

## **MGIC BUSINESS CONTINUITY PROGRAM**

Mortgage Guaranty Insurance Corporation ("MGIC") and its affiliates recognize the importance of maintaining a viable business continuity strategy and have developed a comprehensive business continuity program ("Program") designed to prevent interruptions in our business operations.

### **MGIC's Business Continuity Planning Process**

Our business continuity planning involves the entire company. Our Program is reviewed and approved by MGIC's Board of Directors (or a Board committee) and by senior management. It is directed by the Senior Vice President - Chief Information Officer and Vice President – Chief Technology Officer and administered by two full-time certified Business Continuity Coordinators dedicated to the development, execution and on-going testing of business recovery plans for all business units within MGIC, as well as the overall network and system infrastructure. Funding for the Program is through our Information Services Department and covers internal corporate and external business continuity expenditures, including personnel, equipment and services that would be needed to prepare for and respond to a disaster.

Plans are developed based on the full loss of MGIC's operational facilities, but also on the basis of a partial loss of such facilities. Based on assessment by the Business Continuity Team (BCT) at the time of an event, full or partial activation of the business recovery plan will be initiated. Example of a full activation: destruction of facilities within MGIC's headquarters where data processing and finance functions are conducted. Example of partial activation: closing of a remote location due to environmental conditions, or loss of a business function caused by an isolated incident, requiring the relocation of personnel and services.

Recovery plans for individual business units, including the Core Business Functions and Support Business Functions are reviewed annually. Call trees and personnel contact lists are updated each quarter. Recovery plans also are updated as needed in response to new or changing business unit requirements. Program funding requirements are reviewed periodically.

- Core Business Functions consist of those business areas which impact key customer relationships, generate revenue, or ensure compliance with contractual or regulatory requirements in a material respect.
- Support Business Functions consist of key support functions, including Human Resources, Information Services, Legal, Corporate Communications and Facilities.

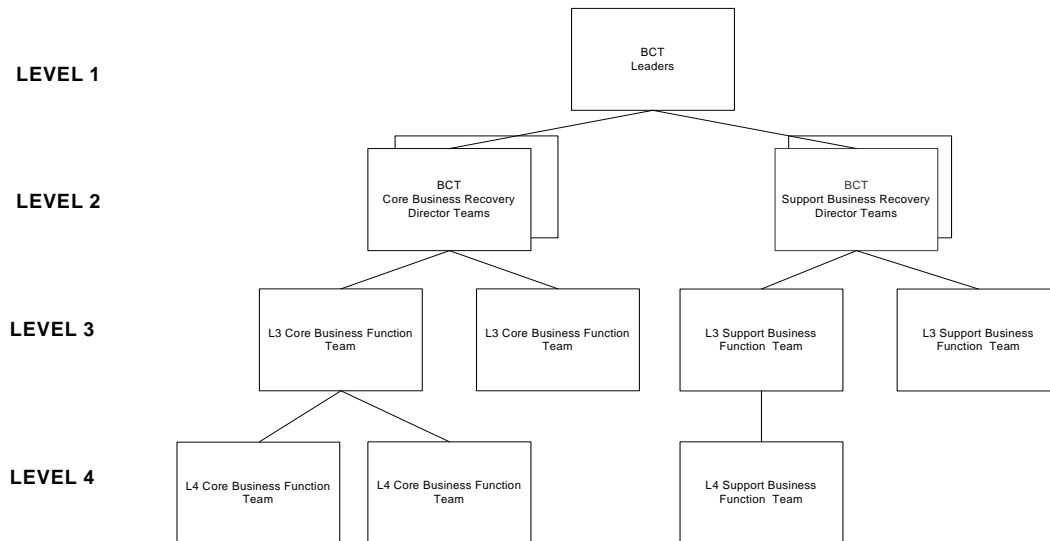
### **Program Objectives**

The principal objectives of our Program are to:

- Recover MGIC's Core Business Functions within 24 hours of a disaster declaration.
- Satisfy obligations and commitments to safeguard the confidential information of MGIC, our customers, employees, and other business associates throughout the business resumption process.
- Minimize adverse financial consequences associated with an interruption of business operations.

## Business Continuity Team Hierarchical Structure

Business continuity is based on a team structure.

