TRIAD GUARANTY INC
Form 10-Q
November 14, 2003

FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2003

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______ to _____

Commission File Number 0-22342

TRIAD GUARANTY INC.
(Exact name of registrant as specified in its charter)

DELAWARE	56-1838519
(State of Incorporation)	(I.R.S. Employer Identification Number)

101 SOUTH STRATFORD ROAD
WINSTON-SALEM, NORTH CAROLINA 27104
(Address of principal executive offices)

(336) 723-1282
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as described in Exchange Act Rule 12b-2) Yes /X/ No/ /

Number of shares of Common Stock, $.01 par value, outstanding as of October 31, 2003: 14,431,138 shares.

TRIAD GUARANTY INC.

INDEX

TRIAD GUARANTY INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands except per share information)	September 30 2003 (Unaudited)
Assets	
Invested assets:	
Fixed maturities, available-for-sale, at fair value	$ 325,173
Equity securities, available-for-sale, at fair value	12,207
Short-term investments	48,337

	385,717
Cash	4,271
Real estate	211
Accrued investment income	3,982
Deferred policy acquisition costs	29,864
Prepaid federal income taxes	92,691
Property and equipment	9,242
Reinsurance recoverable	1,047
Other assets	22,742
Total assets	$ 549,767
Liabilities and stockholders' equity	
Liabilities:	
Losses and loss adjustment expenses	$ 25,522
Unearned premiums	14,516
Amounts payable to reinsurer	3,041
Current taxes payable	1,221
Deferred income taxes	108,154
Unearned ceding commission	849
Long-term debt	34,484
Accrued interest on debt	584
Accrued expenses and other liabilities	6,256
Total liabilities	194,627
Commitments and contingent liabilities - Note 4 Stockholders' equity:	
Preferred stock, par value $.01 per share --- authorized 1,000,000 shares; no shares issued and outstanding	---
Common stock, par value $.01 per share --- authorized 32,000,000 shares; issued and outstanding 14,430,395 shares at September 30, 2003 and 14,159,601 shares at December 31, 2002	144
Additional paid-in capital	87,244
Accumulated other comprehensive income, net of income tax liability of $5,603 at September 30, 2003 and $4,646 at December 31, 2002	10,406
Deferred compensation	(1,304)
Retained earnings	258,650
Total stockholders' equity	355,140
Total liabilities and stockholders' equity	$ 549,767

See accompanying notes.

3

TRIAD GUARANTY INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30		Ni
	2003	2002	200
(Dollars in thousands except per share information)			
Revenue:			

Premiums written:			
Direct	$ 40,448	$ 33,199	$ 112,
Assumed	-	1	
Ceded	(7,329)	(4,919)	(19
Net premiums written	33,119	28,281	92
Change in unearned premiums	(2,796)	(930)	(5
Earned premiums	30,323	27,351	86
Net investment income	4,229	4,156	12
Net realized investment (losses) gains	763	(446)	1
Other income	4	15	
	35,319	31,076	101
Losses and expenses:			
Losses and loss adjustment expenses	6,056	4,390	16
Reinsurance recoveries	(3)	2	
Net losses and loss adjustment expenses	6,053	4,392	16
Interest expense on debt	693	693	2
Amortization of deferred policy acquisition costs	5,315	3,377	12
Other operating expenses (net of acquisition costs deferred)	5,528	5,587	16
	17,589	14,049	48
Income before income taxes	17,730	17,027	53
Income taxes:			
Current	181	167	
Deferred	5,002	5,095	15
	5,183	5,262	15
Net income	$ 12,547	$ 11,765	$ 37
Earnings per common and common equivalent share:			
Basic	$ .87	$ .83	$
Diluted	$ .86	$ .82	$
Shares used in computing earnings per common and common equivalent share:			
Basic	14,352,980	14,139,212	14,284
Diluted	14,558,548	14,373,988	14,470

See accompanying notes.

4

TRIAD GUARANTY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Nine Months Ended

(Dollars in thousands)	September 30 2003	2002
Operating activities		
Net income	$ 37,530	$ 33,09
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss, loss adjustment expenses and unearned premium reserves	10,139	2,84
Accrued expenses and other liabilities	(1,930)	(4,31
Current taxes payable	623	61
Amounts due to/from reinsurer	(1,084)	(23
Accrued investment income	(894)	(8
Policy acquisition costs deferred	(13,624)	(12,71
Amortization of policy acquisition costs	12,757	9,42
Net realized investment losses (gains)	(1,528)	2,67
Provision for depreciation	2,132	2,13
Accretion of discount on investments	(2,852)	(3,38
Deferred income taxes	15,029	14,34
Prepaid federal income taxes	(14,905)	(10,90
Unearned ceding commission	(537)	(70
Real estate acquired in claim settlement	1,350	(82
Accrued interest on debt	(691)	(69
Other assets	(2,517)	(81
Other operating activities	512	29
Net cash provided by operating activities	39,510	30,75
Investing activities		
Securities available-for-sale:		
Purchases - fixed maturities	(82,157)	(62,70
Sales - fixed maturities	58,538	34,37
Purchases - equities	(1,744)	(2,14
Sales - equities	914	1,62
Net change in short-term investments	(13,034)	(6,05
Purchases of property and equipment	(1,842)	(1,25
Net cash used in investing activities	(39,325)	(36,14
Financing activities		
Proceeds from exercise of stock options	3,853	5,37
Net cash provided by financing activities	3,853	5,37
Net change in cash	4,038	(2
Cash at beginning of period	233	85
Cash at end of period	$ 4,271	$ 83
Supplemental schedule of cash flow information		
Cash paid during the period for:		
Income taxes and United States Mortgage Guaranty Tax and Loss Bonds	$ 15,723	$ 11,53
Interest	2,765	2,76

See accompanying notes.

