

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **2006-08-03** | Period of Report: **2006-08-03**
SEC Accession No. **0001193125-06-160175**

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PMI GROUP INC

CIK: **935724** | IRS No.: **943199675** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-13664** | Film No.: **061000017**
SIC: **6351** Surety insurance

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3003 OAK ROAD
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94597-2098

Business Address
3003 OAK ROAD
WALNUT CREEK CA
94597-2098
925-658-7878

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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): August 3, 2006

THE PMI GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-13664
(Commission
File Number)

94-3199675
(I.R.S. Employer
Identification No.)

**PMI Plaza, 3003 Oak Road
Walnut Creek, California 94597**
(Address of principal executive offices, including zip code)

(925) 658-7878
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

See Item 8.01.

Item 8.01 Other Events.

On August 3, 2006, The PMI Group, Inc. (the "Company") announced via press release its consolidated financial results for the quarter ended June 30, 2006. A copy of the Company's press release is attached hereto as Exhibit 99.1. This Form 8-K and the attached exhibit are filed with the Securities and Exchange Commission.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

The following material is filed as an exhibit to this Current Report on Form 8-K:

<u>Exhibit No.</u>	<u>Description</u>
99.1	The PMI Group, Inc. Press Release dated August 3, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE PMI GROUP, INC.

Dated: August 3, 2006

/s/ Donald P. Lofe, Jr.

By:

Donald P. Lofe, Jr.
Executive Vice President, Chief Financial Officer

Dated: August 3, 2006

/s/ Thomas H. Jeter

By:

Thomas H. Jeter
Vice President, Corporate Controller

THE PMI GROUP, INC. AND SUBSIDIARIES (the “Company”)
FINANCIAL RESULTS AND STATISTICAL INFORMATION FOR THE PERIOD ENDED JUNE 30, 2006

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Please refer to the following when noted:

- (1) For the quarter and six months ended June 30, 2006, the Company’s equity in earnings from unconsolidated subsidiaries include FGIC Corporation, CMG Mortgage Insurance Company (“CMG”), RAM Reinsurance Company, Ltd. (“RAM Re”), other limited partnership interests and the trust subsidiary that issued the Company’s preferred securities. As of December 31, 2004, the equity investment in SPS Holding Corp. (“SPS”) was reclassified from investments in unconsolidated subsidiaries to an equity investment held for sale. Effective January 1, 2005, SPS’ s equity earnings are reported in other income. On October 4, 2005, PMI sold its equity ownership interest in SPS.
- (2) U.S. Mortgage Insurance Operations include the operating results of PMI Mortgage Insurance Co. (“PMI”) and affiliated U.S. mortgage insurance and reinsurance companies. CMG and its affiliates are included under the equity method of accounting in equity in earnings from unconsolidated subsidiaries.
- (3) International Operations include PMI Australia, PMI Europe and PMI Asia. In June 2006, PMI Asia received its insurance authorization from the Hong Kong Insurance Authority. Subsequent to its receipt of authorization, the Company transferred the Hong Kong branch’ s entire mortgage reinsurance portfolio to PMI Asia. In connection with this restructuring, our International Operations incurred a \$1.1 million federal tax charge during the second quarter of 2006.
- (4) Financial Guaranty represents our equity investments in FGIC Corporation and RAM Re.

- (5) The “Other” segment includes other income and related operating expenses of PMI Mortgage Services Co.; investment income, interest expense and corporate expenses of The PMI Group, Inc.; the results of Commercial Loan Insurance Corporation and WMAC Credit Insurance Corporation and equity in earnings from SPS and certain limited partnerships.
- (6) U.S. Mortgage Insurance Operations include a \$1.3 million charge (after tax), or \$0.01 per diluted share in the first quarter of 2006 relating to the reduction and restructuring of field offices.
- (7) The “Other” segment includes charges of \$1.9 million (after tax) and \$5.7 million (after tax) for stock option expenses and related stock based compensation expenses in the second quarter and in the six months ended June 30, 2006, respectively.
- (8) The expense ratio is the ratio, expressed as a percentage, of the sum of amortization of deferred policy acquisition costs and other underwriting and operating expenses to net premiums written. The loss ratio is the ratio, expressed as a percentage, of the sum of losses and loss adjustment expenses to premiums earned.
- (9) Pool insurance includes modified pool, GSE pool, old pool and all other pool insurance products for U.S. Mortgage Insurance Operations.
- (10) Statutory risk-to-capital ratio is for PMI Mortgage Insurance Co. only.
- (11) Effective January 1, 2006, we refined our method of operating cost allocation between our U.S. Mortgage Insurance Operations segment and our Other segment. As a result of this refinement, we allocated approximately \$1.5 million of expenses in the second quarter to our Other segment which previously would have been allocated to our U.S. Mortgage Insurance Operations segment. Year to date we have allocated \$3.0 million of expenses to our Other segment which previously would have been allocated to our U.S. Mortgage Insurance Operations segment.
- (12) During the second quarter of 2006, we refined our methodology for classification of Alt-A and full documentation loans. As a result, we reclassified for all periods presented herein certain loans previously designated as Alt-A loans as full documentation loans.

Note: The interim financial and statistical information contained in this material is unaudited. Certain prior year information has been reclassified to conform to the current periods’ presentation.

THE PMI GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>(Dollars and shares, except per share data, in thousands)</i>			
Net premiums written	<u>\$211,815</u>	<u>\$199,762</u>	<u>\$413,719</u>	<u>\$393,507</u>
Revenues				
Premiums earned	\$213,643	\$206,408	\$419,883	\$405,975
Net investment income	49,015	45,747	95,882	89,537
Equity in earnings from unconsolidated subsidiaries ⁽¹⁾	32,287	28,282	59,913	53,494
Net realized investment gains	556	1,503	896	2,224
Other income	<u>3,937</u>	<u>6,251</u>	<u>10,722</u>	<u>11,787</u>
Total revenues	<u>299,438</u>	<u>288,191</u>	<u>587,296</u>	<u>563,017</u>
Losses and expenses				
Losses and loss adjustment expenses	71,861	67,235	132,800	131,717
Amortization of deferred policy acquisition costs	17,794	18,809	34,781	39,252
Other underwriting and operating expenses ⁽⁷⁾	52,873	54,417	111,437	100,062
Field office restructuring ⁽⁶⁾	-	-	1,955	-
Interest expense	<u>8,067</u>	<u>8,472</u>	<u>16,246</u>	<u>18,025</u>

