UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): February 4, 2020

MGIC Investment Corporation

(Exact name of registrant as specified in its charter)

Wisconsin	1-10816	39-1486475
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

250 E. Kilbourn Avenue Milwaukee, Wisconsin 53202

(Address of principal executive offices) (Zip Code)

Registrant’s telephone number, including area code: (414) 347-6480

Not Applicable

Former name or former address, if changed since last report

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock	MTG	New York Stock Exchange

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Item 2.02 Results of Operations and Financial Condition.

The Company issued a press release on February 4, 2020 announcing its results of operations for the quarter ended and year ended December 31, 2019 and certain other information. The press release is furnished as Exhibit 99.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Pursuant to General Instruction B.2 to Form 8-K, the Company's February 4, 2020 press release is furnished as Exhibit 99 and is not filed.

Exhibit Index

Exhibit No.	Description
99	Press Release dated February 4, 2020. (Pursuant to General Instruction B.2 to Form 8-K, this press release is furnished and is not filed.)
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document).

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 hereunto duly authorized.

MGIC INVESTMENT CORPORATION

Date:	February 4, 2020	By: \s\ Julie K. Sperber
		Julie K. Sperber
		Vice President, Controller and Chief Accounting Officer

Exhibit 99

MGIC Investment Corporation Reports Fourth Quarter 2019 Results and Announces $300 Million Share Repurchase Authorization

Fourth Quarter 2019 Net Income of $177.1 million or $0.49 per Diluted Share

Fourth Quarter 2019 Adjusted Net Operating Income (Non-GAAP) of $176.1 million or $0.49 per Diluted Share

Full Year 2019 Earnings of $673.8 million or $1.85 per Diluted Share

Full Year 2019 Adjusted Net Operating Income (Non-GAAP) of $669.7 million or $1.84 per Diluted Share

MILWAUKEE ***(February 4, 2020) -*** MGIC Investment Corporation (NYSE: MTG) today reported operating and financial results for the fourth quarter of 2019. Net income for the quarter was $177.1 million, or $0.49 per diluted share, compared with net income of $157.7 million, or $0.43 per diluted share, for the fourth quarter of 2018. Net Income for the full year of 2019 was $673.8 million, or $1.85 per diluted share, compared to $670.1 million, or $1.78 per diluted share, for the full year of 2018.

Adjusted net operating income for the fourth quarter of 2019 was $176.1 million, or $0.49 per diluted share, compared with $154.0 million, or $0.42 per diluted share, for the fourth quarter of 2018. We present the non-GAAP financial measure "Adjusted net operating income" to increase the comparability between periods of our financial results. Adjusted net operating income for the full year of 2019 was $669.7 million, or $1.84 per diluted share, compared to $668.7 million, or $1.78 per diluted share, for 2018. See “Use of Non-GAAP financial measures" below.

Tim Mattke, CEO of MTG and Mortgage Guaranty Insurance Corporation ("MGIC") said, "I am pleased to report that the solid financial results of the fourth quarter capped a strong 2019 as we continued to execute on our strategies and focus on long term success. For 2019, compared to 2018, despite lower persistency our insurance in force increased more than 6%, we wrote nearly 25% more new insurance, and investment income increased. The credit performance for the new business written remains outstanding, the legacy book continued to decrease in size and contribute fewer delinquencies, and we maintained a low expense level." Mattke continued, "In 2019 we repurchased $114 million of our common stock outstanding, established a quarterly common stock dividend mid-year that distributed a total of $42 million, continued to use quota share and excess of loss reinsurance to reduce potential future earnings volatility from credit losses and enhance our returns, decreased our debt ratio, continued our positive credit ratings trajectory, and increased dividends from MGIC to our holding company to $280 million."

Mattke stated, "Reflecting our strong capital position, the Office of the Commissioner of Insurance for the State of Wisconsin approved our $70 million quarterly dividend and an additional $320 million special dividend from MGIC to our holding company, and our Board approved the repurchase of up to an additional $300 million of our common stock through the end of 2021." Mattke further added "I am excited about our ability to provide credit enhancement and low down payment solutions to lenders, GSEs and borrowers, and to deliver meaningful returns to our shareholders in 2020. We expect that our insurance in force will grow modestly, and that the number of new mortgage delinquency notices received and the amount of claims paid will continue to decline in 2020."