TRIAD GUARANTY INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003
(Unaudited)

NOTE 1 -- THE COMPANY

Triad Guaranty Inc. (the "Company") is a holding company which, through its wholly-owned subsidiary, Triad Guaranty Insurance Corporation ("Triad"), provides private mortgage insurance coverage in the United States to mortgage lenders and investors to protect the lender or investor against loss from defaults on low down payment residential mortgage loans.

NOTE 2 -- ACCOUNTING POLICIES AND BASIS OF PRESENTATION

BASIS OF PRESENTATION - The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Triad Guaranty Inc. annual report on Form10-K for the year ended December 31, 2002.

STOCK OPTIONS - The Company grants stock options to employees and directors for a fixed number of shares with an exercise price equal to or greater than the fair value of the shares at the date of grant. The Company accounts for stock option grants using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and accordingly, recognizes no compensation expense for the stock option grants.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. Had compensation expense for stock options been recognized using the fair value method on the grant date, net income and earnings per share on a pro forma basis would have been (in thousands, except for earnings per share information):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net income - as reported	$ 12,547	$ 11,765	$ 37,530	$ 33,093
Net income - pro forma	$ 12,408	$ 11,565	$ 37,046	$ 32,471
Earnings per share - as reported:				
Basic	$ 0.87	$ 0.83	$ 2.63	$ 2.36
Diluted	$ 0.86	$ 0.82	$ 2.59	$ 2.31
Earnings per share - pro forma:				
Basic	$ 0.86	$ 0.82	$ 2.59	$ 2.31
Diluted	$ 0.85	$ 0.80	$ 2.56	$ 2.27

TRIAD GUARANTY INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003
(Unaudited)

NOTE 3 -- CONSOLIDATION

The consolidated financial statements include Triad Guaranty Inc. and its wholly-owned subsidiary, Triad Guaranty Insurance Corporation ("Triad"), and Triad's wholly-owned subsidiaries, Triad Guaranty Assurance Corporation and Triad Re Insurance Corporation (collectively referred to as "the Company"). All significant intercompany accounts and transactions have been eliminated.

NOTE 4 -- COMMITMENTS AND CONTINGENT LIABILITIES

REINSURANCE - Triad assumes and cedes certain premiums and losses from/to reinsurers under various reinsurance agreements. Reinsurance contracts do not relieve Triad from its obligations to policyholders. Failure of the reinsurer to honor its obligation could result in losses to Triad; consequently, allowances are established for amounts when deemed uncollectible.

INSURANCE IN FORCE, DIVIDEND RESTRICTIONS, AND STATUTORY RESULTS - Insurance regulations generally limit the writing of mortgage guaranty insurance to an aggregate amount of insured risk no greater than 25 times the total of statutory capital and surplus and the statutory contingency reserve. The amount of net risk for insurance in force at September 30, 2003 and December 31, 2002, as presented below, was computed by applying the various percentage settlement options and applicable stop-loss parameters to the insurance in force amounts based on the original insured amount of the loan. Triad's ratio is as follows:

	September 30, 2003	December 31, 2002
(Dollars in thousands)		
Net risk................................	$ 6,209,900	$ 5,534,420
Statutory capital and surplus............	$ 122,401	$ 112,874
Statutory contingency reserve............	289,503	245,006
Total....................................	$ 411,904	$ 357,880
Risk-to-capital ratio....................	15.1-to-1	15.5-to-1

Triad and its wholly-owned subsidiaries, Triad Guaranty Assurance Corporation and Triad Re Insurance Corporation, are each required under their respective domiciliary state's insurance code to maintain a minimum level of statutory capital and surplus. Triad, an Illinois domiciled insurer, is required under the Illinois Insurance Code (the "Code") to maintain minimum statutory capital and surplus of $5 million. The Code permits dividends to be paid only out of earned surplus and also requires prior approval of extraordinary dividends. An extraordinary dividend is any dividend or distribution of cash or other property, the fair value of which, together with that of other dividends or distributions made within a period of twelve consecutive months, exceeds the greater of (a) ten percent of statutory surplus as regards policyholders, or (b) statutory net income for the calendar year preceding the date of the dividend.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003
(Unaudited)

Net income as determined in accordance with statutory accounting principles was $51.0 million and $44.7 million for the nine months ended September 30, 2003 and 2002, respectively, and $61.8 million for the year ended December 31, 2002.

At September 30, 2003 and December 31, 2002, the amount of Triad's equity that could be paid out in dividends to stockholders was $38.7 million and $29.2 million, respectively, which was the earned surplus of Triad on a statutory basis on those dates.

LOSS RESERVES - The Company establishes loss reserves to provide for the estimated costs of settling claims with respect to loans reported to be in default and loans in default which have not been reported to the Company. Reserves are established by management using estimated claim rates (frequency) and claim amounts (severity) to estimate ultimate losses. The reserving process gives effect to current economic conditions and profiles delinquencies by such factors as policy year, geography, chronic late payment characteristics and age. Due to the inherent uncertainty in estimating reserves for losses and loss adjustment expenses, there can be no assurance that the reserves will prove to be adequate to cover ultimate loss development.

LITIGATION - A class action lawsuit has been filed against the Company in the ordinary course of the Company's business alleging that contract underwriting and captive reinsurance violate the Real Estate Settlement Procedures Act. In the opinion of management, the ultimate resolution of this pending litigation will not have a material adverse effect on the financial position or results of operations of the Company.

NOTE 5 - - EARNINGS PER SHARE

Basic and diluted earnings per share are based on the weighted-average daily number of shares outstanding. For diluted earnings per share, the denominator includes the dilutive effect of stock options on the weighted-average shares outstanding. There are no other reconciling items between the denominator used in basic earnings per share and diluted earnings per share. The numerator used in basic earnings per share and diluted earnings per share is the same for all periods presented.

NOTE 6 - - COMPREHENSIVE INCOME

Comprehensive income consists of net income and other comprehensive income. For the Company, other comprehensive income is composed of unrealized gains or losses on available-for-sale securities, net of income tax. For the three months ended September 30, 2003 and 2002, the Company's comprehensive income was $8.7 million and $19.3 million, respectively. For the nine months ended September 30, 2003 and 2002, the Company's comprehensive income was $39.3 million and $43.6 million, respectively.

