



NEWS RELEASE

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**THE PMI GROUP, INC. REPORTS  
 FOURTH QUARTER AND YEAR END 2008 FINANCIAL RESULTS**

**Walnut Creek, CA, March 16, 2009** - The PMI Group, Inc. (NYSE: PMI) (the “Company”) today reported a loss from continuing operations for the fourth quarter of 2008 of \$181.0 million, or \$2.22 per basic and diluted<sup>1</sup> share. The loss from continuing operations for the full year of 2008 was \$887.2 million, or \$10.90 per basic and diluted<sup>1</sup> share. The loss from continuing operations for the fourth quarter of 2008 was primarily due to losses and loss adjustment expenses (LAE) in the U.S. Mortgage Insurance Operations and PMI Europe, a decrease in premiums earned and higher net realized investment losses, primarily from the impairment of certain corporate preferred equity securities in U.S. Mortgage Insurance Operations’ investment portfolio.

<b>The PMI Group, Inc. Fourth Quarter Results</b>		
	Three Months Ended December 31,	
<i>(Dollars in thousands, except per share data)</i>	2008	2007
Loss from continuing operations	\$ (180,993)	\$ (1,034,303)
Income from discontinued operations, net of income taxes*	<u>2,148</u>	<u>19,884</u>
Net loss	<u>\$ (178,845)</u>	<u>\$ (1,014,419)</u>
Diluted loss from continuing operations per share	\$ (2.22)	\$ (12.76)
Diluted income from discontinued operations per share	<u>0.03</u>	<u>0.25</u>
Diluted net loss per share	<u>\$ (2.19)</u>	<u>\$ (12.51)</u>

\* Includes the results of PMI Australia, PMI Asia and PMI Guaranty.

<b>The PMI Group, Inc. Full Year Results</b>		
	Full Year Ended December 31,	
<i>(Dollars in thousands, except per share data)</i>	2008	2007
Loss from continuing operations	\$ (887,188)	\$ (1,008,682)
(Loss) income from discontinued operations, net of income taxes*	<u>(41,320)</u>	<u>93,356</u>
Net loss	<u>\$ (928,508)</u>	<u>\$ (915,326)</u>
Diluted loss from continuing operations per share	\$ (10.90)	\$ (11.92)
Diluted (loss) income from discontinued operations per share	<u>(0.50)</u>	<u>1.11</u>
Diluted net loss per share	<u>\$ (11.40)</u>	<u>\$ (10.81)</u>

\* Includes the results of PMI Australia, PMI Asia and PMI Guaranty.

<sup>1</sup> Due to the net loss in the fourth quarter and full year of 2008, dilutive components of shares outstanding such as stock options were not included in fully diluted shares outstanding as their inclusion would have been anti-dilutive.

## **Consolidated Continuing Operating Results**

*Consolidated net premiums written* for the fourth quarter and full year totaled \$177.5 million and \$768.9 million, respectively, compared with \$203.1 million and \$813.9 million for the same periods one year ago. The decreases were due primarily to lower levels of new insurance written and premium refunds related to rescissions of insurance previously written.

*Consolidated premiums earned* for the fourth quarter and full year were \$184.1 million and \$786.2 million, respectively, compared with \$210.0 million and \$815.4 million for the same periods one year ago. The decreases were due primarily to lower levels of new insurance written and premium refunds related to rescissions of insurance previously written, partially offset by higher persistency in the U.S. Mortgage Insurance Operations.

*Consolidated losses and LAE*, which includes paid claims, loss adjustment expenses and additions to reserve for losses, for the fourth quarter and full year were \$404.5 million and \$1,899.3 million, respectively, compared with \$542.7 million and \$1,122.9 million for the same periods one year ago. The decrease in the fourth quarter compared with the same period one year ago was primarily due to lower net loss reserve additions as a result of a larger benefit from captive reinsurance in U.S. Mortgage Insurance Operations, partially offset by higher paid claims in U.S. Mortgage Insurance Operations and PMI Europe, as well as higher loss reserves in PMI Europe.