Fourth Quarter Summary

- New insurance written of $19.3 billion, compared to $12.2 billion in the fourth quarter of 2018.
- Insurance in force of $222.3 billion at December 31, 2019 increased by 2% during the quarter and 6% compared to December 31, 2018.
- Primary delinquency inventory of 30,028 loans at December 31, 2019 decreased from 32,898 loans at December 31, 2018. Our primary delinquency inventory declined 9% year-over-year.
  - Insurance written in 2008 and before accounted for approximately 12% of the December 31, 2019 primary risk in force but accounted for 60% of the new primary delinquency notices received in the quarter.
  - The percentage of primary loans that were delinquent at December 31, 2019 was 2.78%, compared to 3.11% at December 31, 2018, and 4.55% at December 31, 2017. The percentage of flow primary loans that were delinquent at December 31, 2019 was 2.23%, compared to 2.47% at December 31, 2018, and 3.70% at December 31, 2017.
- Persistency, or the percentage of insurance remaining in force from one year prior, was 75.8% at December 31, 2019, compared with 81.7% at December 31, 2018 and 80.1% at December 31, 2017.
- The loss ratio for the fourth quarter of 2019 was 8.9%, compared to 12.7% for the third quarter of 2019 and 11.3% for the fourth quarter of 2018.
- The underwriting expense ratio associated with our insurance operations for the fourth quarter of 2019 was 19.6%, compared to 17.7% for the third quarter of 2019 and 19.1% for the fourth quarter of 2018.
- Net premium yield was 48.4 basis points in the fourth quarter of 2019, compared to 49.6 basis points for the third quarter of 2019 and 47.3 basis points for the fourth quarter of 2018.
- MGIC paid a dividend of $70 million to our holding company during the fourth quarter of 2019.
- MGIC Investment Corporation paid a $0.06 dividend per common share to shareholders during the fourth quarter of 2019.
- 1.4 million shares of common stock were repurchased at an average cost per share of $14.26.
- Book value per common share outstanding increased by 4% during the quarter to $12.41.

First Quarter 2020 Activities

- Declared a $0.06 dividend per common share
- Received authorization to repurchase $300 million of our common stock through the end of 2021
- Received appropriate approvals to pay a dividend of $320 million (“special dividend”) from MGIC to the holding company
- Received appropriate approvals to pay a dividend of $70 million ("quarterly dividend") from MGIC to the holding company

Revenues

Total revenues for the fourth quarter of 2019 were $311.6 million, compared to $285.6 million in the fourth quarter last year. Net premiums written for the quarter were $254.0 million, compared to $248.0 million for the same period last year. Net premiums earned for the quarter were $266.3 million, compared to $245.7 million for the same period last year. The increase was due to higher average insurance in force and an increase in premiums from single premium policy cancellations, partially offset by the effect of lower premium rates. Investment income for the fourth quarter increased to $41.3 million, from $38.3 million for the same period last year, resulting from an increase in the consolidated investment portfolio.

Losses and expenses

Losses incurred

Losses incurred in the fourth quarter of 2019 were $23.7 million, compared to $27.7 million in the fourth quarter of 2018. During the fourth quarter of 2019 there was a $24 million reduction in losses incurred due to positive development on our primary loss reserves, before reinsurance, for previously received delinquency notices, compared to a reduction of $22 million in the fourth quarter of 2018. Losses incurred in the quarter associated with delinquency notices received in the quarter reflect a lower estimated claim rate when compared to the same period of last year.

Underwriting and other expenses

Net underwriting and other expenses were $52.3 million in the fourth quarter of 2019, compared to $50.0 million in the same period last year.

Provision for income taxes

The effective income tax rate was 20.5% in the fourth quarter of 2019, compared to 19.0% in the fourth quarter of 2018. The lower rate in the fourth quarter of 2018 was primarily due to a benefit recorded for the settlement of our IRS litigation.

Capital

- Total shareholders' equity was $4.3 billion and outstanding principal on borrowings was $837 million as of December 31, 2019.
- MGIC's PMIERs Available Assets totaled $4.6 billion, or $1.2 billion above its Minimum Required Assets as of December 31, 2019.