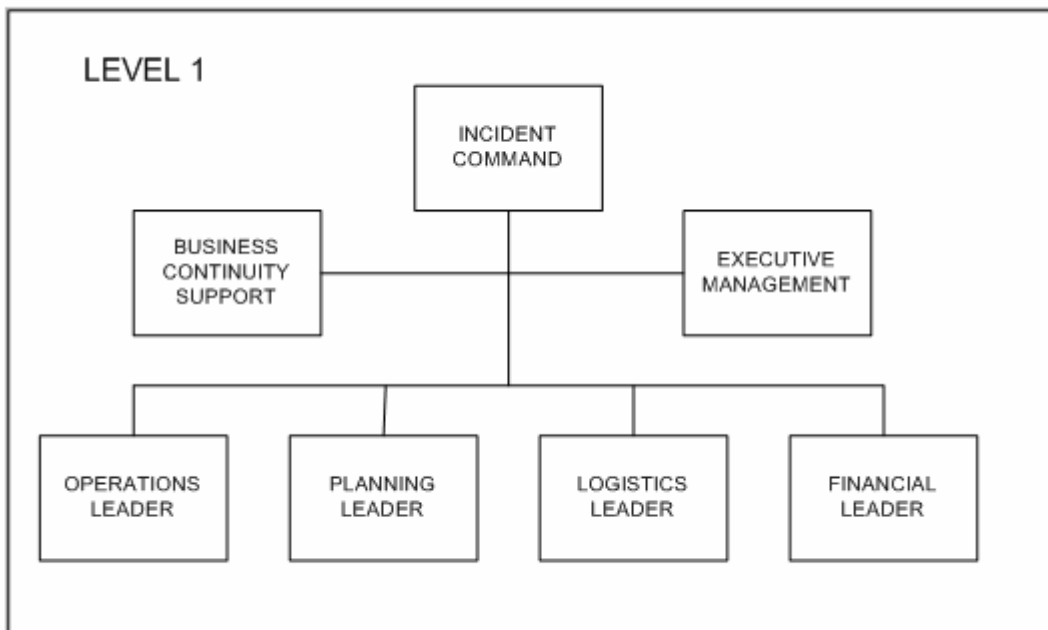


- Level 1 (L1s) are responsible for overall management and direction of the Program and response to a disaster. L1s are responsible for approving corporate-wide high level strategy for business continuity and reporting on its status to executive management and the Boards of Directors of MGIC and its affiliates. They approve allocation of funds and resources for these purposes. At the time of a disaster, they notify persons who need to be mobilized, declare or cancel the disaster, activate emergency responses and resolve questions that arise in the response to the disaster.
- Level 2 (L2s) are responsible for direction of the major business and support functions if a disaster occurs. L2s provide guidance in planning, promote awareness of the Program within MGIC, review and approve elements of the planning and participate in exercises and tests of the Program. At the time of a disaster, they assist the L1s in mobilizing resources and activating emergency responses.
- Level 3 and 4 (L3s and L4s) are responsible for tactical planning and recovery of business and support functions if a disaster occurs. L3s and L4s create business continuity plans for their teams, review their plans and participate in testing and establish priorities of recovery within their Core Business Functions. At the time of a disaster, they mobilize team members, conduct recovery team meetings, prioritize recovery initiatives, support recovery efforts and report on their status within their areas of responsibility.

- MGIC Command and Control (diagram below)

At time of Disaster, **Level 1** will organize into a command and control structure using the Incident Command System (ICS).

The Incident Command System is a well organized team approach for managing critical incidents. It has been in practice for over 35 years and is used today by Federal, State, County and local emergency response agencies. ICS is being widely adopted by the private sector.



- MGIC uses a hierarchical team structure for business recovery marked by clear separation of duties, decision making and communication in order to maximize the efficiencies of the recovery teams.
- The highest-level business recovery team is our Business Continuity Team. This team is a combination of L1 and L2 defined above. The BCT is responsible for driving the recovery initiatives for MGIC in the event of a disaster, including disaster assessment, disaster declaration, direction and control for corporate communications, personnel and financial resource allocation, and implementation of the appropriate actions for response, recovery and restoration of MGIC's Core Business Functions and Support Business Functions.

The BCT is led by MGIC's Vice President – Chief Technology Officer, who has primary responsibility for the Program, together with MGIC's Senior Vice President - Chief Information Officer. Their primary roles and responsibilities include:

- Declaration or cancellation of a disaster. MGIC will declare a disaster when natural occurrences, technological problems or other emergencies interrupt the operations of a Core Business Function of MGIC, resulting in the time to resume the Core Business Function exceeding the Recovery Time Objectives (RTO) of that Core Business Function.