NOTE 7 - - INCOME TAXES

Income tax expense differs from the amounts computed by applying the Federal statutory income tax rate to income before income taxes primarily due to tax-exempt interest that the Company earns from its investments in municipal bonds.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations analyzes the consolidated financial condition, changes in financial position, and results of operations for the three month and nine month periods ended September 30, 2003, as compared to the same periods in 2002 of Triad Guaranty Inc. The discussion supplements Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 1 in Form 10-K and should be read in conjunction with the interim financial statements and notes contained herein.

RESULTS OF OPERATIONS

Net income for the first nine months of 2003 increased 13.4% to $37.5 million or $2.59 per diluted share compared to $33.1 million or $2.31 per diluted share in the first nine months of 2002. Net income for the third quarter of 2003 increased 6.6% to $12.5 million or $0.86 per diluted share from $11.8 million or $0.82 per diluted share in the third quarter of 2002. This improvement in net income was led by an increase in earned premiums partially offset by increases in net losses and loss adjustment expenses and amortization of deferred policy acquisition costs. Net income for the first nine months of 2003 includes $1.5 million of net realized investment gains while net income for the first nine months of 2002 included $2.7 million of net realized investment losses. For the third quarter of 2003 and 2002, net income includes $763,000 of net realized investment gains and $446,000 of net realized investment losses, respectively.

PRODUCTION AND IN FORCE

Total insurance written was $15.3 billion for the first nine months of 2003 compared to $9.7 billion for the first nine months of 2002, an increase of 57.7%. For the third quarter of 2003, total insurance written was $6.7 billion compared to $3.5 billion for the comparable period of 2002, an increase of 91.9%. Total insurance written includes insurance written attributable to traditional flow production and to structured bulk transactions.

Traditional flow insurance written in the first nine months of 2003 increased 57.9% to $13.3 billion from $8.4 billion in the first nine months of 2002. For the third quarter of 2003, traditional flow insurance written increased 68.3% to $5.0 billion from $3.0 billion for the comparable period of 2002. This increase was primarily the result of expanding relationships with national lenders, strong demand for risk-sharing arrangements and other product offerings, and a lower interest rate environment that contributed to a very strong refinance market.

Insurance written in the first nine months of 2003 attributable to structured bulk transactions totaled $1.9 billion ($1.6 billion in the third quarter) compared to $1.2 billion ($478 million in the third quarter) in the first nine months of 2002. Structured bulk transactions are generally initiated by secondary mortgage market participants who wish to use mortgage insurance as a credit enhancement. The Company competes against other mortgage insurers as well as other forms of credit enhancement provided by capital markets for these transactions. Insurance written attributed to structured bulk transactions is likely to vary significantly from period to period due to the relatively small number of transactions that encompass this market (as opposed to the traditional flow market), competitiveness with other mortgage insurers, the attractiveness in the marketplace of mortgage insurance versus other forms of credit enhancements, and the changing loan composition and underwriting criteria of the market. Although terms vary, the bulk market can be broadly categorized into three different segments or tiers depending on the risk characteristics of the

loans comprising a transaction. The loan characteristics of the three segments are: 1) predominantly high credit quality, low LTV, fully underwritten loans that may have niche characteristics such as non-conforming loan balances and concentrations such as geography, transaction purpose or occupancy type; 2) loans that generally have high credit quality and low to moderate LTVs that have been underwritten with reduced or streamlined documentation; and, 3) generally fully underwritten loans with credit impaired borrowers (FICO credit score less than 575). In general, the Company believes that its bulk business originated in segments 2 and 3 will report a higher default rate than its flow business. However, the Company believes that the lower LTV's associated with its bulk business will ultimately generate proportionately lower claim rates and lower levels of severity than its flow business. The Company enters into bulk transactions primarily in the first two segments mentioned above. At September 30, 2003, approximately 5% of the Company's insurance in force attributable to structured bulk transactions is categorized in segment 3.

The Company periodically enters into structured transactions involving loans that have insurance effective dates within the current reporting period but for which detailed loan information regarding the insured loans is not provided by the issuer of the transaction until later. When this occurs, the Company accrues due premium in the reporting period based on each loan's insurance effective date; however, the loans are not reflected in the Company's inforce, insurance written, and related data totals (collectively referred to as "statistical account totals") until the loan level detail is reported to the Company. Approximately $1.0 billion of the $1.6 billion of insurance written attributable to structured bulk transactions in the third quarter of 2003 had effective dates of coverage in the second quarter of 2003 but due to this delay in the reporting of detailed loan information regarding the insured loans, the loans were not reflected in the Company's statistical account totals until the third quarter. At September 30, 2003, the Company had approximately $1.2 billion of structured transactions with effective dates within the third quarter for which loan level detail had not been received and therefore are not included in the statistical account totals herein. These amounts will be reported in the statistical account totals during the fourth quarter of 2003 once loan level detail is provided to the Company by the issuer of the transaction. The Company has properly included in premium written and premium earned the respective amounts due and earned by the Company during the third quarter of 2003 related to this insurance.

Consolidation within the mortgage origination industry and Triad's continued focus on national lenders have resulted in a greater percentage of production volume being concentrated among a smaller customer base. The Company's ten largest customers were responsible for 75% of traditional flow insurance written in the first nine months of 2003 compared to 73% in all of 2002. The Company's two largest customers generated 58% of traditional flow insurance written in the first nine months of 2003 compared to 53% in all of 2002. The loss of one or more of these major customers could have a significant adverse effect on the Company's business.