Total losses and expenses	150,595	148,933	297,219	289,056
Income before income taxes	148,843	139,258	290,077	273,961
Income taxes	39,228	34,673	75,114	68,218
Net income	\$109,615	\$104,585	\$214,963	\$205,743
Diluted net income per share	\$1.14	\$1.04	\$2.23	\$2.03
Reconciliation of earnings per share				
Net income	\$109,615	\$104,585	\$214,963	\$205,743
Plus: Interest expense on contingently convertible debt, net of income taxes	1,912	1,912	3,824	3,824
Net income adjusted for diluted earnings per share calculation	\$111,527	\$106,497	\$218,787	\$209,567
Share data:				
Basic weighted average common shares outstanding	88,357	92,838	88,695	93,370
Stock options and other dilutive components	1,383	1,601	1,362	1,723
Common stock equivalent shares related to contingently convertible debt	8,153	8,153	8,153	8,153
Diluted weighted average common shares outstanding	97,893	102,592	98,210	103,246
Share repurchase data:				
Common shares repurchased	3,221	1,776	3,302	2,609
Average price paid per common share repurchased (including commissions)	\$45.49	\$37.54	\$45.43	\$38.34

CONSOLIDATED BALANCE SHEETS

	<u>June 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>	<u>June 30,</u> <u>2005</u>
	<u>(Unaudited)</u>		<u>(Unaudited)</u>
	<i>(Dollars and shares, except per share data, in thousands)</i>		
Assets			
Cash and investments, at fair value	\$3,844,411	\$3,789,432	\$3,675,496
Investments in unconsolidated subsidiaries ⁽¹⁾	1,007,780	984,925	965,600
Equity investment held for sale ⁽¹⁾	-	-	110,383
Related party receivables	1,398	2,864	10,562
Reinsurance receivables, reinsurance recoverables and prepaid premiums	20,815	30,338	45,875
Deferred policy acquisition costs	83,666	86,170	87,892
Other assets	355,396	360,407	345,499
Total assets	<u>\$5,313,466</u>	<u>\$5,254,136</u>	<u>\$5,241,307</u>
Liabilities			
Reserve for losses and loss adjustment expenses	\$384,605	\$368,841	\$364,412
Unearned premiums	490,906	490,899	461,461
Long-term debt	819,529	819,529	819,529
Other liabilities	324,459	344,077	357,951
Total liabilities	<u>2,019,499</u>	<u>2,023,346</u>	<u>2,003,353</u>

Shareholders' equity	<u>3,293,967</u>	<u>3,230,790</u>	<u>3,237,954</u>
Total liabilities and shareholders' equity	<u>\$5,313,466</u>	<u>\$5,254,136</u>	<u>\$5,241,307</u>
Basic shares issued and outstanding	<u>86,442</u>	<u>88,713</u>	<u>91,761</u>
Book value per share	<u>\$38.11</u>	<u>\$36.42</u>	<u>\$35.29</u>

THE PMI GROUP, INC. AND SUBSIDIARIES
BUSINESS SEGMENTS RESULTS OF OPERATIONS

	U.S. Mortgage Insurance Operations ⁽²⁾	International Operations ⁽³⁾	Financial Guaranty ⁽⁴⁾	Other ⁽⁵⁾	Consolidated Total
Three Months Ended June 30, 2006 (Unaudited)					
<i>(Dollars in thousands)</i>					
Net premiums written	<u>\$158,904</u>	<u>\$ 52,900</u>	<u>\$-</u>	<u>\$11</u>	<u>\$211,815</u>
Revenues					
Premiums earned	\$ 167,826	\$ 45,801	\$-	\$16	\$213,643
Net investment income	27,064	15,625	2	6,324	49,015
Equity in earnings from unconsolidated subsidiaries ⁽¹⁾	5,729	-	26,476	82	32,287
Net realized investment gains (losses)	305	252	-	(1)	556
Other income	7	218	-	3,712	3,937
Total revenues	<u>200,931</u>	<u>61,896</u>	<u>26,478</u>	<u>10,133</u>	<u>299,438</u>
Losses and expenses					
Losses and loss adjustment expenses	64,153	7,708	-	-	71,861
Amortization of deferred policy acquisition costs	13,162	4,632	-	-	17,794
Other underwriting and operating expenses ^{(7), (11)}	22,970	10,461	-	19,442	52,873
Interest expense	1	-	-	8,066	8,067
Total losses and expenses	<u>100,286</u>	<u>22,801</u>	<u>-</u>	<u>27,508</u>	<u>150,595</u>

Income (loss) before income taxes	100,645	39,095	26,478	(17,375)	148,843
Income tax (benefit)	<u>28,480</u>	<u>13,598</u>	<u>2,469</u>	<u>(5,319)</u>	<u>39,228</u>
Net income (loss)	<u>\$72,165</u>	<u>\$ 25,497</u>	<u>\$ 24,009</u>	<u>\$(12,056)</u>	<u>\$109,615</u>
Expense ratio ⁽⁸⁾	22.7 %	28.5 %			
Loss ratio ⁽⁸⁾	38.2 %	16.8 %			
Combined ratio	60.9 %	45.3 %			

Three Months Ended June 30, 2005 (Unaudited)

(Dollars in thousands)

Net premiums written	<u>\$152,564</u>	<u>\$ 47,185</u>	<u>\$-</u>	<u>\$13</u>	<u>\$199,762</u>
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Revenues

Premiums earned	\$ 168,248	\$ 38,141	\$-	\$19	\$206,408
Net investment income	27,546	14,058	-	4,143	45,747
Equity in earnings (losses) from unconsolidated subsidiaries ⁽¹⁾	4,937	-	23,761	(416)	28,282
Net realized investment gains (losses)	1,167	(18)	-	354	1,503
Other (loss) income	<u>(5)</u>	<u>873</u>	<u>-</u>	<u>5,383</u>	<u>6,251</u>
Total revenues	<u>201,893</u>	<u>53,054</u>	<u>23,761</u>	<u>9,483</u>	<u>288,191</u>

Losses and expenses

Losses and loss adjustment expenses	65,496	1,739	-	-	67,235
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Amortization of deferred policy acquisition costs	15,030	3,779	–	–	18,809
Other underwriting and operating expenses	25,278	10,539	–	18,600	54,417
Interest expense	–	–	–	8,472	8,472
Total losses and expenses	<u>105,804</u>	<u>16,057</u>	<u>–</u>	<u>27,072</u>	<u>148,933</u>
Income (loss) before income taxes	96,089	36,997	23,761	(17,589)	139,258
Income tax (benefit)	<u>26,400</u>	<u>11,747</u>	<u>2,254</u>	<u>(5,728)</u>	<u>34,673</u>
Net income (loss)	<u>\$ 69,689</u>	<u>\$ 25,250</u>	<u>\$ 21,507</u>	<u>\$(11,861)</u>	<u>\$ 104,585</u>
Expense ratio ⁽⁸⁾	26.4	%	30.3	%	
Loss ratio ⁽⁸⁾	38.9	%	4.6	%	
Combined ratio	65.3	%	34.9	%	