Other Balance Sheet and Liquidity Metrics

- Total assets were $6.2 billion as of December 31, 2019, compared to $5.7 billion as of December 31, 2018, and $5.6 billion as of December 31, 2017.
- The fair value of our investment portfolio, cash and cash equivalents was $5.9 billion as of December 31, 2019, compared to $5.3 billion as of December 31, 2018, and $5.1 billion as of December 31, 2017.
- Investments, cash and cash equivalents at the holding company were $325 million as of December 31, 2019, compared to $248 million as of December 31, 2018, and $216 million as of December 31, 2017.

Conference Call and Webcast Details

MGIC Investment Corporation will hold a conference call today, February 4, 2020, at 10 a.m. ET to allow securities analysts and shareholders the opportunity to hear management discuss the company's quarterly results. The conference call number is 1-855-493-1443. The call is being webcast and can be accessed at the company's website at http://mtg.mgic.com/. A replay of the webcast will be available on the company's website through March 4, 2020 under "Newsroom."

About MGIC

MGIC (www.mgic.com), the principal subsidiary of MGIC Investment Corporation, serves lenders throughout the United States, Puerto Rico, and other locations helping families achieve homeownership sooner by making affordable low-down-payment mortgages a reality. At December 31, 2019, MGIC had $222.3 billion of primary insurance in force covering over one million mortgages.

This press release, which includes certain additional statistical and other information, including non-GAAP financial information, and a supplement that contains various portfolio statistics are both available on the Company's website at https://mtg.mgic.com/ under "Newsroom."

From time to time MGIC Investment Corporation releases important information via postings on its corporate website, and via postings on MGIC's website for information related to underwriting and pricing, and intends to continue to do so in the future. Such postings include corrections of previous disclosures, and may be made without any other disclosure. Investors and other interested parties are encouraged to enroll to receive automatic email alerts and Really Simple Syndication (RSS) feeds regarding new postings. Enrollment information for MGIC Investment Corporation alerts can be found at https://mtg.mgic.com/shareholder-services/email-alerts. For information about our underwriting and rate changes, see https://www.mgic.com/underwriting.

Safe Harbor Statement

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 this press release and our periodic reports to the Securities and Exchange Commission ("SEC"). These risk factors may also cause actual results to differ materially from the results contemplated by forward looking statements that we may make. 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 this press release was delivered for dissemination to the public.

In addition, the current period financial results included in this press release may be affected by additional information that arises prior to the filing of our Form 10-K for the year ended December 31, 2019.

While we communicate with security analysts from time to time, it is against our policy to disclose to them any material non-public information or other confidential information. Accordingly, investors should not assume that we agree with any statement or report issued by any analyst irrespective of the content of the statement or report, and such reports are not our responsibility.

Use of Non-GAAP financial measures

We believe that use of the Non-GAAP measures of adjusted pre-tax operating income (loss), adjusted net operating income (loss) and adjusted net operating income (loss) per diluted share facilitate the evaluation of the company's core financial performance thereby providing relevant information to investors. These measures are not recognized in accordance with accounting principles generally accepted in the United States of America (GAAP) and should not be viewed as alternatives to GAAP measures of performance.

Adjusted pre-tax operating income (loss) is defined as GAAP income (loss) before tax, excluding the effects of net realized investment gains (losses), gain (loss) on debt extinguishment, net impairment losses recognized in income (loss) and infrequent or unusual non-operating items where applicable.

Adjusted net operating income (loss) is defined as GAAP net income (loss) excluding the after-tax effects of net realized investment gains (losses), gain (loss) on debt extinguishment, net impairment losses recognized in income (loss), and infrequent or unusual non-operating items where applicable. The amounts of adjustments to components of pre-tax operating income (loss) are tax effected using a federal statutory tax rate of 21%.

Adjusted net operating income (loss) per diluted share is calculated in a manner consistent with the accounting standard regarding earnings per share by dividing (i) adjusted net operating income (loss) after making adjustments for interest expense on convertible debt, whenever the impact is dilutive, by (ii) diluted weighted average common shares outstanding, which reflects share dilution from unvested restricted stock units and from convertible debt when dilutive under the "if-converted" method.

