, which acquires residential mortgage loans to distribute into the capital markets through private label securitizations or sell directly to mortgage investors, with the option to retain and manage structured components of the underlying credit risk.

In December 2022, Radian Reinsurance Inc. completed the novation to an unrelated third-party reinsurer of its entire insured portfolio, which consisted solely of credit risk transfer transactions with the government-sponsored enterprises (Fannie Mae and Freddie Mac), with Radian Reinsurance subsequently merged into Radian Guaranty.

Corporate Governance Is Neutral

Corporate governance is neutral and, therefore Fitch uses the unadjusted business profile score when scoring company profile. The board of directors consists of 12 members, of which all but one (CEO) are independent directors, as determined by the board of directors in accordance with the director independence standards under NASDAQ rules.

Radian Group's risk appetite is driven by strategies set forth by its executive management team. Radian Group defines risk appetite qualitatively through the key risk categories where strategic execution can take place. Risk appetite statements are reviewed, modified (where appropriate) and approved by Radian Group's Enterprise Risk Management Executive Steering Committee annually at a minimum, or more frequently, as warranted. Risk appetite statements were established for credit, operational, regulatory and compliance, strategic and financial risks.

Ownership

Radian Group was formed in 1999 when predecessor companies Commonwealth Mortgage Assurance Company and Amerin Guaranty Corporation merged. Radian Group is publicly owned, which is neutral to the rating.

Capitalization and Leverage

Strong Capitalization and Reduced Financial Leverage

Radian Group's capital position provides a strong cushion against the operational and financial risks the company faces and is of higher influence to the Insurer Financial Strength (IFS) rating. Radian Guaranty is well capitalized based on regulatory risk-to-capital metrics. The risk-to-capital ratio is the traditional metric used by most state regulators to measure capital adequacy. Radian Guaranty's risk-to-capital ratio was a strong 10.4:1 at YE 2023, which compares favorably with the regulatory maximum of 25:1. However, this is a relatively simplistic capital measure that does not consider either asset or insurance risk.

The PMIERs coverage ratio (the ratio of total available assets to minimum required assets) is a risk-adjusted metric. Total available and minimum required assets are calculated using a factor-based model designed by the government-sponsored entities. Radian Guaranty's PMIERs coverage increased to 162% at YE 2023 ('aa' benchmark) from 145% at YE 2022 ('a+' benchmark), although the ratio is the second lowest among peers. The improvement reflects 6% higher available assets and a 5% decline in minimum required assets due to reinsurance programs.

Radian Group also maintains material liquidity at the holding company level. This liquidity could be used to support capital needs at the operating companies. However, some of that liquidity is needed to support other commitments, such as holding company expenses, including interest on financial debt and corporate expenses (which is covered by the expense sharing agreement), and stock repurchase programs. In January 2023, Radian Group authorized a share repurchase program for up to $300 million of its common stock, with $167 million remaining available under the program as of Dec. 31, 2023.

Radian has completed seven mortgage insurance-linked notes (MILN) — Eagle Re 2018-1 for $434 million, Eagle Re 2019-1 for $562 million, Eagle Re 2020-1 for $488 million, Eagle Re 2020-2 for $390 million, Eagle Re 2021-1 for $498 million, Eagle Re 2021-2 for $484 million and Eagle Re 2023-1 for $353 million (all initial amounts). The MILN program decreases minimum required assets (the numerator of the PMIERs coverage ratio), but increases operating leverage, which is reflected in Radian Group's total financing and commitments (TFC) ratio. This ratio was 0.5x at YE 2023, down from 0.8x at YE 2022, as outstanding MILNs declined to $1.0 billion from $1.9 billion, and is medium and neutral to the rating.

MILNs improve reported PMIERs. However, the MILNs amortize in parallel with the underlying mortgage loans. Therefore Radian Guaranty is exposed to the risk that capital market conditions could change and access to funding could dry up temporarily. This was the case between September 2022 and August 2023, when no MILNs were issued in the capital markets, as rising rates in the capital markets generally increased the cost of risk transfer in the MILN markets. During this period, USMIs used traditional quota share and excess of loss (XOL) treaties to execute risk transfers.

Radian Group employed a moderate FLR of 23.1% at YE 2023, down from 24.4% at YE 2022, and in line with Fitch's 'aa-' IFS credit factor score. In February 2023, Radian Group issued $625 million of senior notes due 2029 to redeem its $525 million senior notes due March 2025. Radian Group expects to repay, redeem or repurchase its $450 million senior notes due October 2024 without incurring additional indebtedness, which would reduce the pro forma FLR to 18.5%.