*Consolidated reserve for losses and LAE* totaled \$2.7 billion as of December 31, 2008 compared with \$2.5 billion as of September 30, 2008 and \$1.2 billion as of December 31, 2007. Reserves for losses and LAE in the U.S. Mortgage Insurance Operations increased in the fourth quarter of 2008 by a gross amount of \$274.9 million to \$2.6 billion and was partially offset by a \$90.0 million credit from reinsurance recoverables, primarily from captive reinsurance agreements. The increase in this quarter, and the year, for reserves for losses and LAE was primarily due to increases in notices of default in the U.S.

*Consolidated other underwriting and operating expenses* for the fourth quarter and full year were \$58.6 million and \$218.6 million, respectively, compared with \$47.0 million and \$192.9 million for the same periods one year ago. The increases in other underwriting and operating expenses in the fourth quarter and full year 2008 compared to the corresponding periods in 2007 were primarily due to severance related costs from workforce reductions.

<b>The PMI Group, Inc. Fourth Quarter Results by Segment</b>				
	Fourth Quarter Total Revenues		Fourth Quarter (Loss) Income from Continuing Operations	
<i>(Dollars in millions, except per share data)</i>	2008	2007	2008	2007
U.S. Mortgage Insurance Operations <sup>2</sup>	\$184.1	\$231.9	\$(174.1)	\$(236.0)
International Operations <sup>3</sup>	(8.9)	(3.0)	(30.2)	(30.8)
Financial Guaranty <sup>4</sup>	(0)	(38.5)	16.8	(765.4)
Corporate and Other <sup>5</sup>	<u>15.8</u>	<u>18.1</u>	<u>6.5</u>	<u>(2.1)</u>
Total	<u>\$191.0</u>	<u>\$208.5</u>	<u>\$(181.0)</u>	<u>\$(1,034.3)</u>
Diluted (Loss) from Continuing Operations Per Share <sup>1</sup>			\$(2.22)	\$(12.76)

May not total due to rounding.

<b>The PMI Group, Inc. Year to Date Results by Segment</b>				
	Full Year Ended December 31 Total Revenues		Full Year Ended December 31 (Loss) Income from Continuing Operations	
<i>(Dollars in millions, except per share data)</i>	2008	2007	2008	2007
U.S. Mortgage Insurance Operations <sup>2</sup>	\$839.4	\$916.0	\$(709.5)	\$(190.8)
International Operations <sup>3</sup>	15.8	10.6	(87.0)	(35.3)
Financial Guaranty <sup>4</sup>	(90.9)	(38.5)	(124.0)	(734.8)
Corporate and Other <sup>5</sup>	<u>143.4</u>	<u>35.2</u>	<u>33.4</u>	<u>(47.8)</u>
Total	<u>\$907.8</u>	<u>\$923.2</u>	<u>\$(887.2)</u>	<u>\$(1,008.7)</u>
Diluted (Loss) from Continuing Operations Per Share			\$(10.90)	\$(11.92)

May not total due to rounding.

## Supplemental Financial Information

- The PMI Group, Inc.'s Fourth Quarter 2008 Financial Supplement, Net Operating Income (NOI) Reconciliation, and Supplemental Portfolio Information can all be found at [www.pmi-us.com](http://www.pmi-us.com) under Investor Relations.

### ABOUT THE PMI GROUP, INC.

The PMI Group, Inc. (NYSE: PMI), headquartered in Walnut Creek, CA, provides innovative credit, capital, and risk transfer solutions that expand homeownership and fund essential services for our customers and the communities they serve. Through its wholly owned subsidiaries, PMI offers residential mortgage insurance and credit enhancement products. For more information: [www.pmi-us.com](http://www.pmi-us.com).

