

WMI HOLDINGS CORP.
Form 10-Q
November 07, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

or

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-14667

WMI Holdings Corp.

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction

of incorporation)

91-1653725
(IRS Employer

Identification No.)

1201 THIRD AVENUE, SUITE 3000

SEATTLE, WASHINGTON 98101
(Address of principal executive offices) (Zip Code)

(206) 432-8887

Edgar Filing: WMI HOLDINGS CORP. - Form 10-Q

(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock \$0.00001 par value	202,343,245
(Class)	(Outstanding at November 5, 2014)

Forward-Looking Statements

Certain information included in this Quarterly Report on Form 10-Q and the documents incorporated herein by reference contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q that address activities, events, conditions or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business and these statements are not guarantees of future performance. These statements can be identified by the fact that they do not relate strictly to historical or current facts.

Forward-looking statements may include the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “future,” “opportunity,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result” and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by such statements. Some of these risks are identified and discussed under Risk Factors in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2013, and under Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014. These risk factors will be important to consider in determining future results and should be reviewed in their entirety. These forward-looking statements are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that the events, results or trends identified in these forward-looking statements will occur or be achieved. Forward-looking statements speak only as of the date they are made, and we do not undertake to update any forward-looking statement, except as required by law.

* * * * *

As used in this Quarterly Report on Form 10-Q, unless the context requires otherwise, (i) the terms “we,” “us,” “our” or “Company” refer collectively to WMI Holdings Corp. and its consolidated subsidiaries; (ii) “WMIHC” refers only to WMI Holdings Corp., without regard to its subsidiaries; (iii) “WMMRC” means WM Mortgage Reinsurance Company, Inc. (a wholly-owned subsidiary of WMIHC); and (iv) “WMIIC” means WMI Investment Corp. (a wholly-owned subsidiary of WMIHC).

WMI HOLDINGS CORP.

FORM 10-Q

INDEX

	Page
<u>PART I – FINANCIAL INFORMATION</u>	
<u>Item 1. Condensed Consolidated Financial Statements.</u>	3
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	28
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk.</u>	41
<u>Item 4. Controls and Procedures.</u>	41
<u>PART II – OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings.</u>	42
<u>Item 1A. Risk Factors.</u>	42
<u>Item 6. Exhibits.</u>	42
<u>SIGNATURES</u>	43

PART I

FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.
WMI HOLDINGS CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

(Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
Investments held in trust, at fair value:		
Fixed-maturity securities	\$ 55,710	\$ 145,904
Cash equivalents held in trust	10,444	33,093
Total investments held in trust	66,154	178,997
Cash and cash equivalents	6,345	11,986
Fixed-maturity securities, at fair value	81,306	72,897
Restricted cash	44	115
Accrued investment income	731	1,110
Deferred offering costs	13,237	1,071
Other assets	990	1,462
Total assets	\$ 168,807	\$ 267,638
LIABILITIES and SHAREHOLDERS' EQUITY		
Liabilities:		
Notes payable - principal	\$ 30,330	\$ 105,502
Notes payable - interest	329	1,143
Losses and loss adjustment reserves	22,166	44,314
Losses payable	642	2,517
Unearned premiums	1,156	1,394
Accrued ceding commissions	48	102
Loss contract fair market value reserve	16,032	46,319
Other liabilities	508	1,218
Total liabilities	71,211	202,509
Commitments and contingencies		
Shareholders' equity:		
Convertible preferred stock, \$0.00001 par value; 5,000,000 authorized; 1,000,000 and zero	—	—

shares issued and outstanding as of September 30, 2014 and December 31, 2013,

respectively

Common stock, \$0.00001 par value; 500,000,000 authorized; 202,343,245 and 201,842,351

shares issued and outstanding as of September 30, 2014 and December 31, 2013,

respectively

	2	2
Additional paid-in capital	106,421	77,142
Accumulated (deficit)	(8,827)	(12,015)
Total shareholders' equity	97,596	65,129
Total liabilities and shareholders' equity	\$ 168,807	\$ 267,638

The accompanying notes are an integral part of the condensed consolidated financial statements.

WMI HOLDINGS CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts and share data)

(Unaudited)

	Three Months ended September 30, 2014	Three Months ended September 30, 2013	Nine Months ended September 30, 2014	Nine Months ended September 30, 2013
Revenues:				
Premiums earned	\$ 1,635	\$ 2,933	\$ 5,514	\$ 8,072
Net investment income (loss)	86	790	1,191	(1,222)
Total revenues	1,721	3,723	6,705	6,850
Expenses:				
Losses and loss adjustment expense (benefit)	542	(618)	4,531	(1,918)
Ceding commission expense	144	321	507	1,027
General and administrative expense	1,287	1,332	4,750	4,366
Loss contract reserve fair market value change	-	-	(30,287)	(987)
Loss from contract termination	-	-	6,563	-
Interest expense	1,047	3,566	7,998	11,540
Total expenses	3,020	4,601	(5,938)	14,028
(Loss) income before federal income taxes	(1,299)	(878)	12,643	(7,178)
Income tax expense (benefit)	-	-	-	-
Net (loss) income	(1,299)	(878)	12,643	(7,178)
Preferred deemed dividend	-	-	(9,455)	