- Activation of the Emergency Operations Center (EOC). The EOC is a pre-defined location that is activated in a disaster or emergency from which overall command, control, communication and coordination are conducted.
- Supervision and management of the BCT.
- Management and monitoring of overall recovery efforts.
- Authorization and prioritization of all recovery efforts.

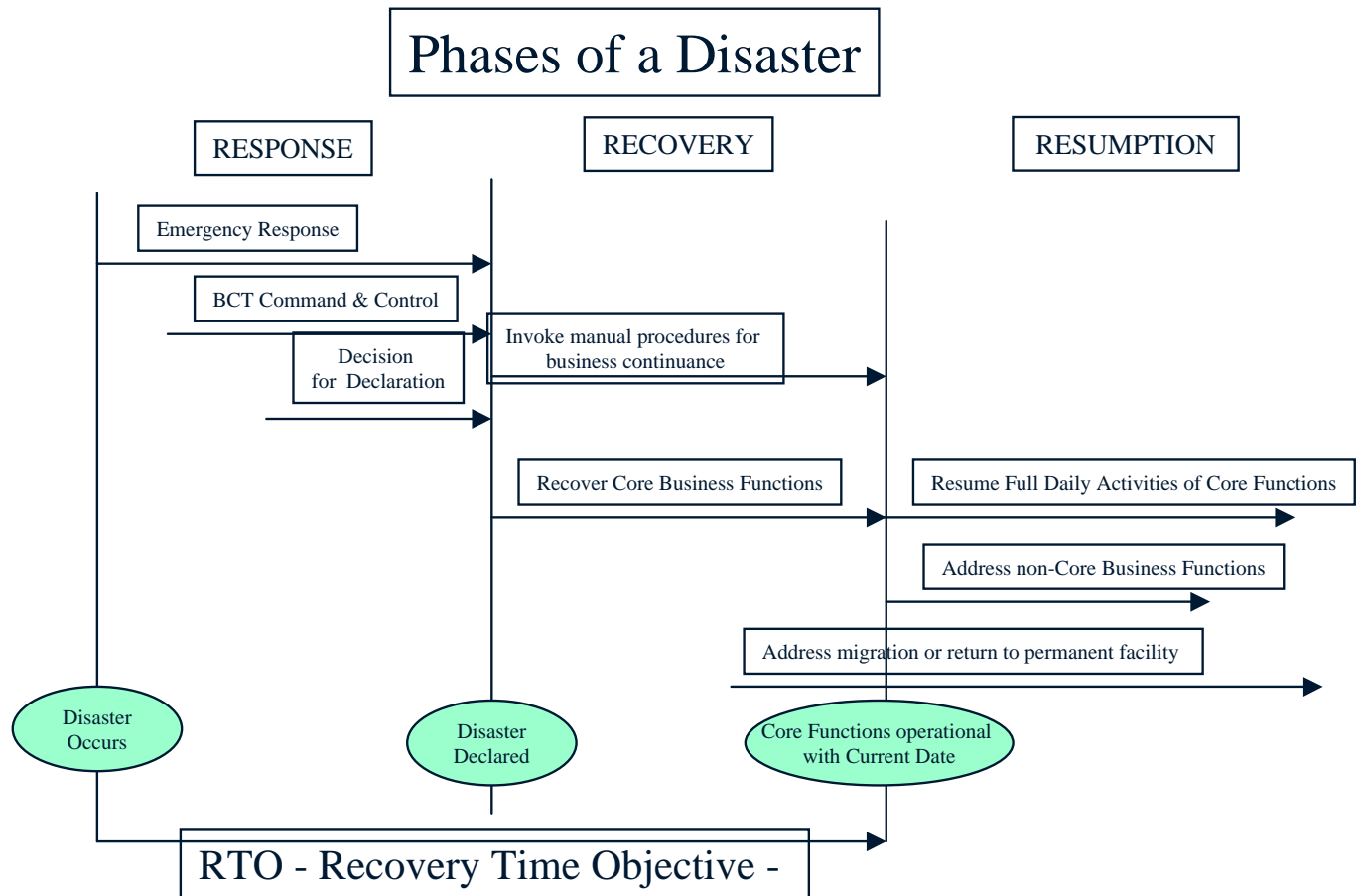
- **Business Continuity Support Personnel**

Business Continuity Support Personnel sometimes referred to as disaster liaisons are members of the MGIC Business Continuity Team and are readily available to assist in the event a disaster should interrupt the business operations of MGIC customers, vendors and our affiliates, including mortgage lenders and servicers. Business Continuity Support Personnel have extensive knowledge of all corporate recovery plans. They will establish and maintain communication between all recovery teams and locations and are available to manage and coordinate activities at a recovery location. Designated back-ups are members of the MGIC Business Continuity Team.