Although adjusted pre-tax operating income (loss) and adjusted net operating income (loss) exclude certain items that have occurred in the past and are expected to occur in the future, the excluded items represent items that are: (1) not viewed as part of the operating performance of our primary activities; or (2) impacted by both discretionary and other economic or regulatory factors and are not necessarily indicative of operating trends, or both. These adjustments, along with the reasons for their treatment, are described below. Trends in the profitability of our fundamental operating activities can be more clearly identified without the fluctuations of these adjustments. Other companies may calculate these measures differently. Therefore, their measures may not be comparable to those used by us.

(1) *Net realized investment gains (losses).* The recognition of net realized investment gains or losses can vary significantly across periods as the timing of individual securities sales is highly discretionary and is influenced by such factors as market opportunities, our tax and capital profile, and overall market cycles.

(2) *Gains and losses on debt extinguishment.* Gains and losses on debt extinguishment result from discretionary activities that are undertaken to enhance our capital position, improve our debt profile, and/or reduce potential dilution from our outstanding convertible debt.

(3) *Net impairment losses recognized in earnings.* The recognition of net impairment losses on investments can vary significantly in both size and timing, depending on market credit cycles, individual issuer performance, and general economic conditions.

(4) *Infrequent or unusual non-operating items.* Our 2018 income tax expense includes amounts related to our IRS dispute and is related to past transactions which are non-recurring in nature and are not part of our primary operating activities.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except per share data)	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	**2019**	2018
Net premiums written	**$ 254,015**	$ 248,037	**$ 1,001,308**	$ 992,262
Revenues				
Net premiums earned	**$ 266,267**	$ 245,665	**$ 1,030,988**	$ 975,162
Net investment income	**41,322**	38,328	**167,045**	141,331
Net realized investment gains (losses)	**1,320**	(241)	**5,306**	(1,353)
Other revenue	**2,717**	1,881	**10,638**	8,708
Total revenues	**311,626**	285,633	**1,213,977**	1,123,848
Losses and expenses				
Losses incurred, net	**23,690**	27,685	**118,575**	36,562
Underwriting and other expenses, net	**52,293**	49,983	**194,769**	190,143
Interest expense	**12,934**	13,256	**52,656**	52,993
Total losses and expenses	**88,917**	90,924	**366,000**	279,698
Income before tax	**222,709**	194,709	**847,977**	844,150
Provision for income taxes	**45,599**	36,963	**174,214**	174,053
Net income	**$ 177,110**	$ 157,746	**$ 673,763**	$ 670,097
Net income per diluted share	**$ 0.49**	$ 0.43	**$ 1.85**	$ 1.78

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES
EARNINGS PER SHARE (UNAUDITED)

(In thousands, except per share data)	Three months ended December 31,		Year ended December 31,	
	2019	2018	**2019**	2018
Net income	**$ 177,110**	$ 157,746	**$ 673,763**	$ 670,097
Interest expense, net of tax:				
9% Convertible Junior Subordinated Debentures due 2063	**4,566**	4,566	**18,264**	18,264
Diluted net income available to common shareholders	**$ 181,676**	$ 162,312	**$ 692,027**	$ 688,361
Weighted average shares - basic	**348,538**	360,111	**352,827**	365,406
Effect of dilutive securities:				
Unvested restricted stock units	**2,377**	1,937	**2,069**	1,644
9% Convertible Junior Subordinated Debentures due 2063	**19,028**	19,028	**19,028**	19,028
Weighted average shares - diluted	**369,943**	381,076	**373,924**	386,078
Net income per diluted share	**$ 0.49**	$ 0.43	**$ 1.85**	$ 1.78

NON-GAAP RECONCILIATIONS

Reconciliation of Income before tax / Net income to Adjusted pre-tax operating income / Adjusted net operating income

	Three months ended December 31,					
	2019			2018		
(In thousands, except per share amounts)	Pre-tax	Tax Effect	Net (after-tax)	Pre-tax	Tax Effect	Net (after-tax)
Income before tax / Net income	**$ 222,709**	**$ 45,599**	**$ 177,110**	$ 194,709	$ 36,963	$ 157,746
Adjustments:						
Additional income tax benefit related to IRS litigation	**—**	**—**	**—**	—	3,939	(3,939)
Net realized investment (gains) losses	**(1,336)**	**(281)**	**(1,055)**	241	51	190
Adjusted pre-tax operating income / Adjusted net operating income	**$ 221,373**	**$ 45,318**	**$ 176,055**	$ 194,950	$ 40,953	$ 153,997