Financial Highlights

(%)	2022	2023
Financial Leverage	24.4	23.1
Risk to Capital (x)	10.7	10.4
PMIERs Coverage	145	162

PMIERs – Private mortgage insurer eligibility requirements. Note: Financial leverage is GAAP basis. Risk to capital is on a statutory basis for Radian Guaranty only.
Source: Fitch Ratings, Radian Group Inc.

Fitch Expectations

- The risk-to-capital ratio will remain strong and PMIERs coverage ratio should be maintained at strong to very strong levels, with FLR of 20% or lower, as management is committed to maintaining capitalization and leverage above the current rating level.

Debt Service Capabilities and Financial Flexibility

Return of Ordinary Dividends Paid; Good Financial Flexibility

Radian Group reports a GAAP fixed-charge coverage better than the rating level, at 9.4x in 2023 and a five-year average of 10.9x. Positively, the Radian operating companies are able to pay their proportionate share of interest to the holding company under a global cost allocation and services agreement.

Following capital actions completed in December 2022, Radian Guaranty attained positive unassigned surplus of $258 million at YE 2022 and could therefore resume paying recurring ordinary dividends to Radian Group, without prior regulatory approval, beginning in 1Q23. Radian Guaranty paid ordinary dividends of $400 million to Radian Group during 2023. Radian Guaranty had not paid an ordinary dividend to Radian Group since the financial crisis in 2007, due to having negative unassigned surplus. As of Dec. 31, 2023, Radian Guaranty had positive unassigned surplus of $120 million, and in February 2024 paid an ordinary dividend of $100 million to Radian Group. Radian Guaranty is also expected to release material contingency reserves into surplus in 2024, which will improve its unassigned surplus position and therefore assist its capacity to pay dividends to Radian Group.

At YE 2023, the company held $992 million in cash and marketable securities at the holding company, up from $903 million at YE 2022. This level is more than adequate to meet cash needs, including the holding company expenses, stock repurchase program, operating company capital and provide a cushion of at least 2x forward debt service.

Radian Group has market access in the equity, debt, bank and MILN markets. Debt is fixed rate and intermediate term. Radian Group has contingency funding in the form of a $275 million unsecured revolving credit facility through December 2026. The full amount of the revolving credit facility was available at YE 2023. Radian Guaranty also has access to additional liquidity through its membership in the Federal Home Loan Bank of Pittsburgh.

Financial Highlights

(x)	2022	2023
Fixed-charge coverage	13.2	9.4
Statutory coverage	1.0	1.0

Note: Reported on a GAAP basis.
Source: Fitch Ratings, Radian Group Inc.

Financial Performance and Earnings

Strong Performance from both Underwriting and Investments

Radian Guaranty's statutory combined ratio increased to 30.6% in 2023 (GAAP 21.4%) from a negative 0.6% in 2022 (GAAP negative 8.8%), as reserve development declined to a still favorable 15.0 points in 2023 (GAAP 24.0 points) compared with a stellar 51.0 points in 2022 (GAAP 50.9 points). The reduced reserve releases reflect a lessened amount of remaining pandemic reserves, which have had more favorable cure activity than originally estimated. The very strong underwriting results, with a continued negative provision for losses, and increased net investment income from higher interest rates supported solid overall net income and returns in 2023 (14.5% GAAP ROAE), although continued operating losses in the homegenius segment partially offset the favorable underwriting results.

Favorable recent underwriting performance also reflects low USMI default rates. The percentage of loans in default on primary mortgage loans was 2.2% at both YE 2023 and YE 2022. This is improved from 2.9% at YE 2021 and 5.25% at YE 2020. Fitch expects 2024 results to benefit from low unemployment and strong household balance sheets, despite interest rates challenging home affordability. Home prices have been broadly supportive of favorable loss experience and continue to be supported by low housing inventory. Radian Group's results will also benefit from continued expected high persistency rates (84.0% at YE 2023), which contribute to insurance in force and revenue growth.

During the first year of the pandemic, Radian Guaranty posted a statutory combined ratio of 74% in 2020 (GAAP 65.4%) due to increased incurred losses from the pandemic as unemployment rose and borrowers took advantage of forbearance programs. The combined ratio fluctuated between 39% and 56% over 2015–2019, before the pandemic.