## **Recovery Process**

- MGIC's goal is to recover all Core Business Functions and Support Business Functions within a recovery time objective of 24 hours from declaration of a disaster.
- Business Recovery Plans are developed for all Core Business Functions and Support Business Functions. Every three years a complete evaluation is undertaken to define these business functions within MGIC.
- MGIC protects all electronic and hard-copy "Production" information for the purposes of recovering MGIC's Core Business Functions in the event of a disaster.
- To ensure an uninterrupted power supply, MGIC has installed natural gas-powered generators that take over within 15 seconds if a sub-standard power supply is identified.
- MGIC contracts with a leading business continuity and recovery services company for immediate occupation of a hot-site location used to recover MGIC's computing systems in the event of a disaster. In addition, MGIC contracts for "office ready" workspace for 50% of its corporate workforce. These hot-site and office ready facilities are located outside the metropolitan area in which MGIC's headquarters are located.
- Business recovery tests and exercises are conducted bi-annually. Tests are conducted at one or more of our off-site recovery centers and determine how resources would be provided to off-site locations until recovery is completed. Participants execute recovery plans focused on the recovery/continuation of MGIC's Core Business Functions, which would be the most severe level of disaster. Segmented testing is conducted to ensure business continuance in the event of a less severe disaster, such as a component failure or isolated incident (e.g. infrastructure failures, or the closing of a remote location due to local disruption).

- MGIC establishes an Emergency Operations Center in the event of a disaster.
- MGIC's business recovery plan is developed to support three distinct phases of the disaster: response; recovery; and resumption of business. (See diagram)



### Training

Recovery team leaders participate in one or more table top walk-throughs (a group discussion guided by a simulated disaster), emergency evacuation drills and off-site recovery exercises throughout the year. An on-line Recovery Team – Member Guide is provided for all new and existing recovery team leaders for training and reference. This information includes an overview of the Program as well as detailed roles and responsibilities for the response, recovery and resumption phases of a disaster. Emergency response training is provided to all emergency coordinators annually. New coordinators are provided individual training.

### Disasters at a Customer's Location:

- A disaster could interrupt business operations of the customers of MGIC and our affiliates, including mortgage lenders and servicers. The insurance operations of MGIC do not involve direct contact with borrowers whose loans are insured or require physical presence at the insured lender's premises. Therefore, MGIC does not need to deliver personnel, equipment or other resources to the site of a customer's disaster.

- MGIC's contacts are almost entirely with lenders who submit loans for insurance and loan servicers who collect mortgage payments and handle and report to MGIC defaults and foreclosures. Communication with both lenders and servicers is primarily by electronic means, but can also be accomplished by other forms of communication. Therefore, customers impacted by a disaster can leverage numerous communication methods offered to continue business with MGIC (e.g., internet, fax, traditional mail, electronic mail and telephone).
- MGIC does not use insurance agents or brokers and its coverage is sold through its own employees. A toll-free number is in effect for MGIC customers nationwide (800-558-9900) and, if because of a disaster affecting MGIC the toll-free number is not available, the Program provides for an alternative toll-free number that will be available nationally.
- MGIC's internal operations at its corporate headquarters and remote field facilities would continue after a disaster affecting a customer because they are independent of the disaster impacting the customer. These operations include underwriting, fraud investigation, claims and premium processing.
- MGIC does not use local adjusters to determine and pay claims. All claims functions are handled through MGIC's Milwaukee, Wisconsin headquarters office. If that office is not available because of a disaster, the Program has established an alternative site from which claims functions can be handled on a timely basis.
- The nature of MGIC's claim process is unlike other insurance products because it begins with a default on a mortgage loan and then requires foreclosure, which generally takes from three to twelve months to complete, depending on state law. Even if a disaster and increased claims occur, those claims will not require immediate attention as defaults and foreclosures will take some period of time in which MGIC can prepare to adjust to the changed circumstances and the eventual filing of claims.
- MGIC's claim forms, even if in abbreviated form, contain the required claims fraud warnings.