

Reconciliation of Consolidated Net (Loss) Income to Cash Used in Operations

The following table reconciles consolidated net (loss) income to cash used in operations for the years ended December 31, 2012, 2011 and 2010:

(In thousands)	Year Ended December 31,		
	2012	2011	2010
Net (loss) income	\$ (451,468)	\$ 302,150	\$ (1,805,867)
Adjustments to reconcile net (loss) income to net cash used in operating activities:			
Net losses (gains) on investments and other financial instruments, change in fair value of derivatives and net impairment losses recognized in earnings	41,409	(1,022,699)	630,539
Net payments related to derivative contracts and VIE debt (1) . . .	(8,213)	(119,888)	(291,936)
Equity in loss (earnings) of affiliates	13	(65)	(14,668)
Distributions from affiliate (1)	92	—	29,498
Gain on sale of affiliate	(7,708)	—	(34,815)
Net cash (paid) received for commutations, terminations, and recaptures (1)	(240,110)	(92,599)	85,657
Commutation-related charges	36,500	—	—
Deferred tax provision	6,000	6,758	381,408
Depreciation and amortization, net	72,389	63,120	39,789
Change in:			
Unearned premiums	82,910	(46,665)	(136,291)
Deferred policy acquisition costs	25,504	8,420	11,949
Reinsurance recoverables	66,385	86,047	58,266
Reserve for losses and LAE	(161,114)	(194,486)	252,908
PDR	41	(7,092)	(14,621)
Other assets	7,706	65,388	(34,405)
Accounts payable and accrued expenses	19,164	53,836	(20,014)
Cash flows used in operations	<u>\$ (510,500)</u>	<u>\$ (897,775)</u>	<u>\$ (862,603)</u>

(1) Cash item.

Cash flows used in operating activities decreased for 2012 compared to 2011, primarily as a result of a reduction in mortgage insurance claims paid partially offset by increased payments for commutations, terminations and recaptures in 2012. During 2010, we received net cash from these transactions due to the termination of several captive arrangements.

Stockholders' Equity

Stockholders' equity was \$0.7 billion at December 31, 2012, compared to \$1.2 billion at December 31, 2011. The decrease in stockholders' equity resulted primarily from our net loss of \$451.5 million for 2012.