Financial Highlights

Financial Highlights

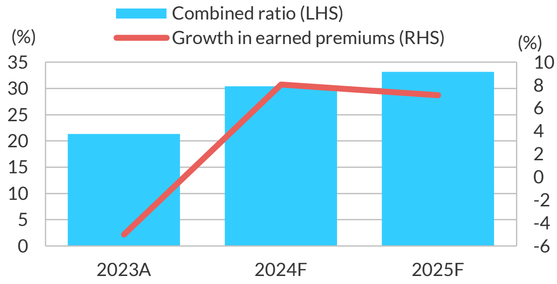
($ Mil.)	2022	2023
Consolidated GAAP Net Income	743	603
Statutory Income	1,092	804
Statutory Combined Ratio (%)	-0.6	30.6
Return on Statutory Capital (%)	21.4	14.9

Note: Return on statutory capital is Radian Guaranty only, not combined.
Source: Fitch Ratings, Radian Group Inc.

Fitch's Expectations

- Calendar-year underwriting performance will moderate in 2024, reflecting a large portion of borrowers reaching peak loss emergence years and less opportunity for reserve releases.

Fitch Forecast - Financial Performance



A – Actual. F– Forecast. Note: GAAP.
Source: Fitch Ratings.

Investment and Asset Risk

Low-Risk Investment Portfolio and Strong Liquidity; RMBS Exposure

Radian Guaranty takes little risk in its asset portfolio, with 95% of the fixed-income investment portfolio rated investment grade and a weighted average duration of 4.1 years at Dec. 31, 2023. The largest asset classes are corporate bonds and residential mortgage-backed securities (RMBS) at 47% and 16%, respectively, of the total GAAP fixed maturities portfolio. Radian Guaranty is one of several USMIs that invest in RMBS, with $916 million (statutory) at YE 2023. The concern is that losses on RMBS investments would correlate with insured losses. Radian Guaranty limits its RMBS investment to agency issues, which have either explicit or implicit guarantees from the U.S. government. When counting the RMBS investments as risky assets, Radian Guaranty's exposure to risky assets is consistent with the 'bb' benchmark.

The reported liquidity ratio at YE 2023 is consistent with the 'bb+' benchmark. However, reported liabilities include the $5.0 billion contingency reserve. Liquidity relative to only loss and loss adjustment expense reserves would be consistent with the 'aaa' benchmark.

Financial Highlights

(%, as of Dec. 31)	2022	2023
Risky assets to surplus	13	17
RMBS to surplus	115	144
Liquid assets to liabilities	85	86

RMBS – Residential mortgage-backed securities. Note: Reported on a combined statutory basis.
Source: Fitch Ratings, Radian Group Inc.

Reserve Adequacy

Strong Reserve Adequacy, but Can Be Volatile

Radian reported substantial favorable loss reserve development over the last three years (2021-2023) totaling $763 million on a statutory basis and $861 million on a GAAP basis, which is consistent with the 'aaa' benchmark. These reserve releases primarily reflect more favorable cure activity in the pandemic-exposed 2020 accident year than what was originally estimated due to favorable outcomes resulting from mortgage forbearance programs as well as positive trends in home price appreciation. This follows favorable statutory reserve development of $35 million in 2020 ($35 million GAAP). Fitch expects loss reserve development to return to more normal levels in 2024. Over a longer time frame, loss reserve development has been volatile, with periods of both material adverse and favorable development.

Financial Highlights

(%)	2022	2023
Loss reserve development to surplus	-43.5	-17.6

Note: Reported on a combined statutory basis.
Source: Fitch Ratings, Radian Group Inc.

Fitch's Expectations

- Reserve releases will return to lower levels in 2024. Adverse reserve development could occur under an economic downturn, particularly if housing prices decline sharply.

Reinsurance, Risk Mitigation and Catastrophe Risk

Reinsurance Used for Risk Mitigation and Capital Relief

Radian Guaranty and the other USMIs employ quota-share and XOL reinsurance with third-party reinsurers, as well as XOL reinsurance through MILNs as cost-effective ways to manage capital, distribute risk and achieve compliance under the PMIERs risk-based capital model. As of Dec. 31, 2023, 78% of Radian Guaranty's primary mortgage insurance RIF is subject to some form of risk distribution. The effectiveness of this risk mitigation strategy in materially reducing mortgage insurance losses will become apparent in a tail risk event where the loss environment turns significantly negative.