**Cautionary Statement:** Statements in this press release and supplements that are not historical facts, or 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 forward-looking statements. Such factors include, among others:

- Potential significant future losses as a result of changes in economic and market conditions, such as a deepening of the current economic recession; decreases in housing demand, mortgage originations or housing values; a further reduction in the liquidity in the capital markets or further contraction of credit markets; further increases in unemployment rates; changes in interest rates or consumer confidence; and/or changes in credit spreads;
- our expectation that, as a result of continued losses, we will need to raise significant additional capital and that such additional capital may be necessary in 2009;
- the risk that pending discussions with lenders to amend financial covenants and events of default under our credit facility are not completed timely or satisfactorily;
- the risk that we may be unable to maintain minimum regulatory risk-to-capital and policyholders surplus requirements;
- the limitations we have placed on new business writings and the concentration of our business among a relatively small number of large customers;

<sup>2</sup> "U.S. Mortgage Insurance Operations" includes the results of PMI Mortgage Insurance Co. (PMI), affiliated U.S. reinsurance companies and equity in earnings from CMG Mortgage Insurance Company (CMG MI).

<sup>3</sup> "International Operations" includes the results of PMI Europe and PMI Canada.

<sup>4</sup> "Financial Guaranty" includes our equity investments in FGIC Corporation (FGIC) and RAM Holdings Ltd. (RAM Re).

<sup>5</sup> The "Corporate and Other" segment primarily consists of the holding company, contract underwriting operations and intercompany eliminations.

- the potential future impairment of the value of certain securities held in our investment portfolios as a result of the significant volatility in the capital markets;
- the potential that our actual losses may substantially exceed our current loss reserve estimates or that our underwriting policies may not anticipate all risks and/or the magnitude of potential loss;
- heightened regulatory and litigation risks faced by the financial services industry, the mortgage insurance industry and PMI;
- the aging of our mortgage insurance portfolio and changes in severity or frequency of losses associated with our mortgage insurance policies;
- the performance of our insured portfolio of higher risk loans, such as Alternative-A (“Alt-A”) and less than-A loans, and adjustable rate and interest-only loans, which have resulted in increased losses in 2007 and 2008 and are expected to result in further losses;
- the risk that Fannie Mae and/or Freddie Mac (collectively, the “GSEs”) determine that we are no longer an eligible provider of mortgage insurance;
- changes in persistency rates of our mortgage insurance policies caused by, among other things, changes in refinancing activity and home values;
- further downgrades or other ratings actions with respect to our credit ratings or insurer financial strength ratings assigned by the major rating agencies;
- heightened competition from the Federal Housing Administration and the Veterans’ Administration or other private mortgage insurers;
- potential changes in the charters or business practices of the GSEs, the largest purchasers of mortgages;
- volatility in our earnings caused by changes in the fair value of our derivative contracts and our need to reevaluate the premium deficiencies in our mortgage insurance business on a quarterly basis; and
- potential additional losses in our European operations as a result of deteriorating economic conditions and the potential that we must make additional capital contributions to those operations pursuant to a capital support agreement.

Other risks and uncertainties are discussed in our SEC filings, including in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2008, filed March 16, 2009. We undertake no obligation to update forward-looking statements.

