MGIC INVESTMENT CORPORATION

February 28, 2013 Conference Call to Discuss Fourth Quarter 2012 Results

Opening Remarks

Michael Zimmerman - Senior Vice President Investor Relations

Good morning and thank you for joining us this morning and for your interest in MGIC Investment Corporation. Joining me on the call today to discuss the results for the 4th quarter of 2012 are Chairman and CEO - Curt Culver , Executive Vice President and CFO - Mike Lauer, and Executive Vice President of Risk Management - Larry Pierzchalski.

I want to remind all participants that our earnings release of this morning, which may be accessed on MGIC's website, which is located at http:\\mtg.mgic.com, under Investor Information includes additional information about the Company's quarterly results that we will refer to during the call and includes certain non-GAAP financial measures. As we have indicated in this mornings' press release we have posted on our website the supplemental information containing characteristics of our primary risk in force, flow new insurance written, and a summary of excess claims paying resources which we think you will find valuable.

During the course of this call, we may make comments about our expectations of the future. Actual results could differ materially from those contained in these forward-looking statements. Additional information about those factors that could cause actual results to differ materially from those discussed on the call are contained in the Form 8-K that was filed earlier this morning. If the Company makes any forward-looking statements we are not undertaking an obligation to update those statements in the future in light of subsequent developments. Further no interested party should rely on the fact that such guidance or forward-looking statements are current at any time other than the time of this call or the issuance of the Form 8-K. With that let me turn the call over to Curt.

Curt Culver - Chairman and CEO

Good morning. As reported in the press release we issued this morning, the net loss for the fourth quarter was $ 386.7 million or $1.91/share and the net loss for the full year was $4.59/share.

The risk factors listed at the end of this document may cause our actual results to differ materially from the results contemplated by forward-looking statements made during the conference call. Without creating an inference that the risk factors listed are not complete and meaningful in and of themselves, you may find additional information on the subjects they cover in Exhibit 99 to the Form 8-K of MGIC Investment Corporation that was filed with the Securities and Exchange Commission on February 28, 2013.

Included in the quarterly results is a one-time charge of $267.5 million that relates to the previously disclosed Freddie Mac settlement. Additionally, we established a $100 million reserve to reflect probable settlements of two rescission disputes, one with Countrywide and the other with another lender. While we do not have agreements with Countrywide or this lender, we believe these settlements are probable.

So while these charges adversely affected our reported results for the quarter, I am pleased that we have settled our Freddie Mac dispute and that we have made substantial progress towards resolving the Countrywide dispute. In tandem with these efforts we are continuing to execute our strategy of writing new business through a combination of MGIC and, as it is needed, MIC

We continue to be an eligible insurer of both Fannie Mae and Freddie Mac and are pleased to be in a position to be able continue to provide borrowers with a more affordable insurance option, for higher quality loans, than they could find with the FHA.

In the fourth quarter, which is typically a slower period for new writings, new insurance written was $7.0 billion, up 67 percent from the same period last year and flat to last quarter. More recently, in January, we wrote $2.4 billion of new insurance and February, after considering the number of working days, appears to be tracking close to January's level.

The new business written since mid-2008 now accounts for approximately 33% of our risk in force. And as I have discussed on past calls, this new business augments our existing claims paying ability as each $20 billion of insurance we write is expected to add approximately $400 million of premiums in excess of losses over the estimated life of the book.

An additional $3.5 billion of HARP refinance transactions were completed during the quarter, bringing the total to $11.2 billion for the year and $18 billion since the inception of the program. All in, approximately 11% of our primary insurance in force has benefited from HARP or similar refinance programs and more than 98% of them are current.

Additionally, approximately 11% of the insurance in force has been modified through HAMP or other loan modification programs.

Our industry continues to regain market share from the FHA. We estimate the private MI industry's market share at approximately 10% in the 4th quarter up from approximately 6% a year ago. Within our industry MGIC's reported market share was approximately 18% for the full year and 17% for the 4th quarter. We estimate that approximately 75% of the private mortgage insurance market is comprised of the more profitable monthly premium plans and within that segment we estimate our market share to be 21% in the fourth quarter.

Losses incurred in the fourth quarter were $688.6 million including the $367.5 million of charges I previously mentioned relating to Freddie Mac and rescission settlements. Adjusting for these charges, the level of incurred losses resulted primarily from the number of new delinquent notices received, which were lower than the 3rd quarter.