THE PMI GROUP, INC. AND SUBSIDIARIES
BUSINESS SEGMENTS RESULTS OF OPERATIONS

	U.S. Mortgage Insurance Operations ⁽²⁾	International Operations ⁽³⁾	Financial Guaranty ⁽⁴⁾	Other ⁽⁵⁾	Consolidated Total
Six Months Ended June 30, 2006 (Unaudited)					
<i>(Dollars in thousands)</i>					
Net premiums written	<u>\$322,377</u>	<u>\$91,321</u>	<u>\$-</u>	<u>\$21</u>	<u>\$413,719</u>
Revenues					
Premiums earned	\$335,364	\$84,486	\$-	\$33	\$419,883
Net investment income	52,740	30,410	2	12,730	95,882
Equity in earnings (losses) from unconsolidated subsidiaries ⁽¹⁾	10,221	-	49,712	(20)	59,913
Net realized investment gains (losses)	542	394	-	(40)	896
Other (loss) income	(17)	3,251	-	7,488	10,722
Total revenues	<u>398,850</u>	<u>118,541</u>	<u>49,714</u>	<u>20,191</u>	<u>587,296</u>
Losses and expenses					
Losses and loss adjustment expenses	123,300	9,500	-	-	132,800
Amortization of deferred policy acquisition costs	26,604	8,177	-	-	34,781
Other underwriting and operating expenses ^{(7), (11)}	48,880	20,250	-	42,307	111,437
Field office restructuring ⁽⁶⁾	1,955	-	-	-	1,955
Interest expense	1	-	-	16,245	16,246

Total losses and expenses	200,740	37,927	–	58,552	297,219
Income (loss) before income taxes	198,110	80,614	49,714	(38,361)	290,077
Income tax (benefit)	55,840	26,507	4,606	(11,839)	75,114
Net income (loss)	\$142,270	\$54,107	\$45,108	\$(26,522)	\$214,963
Expense ratio ⁽⁸⁾	24.0	%	31.1	%	
Loss ratio ⁽⁸⁾	36.8	%	11.2	%	
Combined ratio	60.8	%	42.3	%	

Six Months Ended June 30, 2005 (Unaudited)

(Dollars in thousands)

Net premiums written	\$307,103	\$86,370	\$–	\$34	\$393,507
Revenues					
Premiums earned	\$332,360	\$73,576	\$–	\$39	\$405,975
Net investment income	53,125	27,813	–	8,599	89,537
Equity in earnings (losses) from unconsolidated subsidiaries ⁽¹⁾	9,011	–	44,608	(125)	53,494
Net realized investment gains	1,587	322	–	315	2,224
Other (loss) income	(1)	760	–	11,028	11,787
Total revenues	396,082	102,471	44,608	19,856	563,017

Losses and expenses

Losses and loss adjustment expenses	128,614	3,103	-	-	131,717
Amortization of deferred policy acquisition costs	31,056	8,196	-	-	39,252
Other underwriting and operating expenses	48,832	17,543	-	33,687	100,062
Interest expense	1	-	-	18,024	18,025
Total losses and expenses	208,503	28,842	-	51,711	289,056
Income (loss) before income taxes	187,579	73,629	44,608	(31,855)	273,961
Income tax (benefit)	51,548	23,232	4,211	(10,773)	68,218
Net income (loss)	\$136,031	\$50,397	\$40,397	\$(21,082)	\$205,743
Expense ratio ⁽⁸⁾	26.0	%	29.8	%	
Loss ratio ⁽⁸⁾	38.7	%	4.2	%	
Combined ratio	64.7	%	34.0	%	

THE PMI GROUP, INC. AND SUBSIDIARIES

BUSINESS SEGMENTS BALANCE SHEETS

	U.S. Mortgage Insurance Operations ⁽²⁾	International Operations ⁽³⁾	Financial Guaranty ⁽⁴⁾	Other ⁽⁵⁾	Consolidated Total
	June 30, 2006 (Unaudited)				
	<i>(Dollars in thousands)</i>				
Assets					
Cash and investments, at fair value	\$2,259,393	\$1,156,454	\$1,995	\$426,569	\$3,844,411
Investments in unconsolidated subsidiaries ⁽¹⁾	120,574	–	867,923	19,283	1,007,780
Related party receivables	1,291	–	–	107	1,398
Reinsurance receivables, recoverables and prepaid premiums	14,977	5,838	–	–	20,815
Deferred policy acquisition costs	45,769	37,897	–	–	83,666
Other assets	204,724	33,293	3	117,376	355,396
Total assets	<u>\$2,646,728</u>	<u>\$1,233,482</u>	<u>\$869,921</u>	<u>\$563,335</u>	<u>\$5,313,466</u>
Liabilities					
Reserve for losses and loss adjustment expenses	\$355,832	\$28,773	\$–	\$–	\$384,605
Unearned premiums	147,739	343,136	–	31	490,906
Long-term debt	–	–	–	819,529	819,529
Other liabilities	284,851	59,597	23,421	(43,410)	324,459
Total liabilities	788,422	431,506	23,421	776,150	2,019,499

Shareholders' equity	<u>1,858,306</u>	<u>801,976</u>	<u>846,500</u>	<u>(212,815)</u>	<u>3,293,967</u>
Total liabilities and shareholders' equity	<u>\$2,646,728</u>	<u>\$1,233,482</u>	<u>\$869,921</u>	<u>\$563,335</u>	<u>\$5,313,466</u>
	December 31, 2005				
	<i>(Dollars in thousands)</i>				
Assets					
Cash and investments, at fair value	\$2,108,853	\$1,093,505	\$-	\$587,074	\$3,789,432
Investments in unconsolidated subsidiaries ⁽¹⁾	129,600	-	836,752	18,573	984,925
Related party receivables	2,700	-	-	164	2,864
Reinsurance receivables, recoverables and prepaid premiums	24,576	5,762	-	-	30,338
Deferred policy acquisition costs	48,310	37,860	-	-	86,170
Other assets	<u>207,436</u>	<u>25,260</u>	<u>-</u>	<u>127,711</u>	<u>360,407</u>
Total assets	<u>\$2,521,475</u>	<u>\$1,162,387</u>	<u>\$836,752</u>	<u>\$733,522</u>	<u>\$5,254,136</u>
Liabilities					
Reserve for losses and loss adjustment expenses	\$345,536	\$23,302	\$-	\$3	\$368,841
Unearned premiums	162,368	328,489	-	42	490,899
Long-term debt	-	-	-	819,529	819,529
Other liabilities	<u>248,343</u>	<u>79,610</u>	<u>19,204</u>	<u>(3,080)</u>	<u>344,077</u>
Total liabilities	756,247	431,401	19,204	816,494	2,023,346

Shareholders' equity	<u>1,765,228</u>	<u>730,986</u>	<u>817,548</u>	<u>(82,972)</u>	<u>3,230,790</u>
Total liabilities and shareholders' equity	<u>\$2,521,475</u>	<u>\$1,162,387</u>	<u>\$836,752</u>	<u>\$733,522</u>	<u>\$5,254,136</u>