According to industry data, Triad's national market share of net new primary insurance written, which includes insurance written on a traditional flow basis as well as that attributed to structured bulk transactions, increased to 4.7% for the first nine months and 5.4% for the third quarter of 2003 compared to 3.6% and 4.0% for the respective periods of 2002. Triad's national market share of net new primary insurance written on a traditional flow basis was 5.1% for both the first nine months of 2003 and the third quarter of 2003 compared to 4.2% and 4.3% for the respective periods of 2002. Net new primary insurance written excludes insurance placed upon loans more than 12 months after loan origination, insurance placed upon loans already covered by primary mortgage insurance, and insurance placed upon loans where lender exposure is effectively reduced below defined minimums.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - - CONTINUED

Total direct insurance in force reached $29.3 billion at September 30, 2003, compared to $25.4 billion at December 31, 2002, and $25.0 billion at September 30, 2002. Significant refinance activity in 2002 and in the first nine months of 2003 resulted in a high level of policy cancellations that substantially offset the impact that the high level of insurance written had on in force growth. As a result, insurance in force increased by only $3.9 billion in the first nine months of 2003, even though insurance written during the same period was $15.3 billion.

Refinance activity increased to 55.6% of total insurance written (54.6% excluding structured bulk transactions) in the first nine months of 2003 from 37.4% of total insurance written (37.0% excluding structured bulk transactions) in the first nine months of 2002. This increase reflected the record low interest rate environment that prevailed during the first nine months of 2003. Refinance activity was 54.6% of total insurance written (52.3% excluding structured bulk transactions) in the third quarter of 2003 compared to 33.0% of total insurance written (31.2% excluding structured bulk transactions) in the same period of 2002. Persistency, or the percentage of insurance in force remaining from 12 months prior, was 49.0% at September 30, 2003 compared to 60.9% at December 31, 2002, and 61.3% at September 30, 2002. The high level of refinance activity and the resulting decrease in persistency is reflective of the low interest rate environment that has been in place during the past year. The annualized quarterly persistency run rate for the third quarter of 2003 was 19.3% compared to 33.6% for the second quarter of 2003 and 57.9% for the third quarter of 2002. Changes in interest rates generally take a few months to affect persistency. During the third quarter of 2003, interest rates moderately increased from the record low levels seen in June and July. If these interest rate levels persist or if interest rates increase further, the Company believes that persistency should show modest improvement in the fourth quarter of 2003 (this would be primarily reflected in the quarterly run rate). However, if rates decline from current levels, persistency could remain at the low levels seen in the first nine months of the year.

The Company defines persistency as the percentage of insurance in force remaining from 12 months prior. Run off, defined as cancelled or terminated policies, of production originated during the past 12 months is not considered in the Company's calculation of persistency. The Company calculates persistency by determining the run off over the prior 12 months of each individual policy year (exclusive of current year production). This method of calculating persistency may vary from that of other mortgage insurers. The Company believes that its calculation presents an accurate measure of the percentage of insurance in force remaining from 12 months prior. The Company's current method of calculating persistency is consistent with the methodology used by the Company in prior years.

FICO credit scores are one of the factors used by the Company in determining credit risk. The following table presents the FICO credit score distribution of the Company's insurance in force at September 30, 2003 and December 31, 2002.

Percent of Insurance In Force	September 30, 2003	December 31, 2002
-Credit score less than 575	1.2%	0.9%
Credit score between 575 and 619	4.8%	4.8%
Credit score greater than 619	94.0%	94.3%

As the table shows, the Company insures some loans that have FICO credit scores below 575. The Company believes that these loans have a higher probability of loss than a loan with a FICO credit score of 575 or greater. The Company does not expect loans with FICO scores less than 575 to become a significant portion of its insurance in force.

REVENUES

Total direct premiums written were $112.4 million for the first nine months of 2003, an increase of 23.7% from $90.8 million for the comparable period of 2002. Direct premiums written for the third quarter of 2003 increased 21.8% to $40.4 million from $33.2 million in the third quarter of 2002. Net premiums written increased by 18.7% to $92.6 million in the first nine months of 2003 from $78.1 million for the comparable period of 2002. Net premiums written for the third quarter of 2003 increased 17.1% to $33.1 million from $28.3 million in the third quarter of 2002. Contributing to the increase in premiums written for the third quarter and for the first nine months of 2003 were significant writings under the Company's annual premium payment plan. The annual premium payment plan requires a first-year premium paid at mortgage loan closing, with the entire amount reported as premium written. This is in contrast to the Company's monthly premium payment plan which involves, in general, the payment of one or two months' premium at mortgage loan closing, with the associated amounts reported as premium written. During the first nine months of 2003, 32% of total insurance written (38% during the third quarter) was under the Company's annual premium payment plan compared to 17% of total insurance written during the first nine months of 2002 (15% during the third quarter).

The difference between direct premiums written and net premiums written is primarily attributable to ceded premium. Driven by an increase in insurance subject to lender risk-sharing arrangements, ceded premiums written increased 54.5% to $19.7 million for the first nine months of 2003 from $12.8 million for the first nine months of 2002. Ceded premiums written in the third quarter of 2003 were $7.3 million compared to $4.9 million for the same period of 2002, an increase of 49.0%. The Company also continues to maintain $125 million of excess of loss reinsurance coverage for which the payment is included in ceded premium written. The Company's premium cede rate (the ratio of ceded premiums written to total direct premiums written) was 17.5% in the first nine months of 2003 (18.1% in the third quarter) compared to 14.1% in the first nine months of 2002 and

14.8% in the third quarter of 2002. The Company's premium cede rate for captive reinsurance (the ratio of ceded premiums written under captive reinsurance arrangements to total direct premiums written) was 15.1% in the first nine months of 2003 (15.8% in the third quarter) compared to 12.0% in the first nine months of 2002 (12.7% in the third quarter). The average premium cede rate for direct premiums written subject to the Company's captive reinsurance arrangements was 35.0% for the first nine months of 2003 (36.5% in the third quarter) compared to 36.3% in the first nine months of 2002 (36.2% in the third quarter). Approximately $6.0 billion of insurance written, or 45% of flow insurance written (39% of total insurance written including structured bulk transactions), during the first nine months of 2003 was subject to risk-sharing arrangements compared to $4.4 billion of insurance written, or 53% of flow insurance written (46% including structured bulk transactions), in the same period of 2002. Through September 30, 2003, structured bulk transactions have not been subject to captive mortgage reinsurance or other risk-sharing arrangements. Approximately 47% of direct insurance in force is subject to risk-sharing arrangements at September 30, 2003, compared to 43% at September 30, 2002. This increase in insurance in force subject to risk-sharing

arrangements is due primarily to the increased market penetration of the Company's risk-sharing arrangements and the high level of refinance activity during the past twelve months, as policies previously not subject to risk-sharing arrangements refinanced and new policies issued that were subject to risk-sharing arrangements. Management anticipates ceded premiums will continue to increase as a result of the expected increase in risk-sharing programs.