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**THE PMI GROUP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended December 31,		Year Ended December 31,	
	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	<i>(Dollars and shares in thousands, except per share data)</i>			
<b>Net premiums written</b>	\$ 177,543	\$ 203,074	\$ 768,895	\$ 813,922
<b>Revenues</b>				
Premiums earned	\$ 184,122	\$ 209,968	\$ 786,159	\$ 815,440
Net loss from credit default swaps	(11,714)	(9,483)	(11,275)	(14,447)
Net investment income	31,552	32,266	138,377	132,552
Net realized investment (losses) gains	(26,348)	11,151	(48,342)	13,860
Change in fair value of certain debt instruments	11,647	-	123,595	-
Impairment of unconsolidated subsidiaries	-	(38,499)	(90,868)	(38,499)
Other income	1,722	3,087	10,141	14,279
<b>Total revenues</b>	<b>190,981</b>	<b>208,490</b>	<b>907,787</b>	<b>923,185</b>
<b>Losses and expenses</b>				
Losses and loss adjustment expenses	404,457	542,722	1,899,264	1,122,898
Amortization of deferred policy acquisition costs	4,512	48,830	18,285	87,683
Other underwriting and operating expenses	58,606	47,014	218,583	192,917
Interest expense	11,309	8,383	41,007	33,391
<b>Total losses and expenses</b>	<b>478,884</b>	<b>646,949</b>	<b>2,177,139</b>	<b>1,436,889</b>
Loss before equity in losses from unconsolidated subsidiaries and income taxes	(287,903)	(438,459)	(1,269,352)	(513,704)
Equity in losses from unconsolidated subsidiaries	(5,972)	(791,155)	(51,802)	(741,500)
Loss from continuing operations before income taxes	(293,875)	(1,229,614)	(1,321,154)	(1,255,204)
Income tax benefit from continuing operations	(112,882)	(195,311)	(433,966)	(246,522)
<b>Loss from continuing operations</b>	<b>(180,993)</b>	<b>(1,034,303)</b>	<b>(887,188)</b>	<b>(1,008,682)</b>
Income (loss) from discontinued operations, net of taxes	2,148	19,884	(41,320)	93,356
<b>Net loss</b>	<b>\$ (178,845)</b>	<b>\$ (1,014,419)</b>	<b>\$ (928,508)</b>	<b>\$ (915,326)</b>
<b>Diluted loss from continuing operations per share</b>	<b>\$ (2.22)</b>	<b>\$ (12.76)</b>	<b>\$ (10.90)</b>	<b>\$ (11.92)</b>
<b>Diluted income (loss) from discontinued operations per share</b>	<b>0.03</b>	<b>0.25</b>	<b>(0.50)</b>	<b>1.11</b>
<b>Diluted net loss per share</b>	<b>\$ (2.19)</b>	<b>\$ (12.51)</b>	<b>\$ (11.40)</b>	<b>\$ (10.81)</b>

**THE PMI GROUP, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

	December 31,	December 31,
	2008	2007
	(Audited)	(Audited)
	<i>(Dollars and shares in thousands, except per share data)</i>	
<b>Assets</b>		
Investments	\$ 2,221,595	\$ 2,437,280
Cash and cash equivalents	1,483,313	354,508
Investments in unconsolidated subsidiaries	150,377	309,800
Reinsurance recoverables	482,678	36,917
Deferred policy acquisition costs	34,791	18,305
Property, equipment and software, net of accumulated depreciation and amortization	131,211	157,308
Other assets	320,434	302,767
Assets - discontinued operations- held for sale	-	1,453,555
<b>Total assets</b>	<b>\$ 4,824,399</b>	<b>\$ 5,070,440</b>
<b>Liabilities</b>		
Reserve for losses and loss adjustment expenses	\$ 2,709,286	\$ 1,177,309
Unearned premiums	111,656	136,921
Debt	481,764	496,593
Other liabilities	243,468	178,275
Liabilities - discontinued operations - held for sale	-	568,380
<b>Total liabilities</b>	<b>3,546,174</b>	<b>2,557,478</b>
<b>Shareholders' equity</b>	<b>1,278,225</b>	<b>2,512,962</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,824,399</b>	<b>\$ 5,070,440</b>
<b>Basic shares issued and outstanding</b>	<b>81,688</b>	<b>81,120</b>
<b>Book value per share</b>	<b>\$ 15.65</b>	<b>\$ 30.98</b>

Note: Please refer to *The PMI Group, Inc. Fourth Quarter 2008 Financial Supplement* for additional information.