June 30, 2005 (Unaudited)

(Dollars in thousands)

Assets					
Cash and investments, at fair value	\$2,140,727	\$1,048,992	\$-	\$485,777	\$3,675,496
Investments in unconsolidated subsidiaries ⁽¹⁾	121,558	-	821,308	22,734	965,600
Equity investment held for sale ⁽¹⁾	-	-	-	110,383	110,383
Related party receivables	1,507	-	-	9,055	10,562
Reinsurance receivables, recoverables and prepaid premiums	23,903	21,972	-	-	45,875
Deferred policy acquisition costs	48,738	39,154	-	-	87,892
Other assets	208,219	24,800	-	112,480	345,499
Total assets	<u>\$2,544,652</u>	<u>\$1,134,918</u>	<u>\$821,308</u>	<u>\$740,429</u>	<u>\$5,241,307</u>

Liabilities

Reserve for losses and loss adjustment expenses	\$338,628	\$25,781	\$-	\$3	\$364,412
Unearned premiums	132,809	328,618	-	34	461,461
Long-term debt	-	-	-	819,529	819,529
Other liabilities	245,481	71,727	16,248	24,495	357,951

Total liabilities	716,918	426,126	16,248	844,061	2,003,353
Shareholders' equity	<u>1,827,734</u>	<u>708,792</u>	<u>805,060</u>	<u>(103,632)</u>	<u>3,237,954</u>
Total liabilities and shareholders' equity	<u><u>\$2,544,652</u></u>	<u><u>\$1,134,918</u></u>	<u><u>\$821,308</u></u>	<u><u>\$740,429</u></u>	<u><u>\$5,241,307</u></u>

THE PMI GROUP, INC. AND SUBSIDIARIES

U.S. MORTGAGE INSURANCE OPERATIONS ⁽²⁾ ANALYSIS OF RESERVE FOR LOSSES AND LAE

	June 30, 2006		March 31, 2006		June 30, 2005	
	Loans in Default	Reserve for Losses and LAE	Loans in Default	Reserve for Losses and LAE	Loans in Default	Reserve for Losses and LAE
Primary insurance	37,102	\$318,878	37,784	\$308,843	35,030	\$299,379
Pool insurance	17,458	36,954	19,069	37,594	16,623	39,249
Total	<u>54,560</u>	<u>\$355,832</u>	<u>56,853</u>	<u>\$346,437</u>	<u>51,653</u>	<u>\$338,628</u>

(Dollars in thousands)

Reconciliation of Reserve for Losses and LAE

	June 30, 2006	March 31, 2006	Reserve Change
Gross reserve for losses and LAE:			
Primary insurance	\$318,878	\$308,843	\$10,035
Pool insurance	36,954	37,594	(640)
Total gross reserve for losses and LAE	355,832	346,437	9,395
Ceded reserve for losses:			
Primary insurance	(2,417)	(2,213)	(204)
Pool insurance	(87)	(71)	(16)
Total ceded reserve for losses	(2,504)	(2,284)	(220)
Net reserve for losses and LAE	<u>\$353,328</u>	<u>\$344,153</u>	<u>\$9,175</u>

(Dollars in thousands)

U.S. MORTGAGE INSURANCE OPERATIONS ⁽²⁾ FINANCIAL AND STATISTICAL INFORMATION

	Three Months Ended		Six Months Ended					
	June 30,		June 30,					
	2006	2005	2006	2005				
Flow insurance written <i>(in millions)</i>	\$5,716	\$7,442	\$10,757	\$13,745				
Structured insurance written <i>(in millions)</i>	1,344	2,216	4,391	4,081				
Primary new insurance written <i>(in millions)</i>	<u>\$7,060</u>	<u>\$9,658</u>	<u>\$15,148</u>	<u>\$17,826</u>				
Primary new risk written <i>(in millions)</i>	\$1,790	\$2,551	\$3,938	\$4,621				
Pool new insurance written <i>(in millions)</i> ⁽⁷⁾	\$3,575	\$3,228	\$8,302	\$4,534				
Pool new risk written <i>(in millions)</i> ⁽⁷⁾	\$108	\$60	\$212	\$101				
Product mix as a % of new insurance written:								
Above 97% LTV' s	17	%	14	%	15	%	14	%
90.01% to 95% LTV' s	22	%	25	%	22	%	25	%
85.01% to 90% LTV' s	46	%	43	%	46	%	41	%
90.01% to 95% LTV' s with >= 30% coverage	18	%	21	%	18	%	21	%
85.01% to 90% LTV' s with >= 25% coverage	40	%	38	%	40	%	35	%
ARMs	20	%	35	%	30	%	34	%
Monthlies	96	%	97	%	97	%	98	%
Refinances	32	%	34	%	36	%	36	%
Structured transactions	19	%	23	%	29	%	23	%

Premiums written (in thousands):

Gross premiums written	\$203,426	\$197,850	\$411,562	\$398,980
Ceded premiums, net of assumed premiums	(41,402)	(41,455)	(83,058)	(84,742)
Refunded premiums	<u>(3,120)</u>	<u>(3,831)</u>	<u>(6,127)</u>	<u>(7,135)</u>
Net premiums written	158,904	152,564	322,377	307,103
Change in unearned premiums	<u>8,922</u>	<u>15,684</u>	<u>12,987</u>	<u>25,257</u>
Net premiums earned	<u>\$167,826</u>	<u>\$168,248</u>	<u>\$335,364</u>	<u>\$332,360</u>

THE PMI GROUP, INC. AND SUBSIDIARIES

U.S. MORTGAGE INSURANCE OPERATIONS ⁽²⁾ FINANCIAL AND STATISTICAL INFORMATION

		<u>6/30/2006</u>	<u>3/31/2006</u>	<u>12/31/2005</u>	<u>9/30/2005</u>	<u>6/30/2005</u>	<u>3/31/2005</u>
Primary insurance in force (in millions)							
Flow		\$84,644	\$85,685	\$86,991	\$88,433	\$89,965	\$91,399
Structured transactions		15,741	15,826	14,099	12,788	13,469	12,598
Total		<u>\$100,385</u>	<u>\$101,511</u>	<u>\$101,090</u>	<u>\$101,221</u>	<u>\$103,434</u>	<u>\$103,997</u>
Primary risk in force (in millions)							
Flow		\$20,883	\$21,102	\$21,388	\$21,745	\$22,067	\$22,346
Structured transactions		4,127	4,147	3,583	3,167	3,296	2,966
Total		<u>\$25,010</u>	<u>\$25,249</u>	<u>\$24,971</u>	<u>\$24,912</u>	<u>\$25,363</u>	<u>\$25,312</u>
Pool risk in force (in millions) ⁽⁹⁾							
		\$2,737	\$2,666	\$2,589	\$2,530	\$2,445	\$2,417
Primary risk in force - credit score distribution							
Flow	620 or above	93.3	93.2	93.0	92.7	92.4	92.1
		%	%	%	%	%	%
	619-575	5.3	5.4	5.5	5.7	5.9	6.1
		%	%	%	%	%	%
	574 or below	1.4	1.4	1.5	1.6	1.7	1.8
		%	%	%	%	%	%
Structured transactions	620 or above	80.7	79.2	76.9	73.9	71.7	66.9
		%	%	%	%	%	%
	619-575	12.3	13.2	14.5	16.0	17.4	20.2
		%	%	%	%	%	%
	574 or below	7.1	7.6	8.6	10.1	10.9	12.9
		%	%	%	%	%	%