Under the Company's excess of loss lender risk-sharing arrangements, the reinsurer may elect a risk band with a flexible entry and exit point. One of the Company's competitors announced that effective April 1, 2003, it will not participate in excess of loss risk-sharing arrangements where the net premium cede rate is greater than 25% ("deep ceded"). According to recent articles published in Inside Mortgage Finance, two of the Company's other competitors have recently announced that they will limit the amount of premium they will cede under captive arrangements. The Company believes that its risk-sharing arrangements provide valuable reinsurance protection and potentially reduce the risk of volatility in the Company's earnings. The Company plans to continue to participate in excess of loss risk-sharing arrangements, including deep ceded arrangements. It is uncertain at this time what impact, if any, the competitors' decisions, as described above, will have on the Company's direct insurance in force subject to risk-sharing arrangements and the Company's market share.

Earned premiums increased 12.1% to $86.7 million for the first nine months of 2003 from $77.4 million for the comparable period of 2002. Earned premiums for the third quarter of 2003 increased 10.9% to $30.3 million from $27.4 million in the third quarter of 2002. The variance between net written premiums and earned premiums for the first nine months of 2003 and for the third quarter of 2003 is due to the significant writings of the Company's annual premium product and the related increase in the unearned premium reserve. The Company's unearned premium liability increased to $14.5 million at September 30, 2003 from $11.7 million at June 30, 2003, $8.6 million at March 31, 2003, and $8.5 billion at December 31, 2002. Direct written premium from the annual premium product represented 18.6% of direct premium written for the third quarter of 2003, 17.5% of direct premium written for the second quarter of 2003, and 7.9% of direct premium written for the first quarter of 2003. For all of 2002, direct written premium from the annual premium product represented 7.0% of direct premium written. The growth in written and earned premiums resulted from strong levels of new insurance written offset by the impact of a declining persistency rate due to a high level of mortgage refinancings and by the increase in ceded premiums.

Net investment income for the first nine months of 2003 was $12.9 million, an 8.6% increase over $11.8 million in the first nine months of 2002. Net investment income for the third quarter of 2003 was $4.2 million, an increase of 1.8% from $4.2 million in the third quarter of 2002. This increase is the result of growth in the average book value of invested assets by 19.2% to $350.3 million at September 30, 2003 from $294.0 million at September 30, 2002, which is attributable to the investment of normal operating cash flow. The percentage increase in net investment income was much lower than the percentage increase in invested assets primarily due to a decrease in the Company's investment yields. The pre-tax yield on average invested assets, calculated on the basis of amortized cost, decreased to 4.9% for the first nine months of 2003 compared to 5.4% for the first nine months of 2002. The portfolio's tax-equivalent yield-to-maturity was 7.2% for the first nine months of 2003 versus 7.9% for the first nine months of 2002. The decrease in yield reflects the low interest rate environment for new money investments made over the past several quarters and the disposal of a number of higher yielding securities during the past twelve months to enhance the overall quality of the portfolio. The portfolio's yield was also affected by a higher percentage of the fixed income portfolio invested in municipal securities and a higher percentage invested at low yielding money market rates. Based on fair value, approximately 84% and 79% of the Company's fixed maturity portfolio at September 30, 2003 and 2002, respectively, was composed of state and municipal tax-preferred securities. Approximately 96% of

the Company's fixed maturity portfolio, based on fair value, at September 30, 2003 was either a U.S. government or U.S. agency obligation or was rated investment grade by at least one nationally recognized securities rating organization compared to approximately 95% at September 30, 2002. U.S. government, U.S. agency, and investment grade securities generally have a lower yield, in return for less default risk, than securities rated below investment grade.

The Company reported $1.5 million of net realized investment gains in the first nine months of 2003 and $2.7 million of net realized investment losses in the same period of 2002. For the third quarter of 2003, the Company reported $763,000 of net realized investment gains compared to $446,000 of reported net realized investment losses in the third quarter of 2002. The Company actively monitors investment securities considered to be at risk for impairment. When the Company determines that a decline in the value of a security below its amortized cost is other-than-temporary, an impairment loss has occurred. In the event of impairment, the Company writes down the cost basis of the security to its fair value and recognizes a realized loss for the amount of the writedown. Net realized gains of $1.5 million during the first nine months of 2003 included approximately $780,000 of impairment writedowns. Net realized gains of $763,000 during the third quarter of 2003 included an impairment writedown on an equity in the pharmaceutical sector of approximately $165,000.

LOSSES AND EXPENSES

Net losses and loss adjustment expenses (net of reinsurance recoveries) increased by 70.6% in the first nine months of 2003 to $16.7 million from $9.8

million for the same period of 2002. Net losses and loss adjustment expenses were $6.1 million in the third quarter of 2003 compared to $4.4 million in the third quarter of 2002, an increase of 37.8%. The growth of net losses and loss adjustment expenses reflects an increase in both paid losses and reserves. The increase was anticipated in the current year and is reflective of the Company's overall growth of insurance in force, relative growth of the Company's participation in the bulk market, and the cumulative effect of job losses on the economy. Net paid losses and loss adjustment expenses were $12.5 million in the first nine months of 2003 compared to $7.7 million in the first nine months of 2002. Net paid losses and loss adjustment expenses were $4.9 million in the third quarter of 2003, up from $3.0 million in the third quarter of 2002. Average severity (direct paid losses divided by number of claims paid) for the first nine months of 2003 was approximately $22,800 compared with $21,900 for the respective period of 2002. The following table provides detail on direct paid losses from traditional flow business and structured bulk business.