The delinquent inventory continued to decline during the quarter and into January of this year, ending at 137,847. We expect to issue our February statistics on March 8th that will reflect a further decline in the delinquent inventory.

Paid claims in the fourth quarter were $628 million and include the $100 million initial payment called for in our Freddie Mac settlement. Excluding that payment, claims paid were $528 million, down 10% from last quarter, and down 25% from one year ago. Claims received continued to decline throughout 2012. We expect that the current claim filing patterns we are experiencing will continue and will result in both claims received and claim payments being lower in 2013.

We realized gains of $87.4 million during the quarter that were imbedded in the investment portfolio and have realized a total of $198 million in 2012. Cash and investments totaled $5.3 billion as of the end of the quarter, including cash and investments at the holding company of $315 million. Our next debt maturity is approximately $100 million due in 2015, so we believe we have no medium term liquidity issues at the holding company.

Reflecting the Freddie Mac settlement and the charge for the probable Countrywide and other settlement, as of December 31, MGIC's risk-to-capital ratio rose to just under 45:1 and MIC was just over 1:1. MGIC's increased risk to capital level was expected by us and by the OCI, our primary regulator, and is exactly why we established our plan to utilize MIC.

MIC has $448 million of capital and we believe we could write 100% of new business out of MIC, for at least 5 years at the current mix and volume levels of NIW, if we obtained GSE approval. MIC wrote $2.4 billion of new insurance in 2012. We are currently writing new mortgage insurance in MIC in 8 jurisdictions. Those jurisdictions accounted for 19% of all our new business written in 2012.

We are often asked how high can MGIC's' risk-to-capital ratio go before our insurance regulator (the OCI) would take action. Our response is that once the risk-to-capital ratio exceeds regulatory thresholds the ratio becomes a relatively blunt metric that does not take into account the most critical consideration, that being future cash flows of an in-force book of business. We believe that the OCI considers this the most relevant factor is whether an insurer's assets and future cash flows are sufficient to pay claims in full.

That is, do the resources to pay claims, namely cash and investments plus future premiums from the existing in force portfolio exceed the level of expected claim obligations. We call this "claims paying ability" and it is a measure that is also an important consideration by the OCI when evaluating our firm. We believe that in a base case scenario we have excess claims paying ability at MGIC of $1.4 billion, as shown in the portfolio supplement posted on our website.

Although we expect that there will be more than sufficient resources at MGIC even under a stress loss scenario, our forecast calls for the risk-to-capital ratio of MGIC to rise. As a result, we are evaluating a number of options to address the elevated risk-to-capital ratio with the objective of materially reducing it. These options include utilizing existing insurance subsidiaries for internal reinsurance, external reinsurance, contributing additional capital from the holding company and raising external capital. We are in discussions with the OCI and the GSEs on these matters.

Regarding Washington, the CFPB issued its long awaited rule for QM or Qualified Mortgage and we expect the QRM definition will be out soon, perhaps in the next few months. Our initial read on the QM rule is that it appears to line up fairly well with the type of lending that is taking place today in the marketplace and the type of business we want to insure. We believe that most lenders will be reluctant to make loans that do not meet these parameters. Given the credit characteristics presented to us, and considering the temporary category allowed for loans that meet GSE underwriting requirements, we estimate that 99% of our new risk written in 2012 would have met the QM definition.

Finally, there continue to be many people voicing ideas regarding the role of the GSEs, although I am not sure there will be much interest in pursuing them at this time given everything else Congress has on its plate. Also the FHA recently announced another price hike that will be effective April 1 and it seems to be considering making additional changes regarding pricing, loan size and underwriting guidelines for loans with high credit scores to reduce its market presence and help restore its capital base. This should be very positive for our industry.

So to summarize, we are pleased to have the Freddie Mac dispute resolved and made significant progress on the Countrywide resolution. Regarding the business we are encouraged that new delinquent notices we received during 2012 were 21% lower than 2011, and new business writings were 70% higher. And we are encouraged by the continued outstanding quality of the new insurance written, the declining trend of new notices, clams received and paid, and the growing share of business we are retaking from the FHA. With that operator let's take questions.