Total	620 or above	91.3	%	90.9	%	90.7	%	90.3	%	89.7	%	89.2	%
	619-575	6.4	%	6.6	%	6.8	%	7.0	%	7.4	%	7.7	%
	574 or below	2.3	%	2.5	%	2.5	%	2.7	%	2.9	%	3.1	%

Primary average loan size (in thousands)

Flow		\$136.9		\$135.6		\$134.5		\$133.3		\$132.2		\$131.5	
Structured transactions		\$150.7		\$150.7		\$145.4		\$139.5		\$139.8		\$134.1	
Total		\$138.9		\$137.8		\$136.0		\$134.1		\$133.2		\$131.8	

Loss severity - primary (quarterly)

Flow		83.2	%	84.9	%	85.9	%	84.0	%	83.8	%	85.6	%
Structured transactions		86.8	%	91.2	%	94.3	%	89.6	%	87.7	%	90.9	%
Total		84.1	%	86.5	%	87.7	%	85.2	%	84.6	%	86.8	%

Persistency

Primary persistency rate		64.9	%	63.1	%	61.9	%	61.2	%	62.0	%	60.8	%
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Primary loans, defaults and default rates

Primary policies in force		722,756		736,908		743,533		754,934		776,721		788,847	
Primary loans in default		37,102		37,784		42,702		38,146		35,030		35,716	
Primary default rate		5.13	%	5.13	%	5.74	%	5.05	%	4.51	%	4.53	%

Structured transactions only default rate	9.26	%	8.59	%	9.85	%	10.09	%	8.54	%	8.17	%
Pool default rate	5.60	%	6.17	%	6.84	%	6.34	%	5.65	%	5.65	%

Claims paid (year-to-date in millions)

Primary claims paid - flow	\$73.5		\$37.3		\$165.8		\$126.6		\$87.8		\$41.7	
Primary claims paid - structured transactions	24.8		13.5		49.1		36.8		25.4		13.8	
Total primary claims paid	98.3		50.8		214.9		163.4		113.2		55.5	
Total pool and other	8.9		4.3		20.1		15.0		9.6		4.7	
Total claims paid	<u>\$107.2</u>		<u>\$55.1</u>		<u>\$235.0</u>		<u>\$178.4</u>		<u>\$122.8</u>		<u>\$60.2</u>	
Number of primary claims paid (year-to-date)	4,096		2,058		9,262		7,124		4,934		2,413	
Average primary claim size (year-to-date in thousands)	\$24.0		\$24.7		\$23.2		\$22.9		\$22.9		\$23.0	

Captive reinsurance arrangements (year-to-date)

Percentage of flow NIW subject to captive reinsurance arrangements	71.6	%	70.8	%	69.0	%	68.0	%	65.0	%	60.4	%
Percentage of primary NIW subject to captive reinsurance arrangements	51.5	%	44.8	%	54.7	%	55.7	%	50.7	%	47.1	%
Percentage of primary IIF subject to captive reinsurance arrangements	53.3	%	53.2	%	53.4	%	53.2	%	52.1	%	52.4	%
Percentage of primary RIF subject to captive reinsurance arrangements	53.9	%	53.9	%	54.4	%	54.4	%	53.4	%	53.9	%

Alt-A primary insurance in force (in millions) ⁽¹²⁾

With FICO scores of 660 and above	\$13,216	\$12,575	\$11,455	\$10,346	\$9,731	\$8,892
With FICO scores below 660 and above 619	<u>2,934</u>	<u>2,783</u>	<u>2,564</u>	<u>2,327</u>	<u>2,325</u>	<u>2,135</u>
Total Alt-A primary insurance in force	<u>\$16,150</u>	<u>\$15,358</u>	<u>\$14,019</u>	<u>\$12,673</u>	<u>\$12,056</u>	<u>\$11,027</u>
Risk-to-capital ratio ⁽¹⁰⁾	7.7 to 1	8.1 to 1	8.2 to 1	8.0 to 1	8.3 to 1	8.1 to 1

THE PMI GROUP, INC. AND SUBSIDIARIES

CMG MORTGAGE INSURANCE COMPANY FINANCIAL AND STATISTICAL INFORMATION

	<u>June 30,</u> <u>2006</u>		<u>March 31,</u> <u>2006</u>		<u>June 30,</u> <u>2005</u>
Primary new insurance written <i>(year-to-date in millions)</i>	\$2,058		\$891		\$2,495
Primary insurance in force <i>(in millions)</i>	\$15,774		\$15,476		\$14,694
Primary risk in force <i>(in millions)</i>	\$3,791		\$3,686		\$3,428
Insured primary loans	111,889		110,879		108,066
Persistency	73.6 %		72.3 %		70.3 %
Primary loans in default	965		992		622
Primary default rate <i>(year-to-date)</i>	0.86 %		0.89 %		0.58 %
Primary claims paid <i>(year-to-date in thousands)</i>	\$2,712		\$1,200		\$1,981
Number of primary claims paid <i>(year-to-date)</i>	123		55		100
Average primary claim size <i>(year-to-date in thousands)</i>	\$22.0		\$21.8		\$19.8

PMI AUSTRALIA FINANCIAL AND STATISTICAL INFORMATION

	<u>June 30,</u> <u>2006</u>		<u>March 31,</u> <u>2006</u>		<u>June 30,</u> <u>2005</u>
Net premiums written <i>(year-to-date in thousands)</i>	\$83,243		\$34,640		\$71,775
Premiums earned <i>(year-to-date in thousands)</i>	\$71,377		\$32,267		\$59,319
Flow insurance written <i>(year-to-date in millions)</i>	9,214		4,152		8,685
RMBS insurance written <i>(year-to-date in millions)</i>	<u>13,035</u>		<u>5,291</u>		<u>6,478</u>

New insurance written (<i>year-to-date in millions</i>)	<u>\$22,249</u>	<u>\$9,443</u>	<u>\$15,163</u>
Insurance in force (<i>in millions</i>)	\$135,529	\$123,050	\$119,811
Risk in force (<i>in millions</i>)	\$124,139	\$112,199	\$109,025
Policies in force	1,074,618	1,026,260	973,820
Loans in default	1,731	1,520	1,322
Default rate	0.16 %	0.15 %	0.14 %
Claims paid (<i>year-to-date in thousands</i>)	\$4,405	\$1,224	\$1,090
Number of claims paid (<i>year-to-date</i>)	104	31	42
Average claim size (<i>year-to-date in thousands</i>)	\$42.4	\$39.5	\$26.0