Direct Paid Losses

(In Thousands)	Three Months Ending September 30, 2003	Three Months Ending September 30, 2002	Nine Months Ending September 30, 2003	Nine Months Ending September 30, 2002
Flow	$3,983	$2,909	$10,984	$7,373
Bulk	841	-	1,211	-
Total	$4,824	$2,909	$12,195	$7,373

The Company's loss ratio (the ratio of incurred losses to earned premiums) was 19.3% for the first nine months of 2003 compared to 12.6% for the first nine months of 2002 and 13.4% for all of 2002. The loss ratio was 20.0% in the third quarter of 2003 and 16.1% for the third quarter of 2002. The increase in the

loss ratio is consistent with management's expectations given the current operating environment.

As of September 30, 2003, approximately 91% of the Company's insurance in force was originated in the last 36 months compared to 80% at September 30, 2002. Management believes, based upon its experience and industry data, that claims incidence for traditional flow business is generally highest in the third through sixth years after loan origination. Furthermore, management believes that the period of highest claim incidence for business attributable to structured bulk transactions is earlier than that for traditional flow business. The Company expects its incurred losses to increase as a greater amount of its insurance in force reaches its anticipated highest claim frequency years. Furthermore, changes in the economic environment could accelerate paid and incurred loss development. Due to the inherent uncertainty of future premium levels, losses, economic conditions, and other factors that affect earnings, it is difficult to predict with any degree of certainty the impact of such higher claim frequencies on future earnings.

Amortization of deferred policy acquisition costs increased by 35.4% to $12.8 million in the first nine months of 2003 from $9.4 million for the first nine months of 2002. For the third quarter of 2003, we recognized $5.3 million of amortization, a 32.5% increase over the $4.0 recorded in the second quarter of 2003 and a 57.4% increase from $3.4 million in the third quarter of 2002. The increase in amortization reflects growth in deferred policy acquisition costs related to the expansion of the Company's insurance in force and accelerated amortization due to higher cancellations from refinance activity in the first nine months of 2003. The Company's model calculates the amortization of deferred policy acquisition costs separately for each book year. The model accelerates the amortization of deferred policy acquisition costs through a dynamic adjustment when persistency for a book year is lower than a historical baseline level in order to match the amortization expense with the life of the policies on which the acquisition costs were originally deferred. Low persistency levels during the first nine months of 2003 and 2002 resulted in additional amortization of deferred policy acquisition costs through dynamic adjustments totaling $3.4 million in the first nine months of 2003 ($2.1 million in the third quarter) and $890,000 in the first nine months of 2002 ($459,000 in the third quarter). While the Company believes that persistency may show slight improvement in the fourth quarter if interest rates remain at current levels or rise, the Company utilizes an annual persistency model in the calculation of amortization and does not expect to have significant improvement in amortization of deferred policy acquisition costs in the fourth quarter of 2003.

Other operating expenses decreased 5.1% to $16.5 million for the first nine months of 2003 from $17.4 million for the same period of 2002. For the third quarter of 2003, other operating expenses were $5.5 million compared to $5.6 million in the third quarter of 2002, a decrease of 1.1%. The decline in other operating expenses is primarily the result of operational efficiencies achieved through the use of technology. The Company has made substantial investments in technology that allows increased insurance writings without a proportional increase in operating expenses. The expense ratio (ratio of the amortization of deferred policy acquisition costs and other operating expenses to net premiums written) for the first nine months of 2003 was 31.6% compared to 34.4% for the first nine months of 2002 and 34.6% for all of 2002. The expense ratio for the third quarter of 2003 was 32.7% compared to 31.7% in the third quarter of 2002.

The expense ratios for the first nine months of 2003 and for the third quarter of 2003 were positively affected by the decrease in other operating expenses as well as the increase in net written premium, which was impacted by increased production of the annual premium product. The expense ratios for the first nine months of 2003 and especially for the third quarter of 2003 were negatively affected by the accelerated amortization of deferred policy acquisition costs.

The effective tax rate for the first nine months of 2003 was 29.3% compared to 31.0% for the first nine months of 2002. The effective tax rate for the third quarter of 2003 was 29.2% compared to 30.9% for the third quarter of 2002. The decrease in the effective tax rate is due primarily to an increase in tax-exempt interest resulting from a higher percentage of assets being invested in tax-preferred securities. Management expects the Company's effective tax rate to remain near current levels or decline slightly as long as yields from new funds invested in tax-preferred securities remain favorable in relation to fully taxable securities.

LIQUIDITY AND CAPITAL RESOURCES

The Company's sources of operating funds consist primarily of premiums written and investment income. Operating cash flow is applied primarily to the payment of claims, interest, operating expenses, and taxes.

The Company generated positive cash flow from operating activities for the first nine months of 2003 of $39.5 million compared to $30.8 million for the same period of 2002. The increase in operating cash flow in the first nine months of 2003 reflects the growth in premiums and investment income and a decrease in underwriting expenses paid offset partially by an increase in losses paid. The Company's business does not routinely require significant capital expenditures other than for enhancements to its computer systems and technological capabilities. Positive cash flows are invested pending future payments of claims and expenses. Cash flow shortfalls, if any, could be funded through sales of short-term investments and other investment portfolio securities.

The parent company's cash flow is dependent on interest income and payments from Triad including management fees and interest payments under surplus notes. The Illinois Insurance Department permits expenses of the parent company to be reimbursed by Triad in the form of management fees. Payment of dividends is also permitted, although none have been paid to date.

The insurance laws of the State of Illinois impose certain restrictions on dividends that Triad can pay the parent company. These restrictions, based on statutory accounting principles, include requirements that dividends may be paid only out of statutory earned surplus and that limit the amount of dividends that may be paid without prior approval of the Illinois Insurance Department.