In 2023, Radian Guaranty entered into several reinsurance transactions. This included an XOL arrangement to reinsure a portion of NIW, which includes both recurring and single premium policies, originated between Oct. 1, 2021, and March 31, 2022, as well as issuing a MILN (Eagle Re 2023-1) for $353 million initial coverage. The company also entered into a quota share reinsurance agreement to cede both recurring and single premium policies originated between July 1, 2023, and June 30, 2024. This follows quota share treaties placed in 2022, 2020, 2018 and 2016. Radian Guaranty also has an older quota-share program dating back to 2012.

In 2018 Radian Guaranty began to reinsure a portion of its mortgage insurance exposure through a series of insurance-linked security transactions (Eagle Re). There have been seven Eagle Re transactions, providing total initial coverage amounts of $3.2 billion, with $1.0 billion of remaining coverage through four MILNs at YE 2023. In 2023, Radian Group reduced the amount of outstanding MILNs through tender offers to purchase notes (Eagle Re 2019-1 and Eagle Re 2020-1) and a call option to redeem a note (Eagle Re 2018-1). This reduction was driven by the diminished PMIERs capital benefit and risk mitigation values that Radian Guaranty was receiving from the reinsurance agreements. The Eagle Re structures are fully collateralized with U.S. Treasury money market funds. The Eagle Re MILNs will provide offsetting loss benefits if delinquencies result in actual paid losses above the attachment points.

Financial Highlights

(%)	2022	2023
Reinsurance Recoverables to Policyholders' Surplus	20	18
Net Written Premium to Gross Written Premium	99	92

Note: Reported on a combined statutory basis.
Source: Fitch Ratings, Radian Group Inc.

Appendix A: Peer Analysis

Peer Comparison

Click here for a report that shows a comparative peer analysis of key credit factor scoring.

Appendix B: Industry Profile and Operating Environment

Industry Profile and Operating Environment (IPOE)

Click here for a link to a report that summarizes the main factors driving the IPOE score.

Appendix C: Other Rating Considerations

Below is a summary of additional ratings considerations that are part of Fitch's *Insurance Rating Criteria*.

Group Insurance Financial Strength (IFS) Rating Approach

Radian Guaranty is considered Core to Radian Group's mortgage insurance operations. It is the group's lead operating company, representing substantially all of the combined statutory assets and earned premium.

Notching

For notching purposes, the regulatory environment of the U.S. is assessed by Fitch as being Effective, and classified as following a Ring-Fencing approach.

Notching Summary

IFS Ratings
A baseline recovery assumption of Good applies to the IFS rating, and standard notching was used from the IFS "anchor" rating to the implied operating company IDR.
Holding Company IDR
Standard notching was applied between the implied insurance operating company and holding company IDRs for a ring-fenced regulatory environment. No adjustments were made for financial leverage, coverage or significant holding company liquidity.
Holding Company Debt
A baseline recovery assumption of Below Average was applied to senior unsecured debt. Standard notching relative to the IDR was used.

IFS – Insurer Financial Strength. IDR – Issuer Default Rating
Source: Fitch Ratings

Debt Maturities

($ Mil., as of Dec. 31, 2023)	
2024	450
2025	525
2026	0
2027	450
2028	0
Total	**1,425**

Source: Fitch Ratings, Radian Group Inc.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

About Fitch Forecasts

The forecasts shown in the main body of this report reflect Fitch's forward views from a credit perspective. They are based on a combination of Fitch's macroeconomic forecasts and viewpoints, outlook at the sector level and company-specific considerations developed by Fitch. As a result, Fitch's forecasts may differ, at times materially, from earnings and other guidance provided by a rated entity to the market. To the extent Fitch is aware of material, nonpublic information on likely future events, such as a planned recapitalization or M&A activity, Fitch will not reflect these likely future events in its forecasts. This practice is to assure that such material nonpublic information is not inadvertently disclosed. However, as relevant, such information is considered by Fitch as part of the broader ratings process.

Appendix D: Environmental, Social and Governance Considerations

FitchRatings **Radian Group Inc.**

Insurance Navigator
Mortgage Insurance

Credit-Relevant ESG Derivation

Radian Group Inc. has 6 ESG potential rating drivers

- Radian Group Inc. has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to own cyber risk but this has very low impact on the rating.
- Radian Group Inc. has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	6	issues	3
not a rating driver	2	issues	2
	6	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events/natural catastrophes on operations or asset quality; credit concentrations	Financial Performance & Earnings; Investment and Asset Risk	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to own cyber risk	Industry Profile & Operating Environment; Company Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Company Profile; Investment and Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Company Profile	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Company Profile	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Company Profile	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.