PMI EUROPE FINANCIAL AND STATISTICAL INFORMATION

	<u>June 30,</u> <u>2006</u>	<u>March 31,</u> <u>2006</u>	<u>June 30,</u> <u>2005</u>
Net premiums written (<i>year-to-date in thousands</i>)	\$4,863	\$2,754	\$3,027
Premiums earned (<i>year-to-date in thousands</i>)	\$7,793	\$3,888	\$8,507
New insurance written (<i>year-to-date in millions</i>)	\$56	\$32	\$-
New credit default swaps written (<i>year-to-date in millions</i>)	\$629	\$629	\$-
New reinsurance written (<i>year-to-date in millions</i>)	\$1,006	\$627	\$-
Insurance in force (<i>in millions</i>)	\$39,996	\$39,254	\$31,213
Risk in force (<i>in millions</i>)	\$2,836	\$2,760	\$2,450

Claims paid including credit default swaps (*year-to-date in thousands*)

\$1,275

\$644

\$1,379

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THE PMI GROUP, INC. AND SUBSIDIARIES
APPENDIX A - QUARTERLY FINANCIAL INFORMATION
PMI AUSTRALIA QUARTERLY FINANCIAL INFORMATION

	2006		2005			
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
<i>(Australian \$ in thousands, unless otherwise noted)</i>						
Income Statement Components - Quarter Ended						
Premiums earned	\$52,399	\$43,644	\$43,959	\$41,815	\$38,929	\$37,840
Net investment income	\$17,267	\$16,876	\$16,257	\$15,854	\$14,966	\$14,705
Change in fair value of foreign currency put options	\$(2,640)	\$1,855	\$(24)	\$(232)	\$(422)	\$(1,338)
Total losses and expenses	\$24,843	\$15,789	\$17,226	\$13,632	\$15,104	\$13,788
Net income	\$29,332	\$32,546	\$31,906	\$31,079	\$26,725	\$26,487
Net income <i>(U.S. \$ in thousands)</i>	\$21,923	\$24,054	\$23,728	\$23,623	\$20,541	\$20,584
Balance Sheet Components						
Assets						
Cash and investments, at fair value	\$1,257,618	\$1,219,179	\$1,197,016	\$1,147,390	\$1,090,399	\$1,037,704
Total assets	\$1,336,748	\$1,302,982	\$1,275,573	\$1,225,683	\$1,188,574	\$1,132,961
Liabilities and Shareholder' s Equity						
Reserve for losses and LAE	\$16,150	\$11,489	\$11,573	\$11,156	\$12,541	\$12,549
Unearned premiums	\$431,864	\$419,207	\$415,885	\$406,661	\$395,113	\$382,781
Shareholder' s equity	\$841,116	\$822,918	\$793,045	\$757,372	\$730,113	\$689,927

PMI EUROPE QUARTERLY FINANCIAL INFORMATION

	2006		2005			
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
<i>(Euro in thousands, unless otherwise noted)</i>						
Income Statement Components - Quarter Ended						
Premiums earned	3,108	3,232	3,721	3,749	3,298	3,321
Net investment income	2,157	1,915	1,730	2,188	1,951	2,002
Change in fair value of foreign currency put options	(42)	(43)	55	(3)	342	(33)
Change in fair value of credit default swaps	1,691	1,356	409	811	390	320
Total losses and expenses	2,635	2,692	3,824	3,244	3,168	2,031
Net income	2,780	2,451	1,362	2,276	1,828	2,326
Net income <i>(U.S. \$ in thousands)</i>	\$3,498	\$2,949	\$1,615	\$2,774	\$2,330	\$3,049
Balance Sheet Components						
Assets						
Cash and investments, at fair value	160,424	182,304	182,559	182,682	179,698	172,707
Total assets	174,624	192,990	192,107	192,431	188,840	182,857
Liabilities and Shareholder' s Equity						
Reserve for losses and LAE	12,521	12,581	12,508	13,019	13,395	12,807
Unearned premiums	17,648	19,077	20,020	20,808	22,589	24,719
Shareholder' s equity	134,518	132,900	133,818	133,352	131,452	125,395

THE PMI GROUP, INC. AND SUBSIDIARIES

APPENDIX B- BUSINESS SEGMENTS RESULTS OF OPERATIONS BY QUARTER

	2006		2005		
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter
(Dollars in thousands)					
U.S. Mortgage Insurance Operations ⁽²⁾					
Net premiums written	<u>\$158,904</u>	<u>\$163,474</u>	<u>\$201,160</u>	<u>\$158,866</u>	<u>\$152,564</u>
Revenues					
Premiums earned	\$167,826	\$167,538	\$166,778	\$166,052	\$168,248
Net investment income	27,064	25,676	26,168	25,046	27,546
Equity in earnings from unconsolidated subsidiaries ⁽¹⁾	5,729	4,492	4,583	5,217	4,937
Net realized investment gains	305	237	378	2,597	1,167
Other income (loss)	7	(23)	(3)	3	(5)
Total revenues	<u>200,931</u>	<u>197,920</u>	<u>197,904</u>	<u>198,915</u>	<u>201,893</u>
Losses and expenses					
Losses and loss adjustment expenses	64,153	59,147	63,159	61,667	65,496
Amortization of deferred policy acquisition costs	13,162	13,442	14,113	14,478	15,030
Other underwriting expenses and operating expenses ^{(7), (11)}	22,970	25,911	29,057	25,260	25,278
Field office restructuring ⁽⁶⁾	–	1,955	–	–	–
Interest expense	1	–	1	3	–

Total losses and expenses

	<u>100,286</u>	<u>100,455</u>	<u>106,330</u>	<u>101,408</u>	<u>105,804</u>
Income before income taxes	100,645	97,465	91,574	97,507	96,089
Income taxes	<u>28,480</u>	<u>27,360</u>	<u>21,696</u>	<u>27,977</u>	<u>26,400</u>
Net income	<u>\$72,165</u>	<u>\$70,105</u>	<u>\$69,878</u>	<u>\$69,530</u>	<u>\$69,689</u>

International Operations ⁽³⁾

Net premiums written	<u>\$52,900</u>	<u>\$38,420</u>	<u>\$44,913</u>	<u>\$47,197</u>	<u>\$47,185</u>
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Revenues