Consolidated invested assets were $385.7 million at September 30, 2003 compared to $344.6 million at December 31, 2002. This increase was primarily attributable to the Company's operating cash flow for the first nine months of 2003. Fixed maturity securities and equity securities classified as available-for-sale totaled $337.4 million at September 30, 2003 compared to $309.3 million at December 31, 2002. Contributing to this increase in invested assets and securities classified as available-for-sale was an increase in net unrealized investment gains on fixed maturity securities from year-end levels and a net unrealized investment gain on equity securities at September 30, 2003 compared to a net unrealized investment loss at year-end. Net unrealized investment gains on fixed maturity securities were $15.0 million at September 30, 2003 compared to $13.7 million at December 31, 2002. Net unrealized investment gains on equity securities were $975,000 at September 30, 2003 compared to a net unrealized investment loss of $458,000 at December 31, 2002.

Based on fair value, the fixed maturity portfolio consisted of approximately 84% municipal securities, 11% corporate securities, and 5% U.S. government obligations at September 30, 2003 compared to a composition of 81% municipal securities, 15% corporate securities, and 4% U.S. government obligations at December 31, 2002.

The Company's loss and loss adjustment expense reserves were $25.5 million at September 30, 2003 compared to $21.4 million at December 31, 2002. Loss and loss adjustment expense reserves are established for all insured loans reported as delinquent to the Company by the loan servicer. Reserves also are established for estimated losses incurred on notices of default not yet reported by the servicer. Consistent with industry practices, the Company does not establish loss reserves for future claims on insured loans that are not currently in default. The growth in loss reserves is the result of the increase in reported defaults. The Company expects loss reserves and the number of flow and bulk loans in default to continue to grow, reflecting the growth and aging of its insurance in force.

The following table shows default statistics as of September 30, 2003 and December 31, 2002:

Default Statistics

	September 30, 2003	December 31, 2002
Number of insured loans in force	221,053	190,480
Number of loans in default	3,700	2,379
Percentage of loans in default (default rate)	1.67%	1.25%
Number of insured loans in force excluding bulk loans	198,366	171,723
Number of loans in default excluding bulk loans	2,675	2,120
Percentage of loans in default excluding bulk loans	1.35%	1.23%
Number of bulk loans in force	22,687	18,757
Number of bulk loans in default	1,025	259
Percentage of bulk loans in default	4.52%	1.38%

The number of loans in default includes all reported delinquencies that are three or more payments in arrears at the reporting date and all reported delinquencies that were previously three or more payments in arrears and have not made payments to the current due date. The increase in the default rate for bulk business is primarily attributable to the maturing of the bulk portfolio and the higher expected default rate as previously mentioned. Contributing to changes in default rates is changes in the number of policies in force, which is the denominator in the default rate calculation. All else being equal, an increase/decrease in this number results in a lower/higher default rate. As a result, production levels as well as persistency have an effect on the reported default rates. The default occurrence for both traditional flow business and structured bulk business is consistent with management's expectation.

Reserves are established by management using estimated claim rates (frequency) and claim amounts (severity) to estimate ultimate losses. The reserving process incorporates numerous factors in a formula that gives effect to current economic conditions and profiles delinquencies by such factors as

17

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - - CONTINUED

policy year, geography, chronic late payment characteristics, and the number of months the policy has been in default. Because the estimate for loss reserves is sensitive to the estimates of claims frequency and severity, management performs sensitivity analyses to test the reasonableness of the best estimate generated by the loss reserve process. These sensitivity analyses allow management to use alternative assumptions related to claims frequency and claims severity to develop a range of reasonably possible loss reserve outcomes that can be used to challenge the best estimate. The loss reserve estimation process and the sensitivity analyses support the reasonableness of the best estimate of loss reserves recorded as a liability in the financial statements. Management periodically reviews the loss reserve process in order to improve its estimate of ultimate losses on loans currently in default. Adjustments to reserve estimates are reflected in the financial statements in the periods in which the adjustments are made.

Triad cedes business to captive reinsurance subsidiaries and/or affiliates of certain mortgage lenders ("captives") primarily under excess of loss reinsurance agreements. Generally, reinsurance recoverables on loss reserves and unearned premiums ceded to these captives are backed by trust funds or letters of credit.

Total stockholders' equity increased to $355.1 million at September 30, 2003 from $309.4 million at December 31, 2002. This increase resulted primarily from net income of $37.5 million for the first nine months of 2003, an increase in unrealized gains on investments, net of tax, of $1.8 million, and additional paid-in capital of $5.9 million resulting from the exercise of employee stock options and the related tax benefits.

Triad's total statutory policyholders' surplus increased to $122.4 million at September 30, 2003 from $112.9 million at December 31, 2002. Triad's statutory earned surplus increased to $38.7 million at September 30, 2003 from $29.2 million at December 31, 2002. The increase in Triad's statutory policyholders' surplus and statutory earned surplus resulted, primarily, from statutory net income of $51.0 million and a change in unrealized investment gains of approximately $1.5 million which exceeded the net increase in the statutory contingency reserve of $44.5 million. The balance in the statutory contingency reserve was $289.5 million at September 30, 2003 compared to $245.0 million at December 31, 2002.

Triad's ability to write insurance depends on the maintenance of its financial strength ratings and the adequacy of its capital in relation to risk in force. A significant reduction of capital or a significant increase in risk may impair Triad's ability to write additional insurance. A number of states also generally limit Triad's risk-to-capital ratio to 25-to-1. As of September 30, 2003, Triad's risk-to-capital ratio was 15.1-to-1 compared to 15.5-to-1 at December 31, 2002, and to 11.0-to-1 for the industry as a whole at December 31, 2002, the latest industry data available. The risk-to-capital ratio is calculated using net risk in force, which takes into account risk ceded under reinsurance arrangements including captive risk-sharing arrangements as well as any applicable stop-loss limits, as the numerator and statutory capital, which includes statutory policyholders' surplus and the balance in the contingency reserve, as the denominator. The decrease in Triad's risk-to-capital ratio is due to a higher growth rate in statutory capital than that in net risk in force.