Reconciliation of Net income per diluted share to Adjusted net operating income per diluted share

	2019	2018
Weighted average shares - diluted	**369,943**	381,076
Net income per diluted share	**$ 0.49**	$ 0.43
Additional income tax benefit related to IRS litigation	**—**	(0.01)
Net realized investment (gains) losses	**—**	—
Adjusted net operating income per diluted share	**$ 0.49**	$ 0.42

Reconciliation of Income before tax / Net income to Adjusted pre-tax operating income / Adjusted net operating income

	Twelve months ended December 31,					
	2019			2018		
(In thousands, except per share amounts)	Pre-tax	Tax Effect	Net (after-tax)	Pre-tax	Tax Effect	Net (after-tax)
Income before tax / Net income	**$ 847,977**	**$ 174,214**	**$ 673,763**	$ 844,150	$ 174,053	$ 670,097
Adjustments:						
Additional income tax benefit related to IRS litigation	**—**	**—**	**—**	—	2,462	(2,462)
Net realized investment (gains) losses	**(5,108)**	**(1,073)**	**(4,035)**	1,353	284	1,069
Adjusted pre-tax operating income / Adjusted net operating income	**$ 842,869**	**$ 173,141**	**$ 669,728**	$ 845,503	$ 176,799	$ 668,704

Reconciliation of Net income per diluted share to Adjusted net operating income per diluted share

	2019	2018	
Weighted average shares - diluted	**373,924**	386,078	
Net income per diluted share	**$ 1.85**	$ 1.78	
Additional income tax benefit related to IRS litigation	**—**	(0.01)	
Net realized investment (gains) losses	**(0.01)**	—	
Adjusted net operating income per diluted share	**$ 1.84**	$ 1.78	(1)

(1) For the twelve months ended December 31, 2018, the Reconciliation of Net income per diluted share to Adjusted net operating income per diluted share does not foot due to rounding of the adjustments.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except per share data)		**December 31, 2019**		December 31, 2018		December 31, 2017
ASSETS						
Investments (1)	**$**	**5,758,320**	$	5,159,019	$	4,990,561
Cash and cash equivalents		**161,847**		151,892		99,851
Restricted cash and cash equivalents		**7,209**		3,146		—
Reinsurance recoverable on loss reserves (2)		**21,641**		33,328		48,474
Home office and equipment, net		**50,121**		51,734		44,936
Deferred insurance policy acquisition costs		**18,531**		17,888		18,841
Deferred income taxes, net		**5,742**		69,184		234,381
Other assets		**206,160**		191,611		182,455
Total assets	**$**	**6,229,571**	$	5,677,802	$	5,619,499
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities:						
Loss reserves (2)	**$**	**555,334**	$	674,019	$	985,635
Unearned premiums		**380,302**		409,985		392,934
Federal home loan bank advance		**155,000**		155,000		155,000
Senior notes		**420,867**		419,713		418,560
Convertible junior debentures		**256,872**		256,872		256,872
Other liabilities		**151,962**		180,322		255,972
Total liabilities		**1,920,337**		2,095,911		2,464,973
Shareholders' equity		**4,309,234**		3,581,891		3,154,526
Total liabilities and shareholders' equity	**$**	**6,229,571**	$	5,677,802	$	5,619,499
Book value per share (3)	**$**	**12.41**	$	10.08	$	8.51
(1) Investments include net unrealized gains (losses) on securities	**$**	**138,285**	$	(44,795)	$	37,058
(2) Loss reserves, net of reinsurance recoverable on loss reserves	**$**	**533,693**	$	640,691	$	937,161
(3) Shares outstanding		**347,308**		355,371		370,567