Premiums earned	\$45,801	\$38,686	\$39,781	\$38,979	\$38,141
Net investment income	15,625	14,785	14,499	14,844	14,058
Net realized investment gains (losses)	252	142	(221)	(27)	(18)
Other income	<u>218</u>	<u>3,031</u>	<u>778</u>	<u>1,287</u>	<u>873</u>
Total revenues	<u>61,896</u>	<u>56,644</u>	<u>54,837</u>	<u>55,083</u>	<u>53,054</u>

Losses and expenses

Losses and loss adjustment expenses	7,708	1,792	1,601	(365)	1,739
Amortization of deferred policy acquisition costs	4,632	3,545	3,274	3,269	3,779
Other underwriting and operating expenses	10,461	9,789	12,663	11,648	10,539
Interest expense	<u>-</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>-</u>

Total losses and expenses	<u>22,801</u>	<u>15,126</u>	<u>17,547</u>	<u>14,552</u>	<u>16,057</u>
Income before income taxes	39,095	41,518	37,290	40,531	36,997
Income taxes	<u>13,598</u>	<u>12,909</u>	<u>10,251</u>	<u>12,514</u>	<u>11,747</u>
Net income	<u>\$25,497</u>	<u>\$28,609</u>	<u>\$27,039</u>	<u>\$28,017</u>	<u>\$25,250</u>
Financial Guaranty ⁽⁴⁾					
Equity in earnings from unconsolidated subsidiaries ⁽¹⁾	\$26,476	\$23,235	\$21,453	\$13,691	\$23,761
Interest and dividends	2	-	-	-	-
Income taxes	<u>2,469</u>	<u>2,137</u>	<u>2,208</u>	<u>1,135</u>	<u>2,254</u>
Net income	<u>\$24,009</u>	<u>\$21,098</u>	<u>\$19,245</u>	<u>\$12,556</u>	<u>\$21,507</u>
Other ⁽⁵⁾					
Net premiums written	<u>\$11</u>	<u>\$10</u>	<u>\$27</u>	<u>\$19</u>	<u>\$13</u>
Revenues					
Premiums earned	\$16	\$17	\$18	\$19	\$19
Net investment income	6,324	6,406	4,832	4,537	4,143
Equity in earnings (losses) from unconsolidated subsidiaries ⁽¹⁾	82	(102)	(165)	(388)	(416)
Net realized investment (losses) gains	(1)	(39)	(4)	(2,897)	354
Other income	<u>3,712</u>	<u>3,777</u>	<u>4,283</u>	<u>2,649</u>	<u>5,383</u>

Total revenues	<u>10,133</u>	<u>10,059</u>	<u>8,964</u>	<u>3,920</u>	<u>9,483</u>
Losses and expenses					
Other underwriting expenses and operating expenses ⁽¹¹⁾	19,442	22,865	17,354	17,607	18,600
Interest expense	<u>8,066</u>	<u>8,179</u>	<u>4,644</u>	<u>8,455</u>	<u>8,472</u>
Total losses and expenses	<u>27,508</u>	<u>31,044</u>	<u>21,998</u>	<u>26,062</u>	<u>27,072</u>
Loss before income tax benefits	(17,375)	(20,985)	(13,034)	(22,142)	(17,589)
Income tax benefits	<u>(5,319)</u>	<u>(6,521)</u>	<u>(4,587)</u>	<u>(7,750)</u>	<u>(5,728)</u>
Net loss	<u>\$(12,056)</u>	<u>\$(14,464)</u>	<u>\$(8,447)</u>	<u>\$(14,392)</u>	<u>\$(11,861)</u>



NEWS RELEASE

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**THE PMI GROUP, INC. REPORTS SECOND QUARTER 2006 NET
 INCOME OF \$109.6 MILLION, OR \$1.14 PER DILUTED SHARE**

Walnut Creek, CA, August 3, 2006 - The PMI Group, Inc. (NYSE: PMI) (the “Company”) today reported net income of \$109.6 million for the second quarter of 2006 compared to net income of \$104.6 million for the second quarter of 2005. Net income per diluted share grew by approximately 10 percent to \$1.14 for the second quarter of 2006 compared to \$1.04 for the second quarter of 2005.

Highlights in the second quarter of 2006 include:

U.S. Mortgage Insurance Operations¹ – growth in premiums written, premiums earned and average premium rate as well as favorable credit performance with a sequential decline in delinquencies and claims paid;

International Operations² – solid growth in PMI Australia’ s new insurance written, insurance in force and risk in force partially offset by credit performance trending towards historic norms;

Financial Guaranty³ – continued expansion of FGIC’ s operations, strong premium earnings and favorable credit performance;

Common Share Repurchases – the Company repurchased approximately 3.2 million common shares in the second quarter of 2006 at a cost of \$146.5 million.

Consolidated Operating Results

Consolidated net premiums written for the second quarter and year to date totaled \$211.8 million and \$413.7 million, respectively, compared to \$199.8 million and \$393.5 million for the same periods a year ago. The increases were due primarily to an increase in average premium rates and average insured loan balances in U.S. Mortgage Insurance Operations and an increase in new insurance written in PMI Australia.

- 1 “U.S. Mortgage Insurance Operations” includes the results of PMI Mortgage Insurance Co. (PMI) and affiliated U.S. reinsurance companies and equity in earnings from CMG Mortgage Insurance Company (CMG).
- 2 “International Operations” includes the results of PMI Australia, PMI Europe and PMI Asia.
- 3 “Financial Guaranty” includes our equity earnings from our investments in Financial Guaranty Insurance Company, Inc. (FGIC) and RAM Reinsurance Company Ltd. (RAM Re).

Consolidated premiums earned for the second quarter and year to date were \$213.6 million and \$419.9 million, respectively, compared to \$206.4 million and \$406.0 million for the same periods a year ago. The increases were due to higher average premium rates and increased premiums from modified pool products in U.S. Mortgage Insurance Operations, and higher premiums earned as a result of higher new insurance written and higher insurance in force in PMI Australia.

Consolidated other underwriting and operating expenses for the second quarter and year to date were \$52.9 million and \$111.4 million, respectively, compared to \$54.4 million and \$100.1 million for the same periods one year ago. The decrease in the second quarter of 2006 was due primarily to declines in the fair value of certain deferred compensation plans and was partially offset by stock option-related expenses. The increase in the first half of 2006 compared to the corresponding period in 2005 was primarily due to the requirement to begin expensing stock options and Employee Stock Purchase Plan related expenses in 2006 and higher operating expenses in International Operations.

Consolidated losses and loss adjustment expenses for the second quarter and six months to date were \$71.9 million and \$132.8 million, respectively, compared to \$67.2 million and \$131.7 million in the same periods last year. The increases in the second quarter and the first six months of 2006 were primarily a result of loss reserve additions during the six months ended June 30, 2006 in U.S. Mortgage Insurance Operations and PMI Australia, partially offset by decreases in primary claims paid in U.S. Mortgage Insurance Operations in the second quarter and first six months of 2006 compared to the same periods in 2005.