Triad is rated "AA" by both Standard & Poor's Ratings Services (S&P) and Fitch Ratings (Fitch) and "Aa3" by Moody's Investors Service (Moody's).

In July of 2003, S&P revised its rating outlook for the U.S. private mortgage insurance industry to "Negative" from "Stable". According to S&P, industry outlooks are primarily determined by the expected course of rating actions during the next one to two years. S&P stated that they see little chance

that there will be any outlook or rating improvements among the mortgage insurers in the next one to two years, but they do see a considerable possibility that there will be some negative revisions in outlooks and ratings. In January of 2003, Fitch revised its rating outlook for the U.S. private mortgage insurance industry to "Negative" from "Stable" (as referred to in Form 10-K). As of the filing of this Form 10-Q, Fitch, S&P, and Moody's all report a "Stable" ratings outlook for Triad. A reduction in the Company's rating or outlook could adversely affect the Company's operations.

Fannie Mae is in the process of revising its approval requirements for mortgage insurers. The new requirements, which have not yet been finalized, would require prior approval by Fannie Mae for many of Triad's activities and new products, allow for other approved types of mortgage insurers rated less than "AA," and give Fannie Mae increased rights to revise the eligibility standards of mortgage insurers. The final form the eligibility guidelines will take is unknown at this time, but new guidelines, if issued, could have an adverse effect on the Company.

The Office of Federal Housing Enterprise Oversight (OFHEO) issued its risk-based capital rules for Fannie Mae and Freddie Mac in the first quarter of 2002. The regulation provides capital guidelines for Fannie Mae and Freddie Mac in connection with their use of various types of credit protection counterparties including a more preferential capital credit for insurance from a "AAA" rated private mortgage insurer than for insurance from a "AA" rated private mortgage insurer. The phase-in period for the new rules is ten years. The Company does not believe the new rules had an adverse impact on it in the first nine months of 2003 nor that the new rules will have a significant adverse impact on the Company in the future. However, if the new capital guidelines result in future changes to the preferences of Fannie Mae and Freddie Mac regarding their use of the various types of credit enhancements or their choice of mortgage insurers based on their credit rating, the Company's financial condition could be significantly harmed.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Management's Discussion and Analysis and this Report contain forward-looking statements relating to future plans, expectations, and performance which involve various risks and uncertainties, including but not limited to the following:

- interest rates may increase or decrease from their current levels;

- housing transactions requiring mortgage insurance may decrease for many reasons including changes in interest rates or economic conditions;

- the Company's market share may change as a result of changes in underwriting criteria or competitive products or rates;

- the amount of insurance written could be adversely affected by changes in federal housing legislation, including changes in the Federal Housing Administration loan limits and coverage requirements of Freddie Mac and Fannie Mae;

- the Company's financial condition and competitive position could be affected by legislation impacting the mortgage guaranty industry specifically and the financial services industry in general;

- rating agencies may revise methodologies for determining the Company's financial strength ratings and may revise or withdraw the assigned ratings at any time;

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - - CONTINUED

- decreases in persistency, which are affected by loan refinancings in periods of low interest rates, may have an adverse effect on earnings;

- the amount of insurance written and the growth in insurance in force or risk in force as well as the performance of the Company may be

  adversely impacted by the competitive environment in the private mortgage insurance industry, including the type, structure, and pricing of products and services offered by the Company and its competitors;

- if the Company fails to properly underwrite mortgage loans under contract underwriting service agreements, the Company may be required to assume the costs of repurchasing those loans;

- with consolidation occurring among mortgage lenders and the Company's concentration of insurance in force generated through relationships with significant lender customers, the loss of a significant customer may have an adverse effect on earnings;

- the Company's performance may be impacted by changes in the performance of the financial markets and general economic conditions;

- economic downturns in regions where Triad's risk is more concentrated could have a particularly adverse effect on Triad's financial condition and loss development;

- OFHEO risk-based capital rules could severely limit the Company's ability to compete against various types of credit protection counterparties, including "AAA" rated private mortgage insurers;

- changes in the eligibility guidelines of Fannie Mae or Freddie Mac could have an adverse effect on the Company;

- proposed regulation by the Department of Housing and Urban Development to exclude packages of real estate settlement services, which may include any required mortgage insurance premium paid at closing, from the anti-referral provisions of the Real Estate Settlement Procedures Act could adversely affect the Company's earnings.

Accordingly, actual results may differ from those set forth in the forward-looking statements. Attention also is directed to other risk factors set forth in documents filed by the Company with the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's market risk exposures at September 30, 2003 have not materially changed from those identified at December 31, 2002.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), has evaluated the Company's disclosure controls and procedures (as defined in Rule 13a - 15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, the Company's management, including the CEO and CFO, concluded that such disclosure controls and procedures were effective as of the end of the period.

Additionally, the Company's management, with the participation of the CEO and CFO, evaluated whether any change in the Company's internal control over financial reporting that occurred during the quarter covered by this Quarterly Report on Form 10-Q materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there have been no such changes during such quarter.

PART II

ITEM 1. LEGAL PROCEEDINGS - None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS - None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES - None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS - None

ITEM 5. OTHER INFORMATION - None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

31(i) Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) pursuant to section 302 of the Sarbanes-Oxley Act of 2002.

31(ii) Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) pursuant to section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) REPORTS ON FORM 8-K

On October 28, 2003, the Company filed a current report on Items 7 and 12 of Form 8-K relating to the issuance of its results of operations for the third quarter ended September 30, 2003 in an earnings release.

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 thereunto duly authorized.

TRIAD GUARANTY INC.

Date: November 14, 2003

/s/ Kenneth S. Dwyer

Kenneth S. Dwyer
Vice President and controller,
Principal Accounting Officer