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES

ADDITIONAL INFORMATION - NEW INSURANCE WRITTEN

	2019				2018	Year-to-date	
	Q4	Q3	Q2	Q1	Q4	**2019**	2018
New primary insurance written (NIW) (billions)	**$ 19.3**	$ 19.1	$ 14.9	$ 10.1	$ 12.2	**$ 63.4**	$ 50.5
Monthly (including split premium plans) and annual premium plans	**16.3**	16.2	12.6	8.5	10.2	**53.6**	42.0
Single premium plans	**3.0**	2.9	2.3	1.6	2.0	**9.8**	8.5
Direct average premium rate (bps) on NIW							
Monthly (1)	**39.0**	42.3	45.6	49.1	50.2	**43.1**	52.8
Singles	**102.7**	112.8	129.6	141.5	147.0	**118.6**	158.3
Product mix as a % of primary NIW							
FICO < 680	**3%**	4%	6%	7%	8%	**5%**	7%
>95% LTVs	**9%**	12%	16%	18%	17%	**13%**	16%
>45% DTI (2)	**11%**	12%	15%	18%	19%	**14%**	19%
Singles	**15%**	15%	16%	16%	16%	**16%**	17%
Refinances	**30%**	20%	11%	8%	6%	**19%**	7%
New primary risk written (billions)	**$ 4.8**	$ 4.7	$ 3.8	$ 2.5	$ 3.1	**$ 15.8**	$ 12.7

(1) Excludes loans with split and annual payments.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES

ADDITIONAL INFORMATION - INSURANCE IN FORCE and RISK IN FORCE

	2019				2018	Year-to-date	
	Q4	Q3	Q2	Q1	Q4	2019	2018
Primary Insurance In Force (IIF) (billions)	**$ 222.3**	$ 218.1	$ 213.9	$ 211.4	$ 209.7		
Total # of loans	**1,079,578**	1,075,285	1,065,893	1,059,720	1,058,292		
Flow # of loans	**1,040,667**	1,032,936	1,022,157	1,013,291	1,010,944		
Premium Yield							
Inforce portfolio yield (1)	**50.3**	51.7	52.2	52.5	52.7	**51.4**	53.1
Premium refunds	**(0.6)**	(0.6)	(0.3)	(0.5)	(0.5)	**(0.5)**	(0.7)
Accelerated earnings on single premium	**3.6**	3.5	2.1	1.1	1.0	**2.6**	1.2
Total direct premium yield	**53.3**	54.6	54.0	53.1	53.2	**53.5**	53.6
Ceded premiums earned, net of profit commission and assumed premiums (2)	**(4.9)**	(5.0)	(7.5)	(5.7)	(5.9)	**(5.8)**	(5.4)
Net premium yield	**48.4**	49.6	46.5	47.4	47.3	**47.7**	48.2
Average Loan Size of IIF (thousands)	**$ 205.9**	$ 202.9	$ 200.7	$ 199.5	$ 198.2		
Flow only	**$ 208.2**	$ 205.4	$ 203.2	$ 202.0	$ 200.7		
Annual Persistency	**75.8%**	78.6%	80.8%	81.7%	81.7%		
Primary Risk In Force (RIF) (billions)	**$ 57.2**	$ 56.2	$ 55.2	$ 54.5	$ 54.1		
By FICO (%) (3)							
FICO 760 & >	**39%**	39%	38%	38%	38%		
FICO 740-759	**17%**	16%	16%	16%	16%		
FICO 720-739	**14%**	14%	14%	14%	14%		
FICO 700-719	**11%**	11%	11%	11%	11%		
FICO 680-699	**8%**	8%	9%	9%	8%		
FICO 660-679	**4%**	5%	5%	5%	5%		
FICO 640-659	**3%**	3%	3%	3%	3%		
FICO 639 & <	**4%**	4%	4%	4%	5%		
Average Coverage Ratio (RIF/IIF)	**25.7%**	25.8%	25.8%	25.8%	25.8%		
Direct Pool RIF (millions)							
With aggregate loss limits	**$ 213**	$ 214	$ 215	$ 216	$ 228		
Without aggregate loss limits	**$ 163**	$ 173	$ 178	$ 186	$ 191		

(1) Total direct premiums earned, excluding accelerated premiums from premium refunds and single premium policy cancellations divided by average primary insurance in force.