Forward Looking Statements and Risk Factors

Our actual results could be affected by the risk factors below. These risk factors should be reviewed in connection with the Form 8-K filed February 28, 2013 and our periodic reports to the Securities and Exchange Commission. These risk factors may also cause actual results to differ materially from the results contemplated by forward looking statements that we may have made in our conference call. Forward looking statements consist of statements which relate to matters other than historical fact, including matters that inherently refer to future events. Among others, statements that include words such as "believe," "anticipate," "will" or "expect," or words of similar import, are forward looking statements. We are not undertaking any obligation to update any forward looking statements or other statements we may make even though these statements may be affected by events or circumstances occurring after the forward looking statements or other statements were made. No investor should rely on the fact that such statements are current at any time other than the time at which the conference call occurred, on February 28, 2013.

- ***Capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis.***
- ***The amount of insurance we write could be adversely affected if the definition of Qualified Residential Mortgage results in a reduction of the number of low down payment loans available to be insured or if lenders and investors select alternatives to private mortgage insurance.***
- ***Changes in the business practices of the GSEs, federal legislation that changes their charters or a restructuring of the GSEs could reduce our revenues or increase our losses.***
- ***We may not continue to meet the GSEs' mortgage insurer eligibility requirements.***
- ***We have reported net losses for the last six years, expect to continue to report annual net losses, and cannot assure you when we will return to profitability.***
- ***Our losses could increase if we do not prevail in proceedings challenging whether our rescissions were proper, we enter into material resolution arrangements or rescission rates decrease faster than we are projecting.***
- ***We are involved in legal proceedings and are subject to the risk of additional legal proceedings in the future.***
- ***Resolution of our dispute with the Internal Revenue Service could adversely affect us.***
- ***Because we establish loss reserves only upon a loan default rather than based on estimates of our ultimate losses on risk in force, losses may have a disproportionate adverse effect on our earnings in certain periods.***
- ***Because loss reserve estimates are subject to uncertainties and are based on assumptions that are currently very volatile, paid claims may be substantially different than our loss reserves.***
- ***We rely on our management team and our business could be harmed if we are unable to retain qualified personnel.***

The risk factors listed at the end of this document may cause our actual results to differ materially from the results contemplated by forward-looking statements made during the conference call. Without creating an inference that the risk factors listed are not complete and meaningful in and of themselves, you may find additional information on the subjects they cover in Exhibit 99 to the Form 8-K of MGIC Investment Corporation that was filed with the Securities and Exchange Commission on February 28, 2013.

- ***Loan modification and other similar programs may not continue to provide material benefits to us and our losses on loans that re-default can be higher than what we would have paid had the loan not been modified.***

- ***If the volume of low down payment home mortgage originations declines, the amount of insurance that we write could decline, which would reduce our revenues.***

- ***Competition or changes in our relationships with our customers could reduce our revenues or increase our losses.***

- ***Downturns in the domestic economy or declines in the value of borrowers' homes from their value at the time their loans closed may result in more homeowners defaulting and our losses increasing.***

- ***The mix of business we write also affects the likelihood of losses occurring.***

- ***The premiums we charge may not be adequate to compensate us for our liabilities for losses and as a result any inadequacy could materially affect our financial condition and results of operations.***

- ***It is uncertain what effect the extended timeframes in the foreclosure process, due to moratoriums, suspensions or issues arising from the investigation of servicers' foreclosure procedures, will have on us.***

- ***We are susceptible to disruptions in the servicing of mortgage loans that we insure.***

- ***If interest rates decline, house prices appreciate or mortgage insurance cancellation requirements change, the length of time that our policies remain in force could decline and result in declines in our***

- ***Your ownership in our company may be diluted by additional capital that we raise or if the holders of our outstanding convertible debt convert that debt into shares of our common stock.***

- ***Our common stock could be delisted from the NYSE***

- ***Our debt obligations materially exceed our holding company cash and investments***

- ***We could be adversely affected if personal information on consumers that we maintain is improperly disclosed.***

- ***The implementation of the Basel III capital accord, or other changes to our customers' capital requirements, may discourage the use of mortgage insurance.***

- ***Our Australian operations may suffer significant losses.***

The risk factors listed at the end of this document may cause our actual results to differ materially from the results contemplated by forward-looking statements made during the conference call. Without creating an inference that the risk factors listed are not complete and meaningful in and of themselves, you may find additional information on the subjects they cover in Exhibit 99 to the Form 8-K of MGIC Investment Corporation that was filed with the Securities and Exchange Commission on February 28, 2013.