Consolidated reserve for losses and loss adjustment expenses totaled \$384.6 million as of June 30, 2006 compared to \$369.9 million as of March 31, 2006 and \$364.4 million as of June 30, 2005. Loss reserves in U.S. Mortgage Insurance Operations increased by \$9.2 million in the second quarter of 2006 primarily due to higher expected claim rates and claim sizes. PMI Australia's reserve for losses increased by \$3.6 million primarily due to an increase in delinquent loans, and higher expected average claim size and claim rates.

The PMI Group, Inc. Second Quarter Results by Segment

<i>(Dollars in millions, except per share data)</i>	Second Quarter Total Revenues				Second Quarter Net Income			
	2006	2005	% Change		2006	2005	% Change	
U.S. Mortgage Insurance Operations	\$200.9	\$201.9	(0.5)	%	\$72.2	\$69.7	3.6	%
International Operations	61.9	53.1	16.6	%	25.4	25.3	0.4	%
Financial Guaranty	26.5	23.8	11.3	%	24.0	21.5	11.6	%
Other ⁴	10.1	9.4	n.m.		(12.0)	(11.9)	n.m.	
Total	<u>\$299.4</u>	<u>\$288.2</u>	<u>3.9</u>	<u>%</u>	<u>\$109.6</u>	<u>\$104.6</u>	<u>4.8</u>	<u>%</u>
Diluted Net Income Per Share					\$1.14	\$1.04	9.6	%
Book Value Per Share					\$38.11	\$35.29	8.0	%

May not total due to rounding.

n.m. - Not meaningful

4 The "Other" segment primarily consists of the holding company, contract underwriting operations and Select Portfolio Servicing, Inc. (SPS) prior to its disposition on October 4, 2005.

The PMI Group, Inc. Year to Date Results by Segment

<i>(Dollars in millions, except per share data)</i>	Six Months Ended June 30, 2006				Six Months Ended June 30, 2005			
	Total Revenues				Net Income			
	2006	2005	% Change	%	2006	2005	% Change	%
U.S. Mortgage Insurance Operations	\$398.9	\$396.1	0.7	%	\$142.3	\$136.0	4.6	%
International Operations	118.5	102.5	15.6	%	54.1	50.4	7.3	%
Financial Guaranty	49.7	44.6	11.4	%	45.1	40.4	11.6	%
Other ⁴	20.2	19.9	n.m.		(26.5)	(21.1)	n.m.	
Total	<u>\$587.3</u>	<u>\$563.0</u>	<u>4.3</u>	<u>%</u>	<u>\$215.0</u>	<u>\$205.7</u>	<u>4.5</u>	<u>%</u>
Diluted Net Income Per Share					\$2.23	\$2.03	9.9	%

May not total due to rounding.

n.m.- Not meaningful

Segment Highlights

U.S. Mortgage Insurance Operations

Net premiums written increased by 4.1% in the second quarter of 2006, growing to \$158.9 million from \$152.6 million in the second quarter of 2005. The increase was due primarily to an increase in average premium rates and average insured loan balances in 2006.

Total incurred losses were \$64.2 million compared to \$65.5 million in the second quarter of 2005 driven by a decrease in primary claims paid, partially offset by an increase in reserves for losses.

Primary claims paid decreased to \$47.5 million for the second quarter of 2006 compared to \$57.7 million in the second quarter of 2005 driven by a decline in the number of claims paid partially offset by an increase in average claim size.

Equity in earnings from CMG for the second quarter 2006 increased 16.3% year over year to \$5.7 million compared to \$4.9 million for the second quarter of 2005 as a result of release of loss reserves and increases in primary insurance and risk in force.

PMI Mortgage Insurance Co., Inc. has received approval from the Arizona Department of Insurance to pay a \$250 million extraordinary dividend to The PMI Group, Inc.

International Operations

PMI Australia reported net income of \$21.9 million for the second quarter of 2006 compared to \$20.5 million for the second quarter of 2005. The increase in net income was due primarily to an increase in premiums earned and net investment income, partially offset by an increase in losses and LAE expenses and the weakening of the Australian dollar relative to the U.S. dollar. In functional currency, PMI Australia's net income increased by 9.7% to AUD \$29.3 million in the second quarter of 2006 from AUD \$26.7 million in the second quarter of 2005.

PMI Europe reported that net income grew by 52.2% to \$3.5 million in the second quarter of 2006 compared to \$2.3 million for the same period a year ago. Net income in the second quarter of 2006

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was positively impacted by changes in the fair value of credit default swap derivative contracts. In functional currency, net income from PMI Europe for the second quarter of 2006 was 2.8 million compared to 1.8 million for the same period a year ago.

PMI Asia is a new legal entity created in the second quarter of 2006 resulting from the restructuring of PMI Hong Kong. PMI Asia's net income in the second quarter of 2006 was negatively impacted by a one-time \$1.1 million U.S. tax charge resulting from the transfer of the mortgage reinsurance portfolio from PMI Hong Kong. As a result of the restructuring, PMI Asia will realize the benefit of a lower tax rate of approximately 17.5% in future periods. PMI Asia's net income for the second quarter 2006 totaled \$0.1 million compared to \$2.4 million for the same period a year ago.

Financial Guaranty

Equity in earnings from FGIC for the second quarter and year to date totaled \$22.9 million (after tax) and \$43.2 million (after tax), respectively, compared to \$20.5 million (after tax) and \$38.6 million (after tax) for the same periods a year ago. The increases were attributable to premium growth and higher investment income, partially offset by decreases in refundings and higher underwriting expenses due to an increase in the number of employees.

Equity in earnings from RAM Re for the first quarter and year to date were \$1.1 million (after tax) and \$1.9 million (after tax), respectively, compared to \$1.0 million (after tax) and \$1.8 million (after tax) for the same periods a year ago.

ABOUT THE PMI GROUP, INC.

The PMI Group, Inc. (NYSE: PMI), headquartered in Walnut Creek, CA, is an international provider of credit enhancement products that promote homeownership and facilitate mortgage transactions in the capital markets. Through its wholly owned subsidiaries and unconsolidated strategic investments, the company offers residential mortgage insurance and credit enhancement products domestically and internationally, financial guaranty insurance, and financial guaranty reinsurance. Through its subsidiaries, The PMI Group, Inc. is one of the world's largest providers of private mortgage insurance with operations in the United States, Australia, New Zealand, and the European Union, as well as one of the largest providers of mortgage guaranty reinsurance in Hong Kong.

Cautionary Statement: Statements in this earnings release that are not historical facts, and that relate to future plans, events or performance are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that forward-looking statements by their nature involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many factors could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Risks and uncertainties that could affect the Company are discussed in our Form 10-K for the year ended December 31, 2005 and Form 10-Q for the quarter ended March 31, 2006 and include changes in economic conditions such as interest rates, home values, employment rates and refinance activity. We undertake no obligation to update forward-looking statements.