(2) Ceded premiums earned, net of profit commissions and assumed premiums. Assumed premiums include our participation in GSE Credit Risk Transfer programs, of which the impact on the net premium yield was 0.2 bps in 2019 and 0.1 bps in 2018.

(3) The FICO credit score for a loan with multiple borrowers is the lowest of the borrowers' "decision FICO scores." A borrower's "decision FICO score" is determined as follows: if there are three FICO scores available, the middle FICO score is used; if two FICO scores are available, the lower of the two is used; if only one FICO score is available, it is used.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES

ADDITIONAL INFORMATION - DELINQUENCY STATISTICS

	2019								2018	
	Q4		Q3		Q2		Q1		Q4	
Primary IIF - Delinquent Roll Forward - # of Loans										
Beginning Delinquent Inventory	**29,940**		29,795		30,921		32,898		33,398	
New Notices	**13,694**		14,019		12,915		13,611		14,097	
Cures	**(12,213)**		(12,592)		(12,882)		(14,348)		(12,891)	
Paid claims	**(922)**		(1,045)		(1,112)		(1,188)		(1,304)	
Rescissions and denials	**(27)**		(42)		(47)		(52)		(67)	
Other items removed from inventory	**(444)**		(195)		—		—		(335)	
Ending Delinquent Inventory	**30,028**		29,940		29,795		30,921		32,898	
Primary IIF Delinquency Rate	**2.78%**		2.78%		2.80%		2.92%		3.11%	
Primary claim received inventory included in ending delinquent inventory	**538**		557		630		665		809	
Primary IIF - # of Delinquent Loans - Flow only	**23,240**		22,688		22,227		23,483		24,919	
Primary IIF Delinquency Rate - Flow only	**2.23%**		2.20%		2.17%		2.32%		2.47%	
Composition of Cures										
Reported delinquent and cured intraquarter	**4,122**		4,397		3,735		4,884		4,081	
Number of payments delinquent prior to cure										
3 payments or less	**5,724**		5,631		6,221		6,506		5,623	
4-11 payments	**2,001**		2,075		2,401		2,419		2,616	
12 payments or more	**366**		489		525		539		571	
Total Cures in Quarter	**12,213**		12,592		12,882		14,348		12,891	
Composition of Paids										
Number of payments delinquent at time of claim payment										
3 payments or less	**2**		—		4		2		6	
4-11 payments	**83**		104		121		149		125	
12 payments or more	**837**		941		987		1,037		1,173	
Total Paids in Quarter	**922**		1,045		1,112		1,188		1,304	
Aging of Primary Delinquent Inventory										
Consecutive months delinquent										
3 months or less	**9,447**	**32%**	9,462	32%	8,970	30%	8,568	28%	9,829	30%
4-11 months	**9,664**	**32%**	9,082	30%	8,951	30%	9,997	32%	9,655	29%
12 months or more	**10,917**	**36%**	11,396	38%	11,874	40%	12,356	40%	13,414	41%
Number of payments delinquent										
3 payments or less	**14,895**	**50%**	14,690	49%	14,071	47%	14,129	46%	15,519	47%
4-11 payments	**8,519**	**28%**	8,225	27%	8,194	28%	8,833	28%	8,842	27%
12 payments or more	**6,614**	**22%**	7,025	24%	7,530	25%	7,959	26%	8,537	26%

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES

ADDITIONAL INFORMATION - RESERVES and CLAIMS PAID

	2019				2018	Year-to-date	
	Q4	Q3	Q2	Q1	Q4	**2019**	2018
Reserves (millions)							
Primary Direct Loss Reserves	**$ 546**	$ 591	$ 610	$ 642	$ 660		
Pool Direct loss reserves	**9**	11	11	12	13		
Other Gross Reserves	**—**	—	1	1	1		
Total Gross Loss Reserves	**$ 555**	$ 602	$ 622	$ 655	$ 674		
Primary Average Direct Reserve Per Delinquency	**$ 18,171**	$ 18,955	$ 19,684	$ 20,014	$ 20,077		
Net Paid Claims (millions) (1)	**$ 73**	$ 55	$ 55	$ 57	$ 75	**$ 240**	$ 335
Total primary (excluding settlements)	**42**	47	52	52	62	**193**	282
Rescission and NPL settlements	**26**	4	—	—	10	**30**	50
Pool	**2**	1	—	1	1	**4**	6
Reinsurance	**(1)**	(2)	(2)	(3)	(2)	**(8)**	(19)
Other	**4**	5	5	7	4	**21**	16
Reinsurance terminations (1)	**—**	—	(14)	—	—	**(14)**	(2)
Primary Average Claim Payment (thousands)	**$ 46.3** (2)	$ 44.4 (2)	$ 46.9	$ 43.9	$ 48.0 (2)	**$ 45.3** (2)	$ 49.2 (2)
Flow only	**$ 41.2** (2)	$ 39.4 (2)	$ 40.0	$ 37.6	$ 41.6 (2)	**$ 39.5** (2)	$ 43.6 (2)

(1) Net paid claims, as presented, does not include amounts received in conjunction with terminations or commutations of reinsurance agreements.

(2) Excludes amounts paid in settlement disputes for claims paying practices and/or commutations of policies.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES

ADDITIONAL INFORMATION - REINSURANCE

	2019					2018	Year-to-date	
	Q4	Q3	Q2		Q1	Q4	**2019**	2018
Quota Share Reinsurance								
% insurance inforce subject to reinsurance	**78.5%**	78.4%	78.2%		77.8%	77.5%		
% NIW subject to reinsurance	**79.4%**	81.2%	83.0%		84.0%	75.5%	**81.5%**	75.1%
Ceded premiums written and earned (millions)	**$ 23.8**	$ 23.0	$ 36.5	(1)	$ 28.2	$ 28.6	**$ 111.5**	$ 108.2
Ceded losses incurred (millions)	**$ 3.6**	$ 2.7	$ 3.4		$ 1.7	$ 3.0	**$ 11.4**	$ 6.6
Ceding commissions (millions) (included in underwriting and other expenses)	**$ 11.0**	$ 11.0	$ 13.4		$ 13.4	$ 12.9	**$ 48.8**	$ 51.1
Profit commission (millions) (included in ceded premiums)	**$ 31.1**	$ 32.2	$ 37.0		$ 38.9	$ 36.0	**$ 139.2**	$ 147.7
Excess-of-Loss Reinsurance								
Ceded premiums earned (millions)	**$ 5.2**	$ 5.4	$ 4.5		$ 2.5	$ 2.8	**$ 17.6**	$ 2.8
Ceded losses incurred (millions)	**$ —**	$ —	$ —		$ —	$ —	**$ —**	$ —

(1) Includes a $6.8 million termination fee paid to terminate a portion of our 2015 quota share reinsurance agreement.

MGIC INVESTMENT CORPORATION AND SUBSIDIARIES

ADDITIONAL INFORMATION: BULK STATISTICS AND MI RATIOS

	2019						2018	Year-to-date		
	Q4		Q3	Q2		Q1	Q4	**2019**		2018
Bulk Primary Insurance Statistics										
Insurance in force (billions)	**$5.6**		$6.0	$6.2		$6.7	$6.8			
Risk in force (billions)	**$1.6**		$1.7	$1.7		$1.9	$1.9			
Average loan size (thousands)	**$144.1**		$141.3	$141.8		$144.1	$144.8			
Number of delinquent loans	**6,788**		7,252	7,568		7,438	7,979			
Delinquency rate	**17.45%**		17.13%	17.31%		16.02%	16.86%			
Primary paid claims (excluding settlements) (millions)	**$14**		$15	$16		$18	$19	**$63**		$83
Average claim payment (thousands)	**$62.8**	(2)	$60.1	$74.6		$65.1	$73.2	**$65.4**	(2)	$70.8
Mortgage Guaranty Insurance Corporation - Risk to Capital	**9.7:1**	(3)	9.9:1	10.1:1	(1)	8.9:1	9.0:1			
Combined Insurance Companies - Risk to Capital	**9.6:1**	(3)	9.8:1	10.0:1		9.6:1	9.8:1			
GAAP loss ratio (insurance operations only)	**8.9%**		12.7%	8.8%		15.6%	11.3%	**11.5%**		3.7%
GAAP underwriting expense ratio (insurance operations only)	**19.6%**		17.7%	17.6%		18.9%	19.1%	**18.4%**		18.2%

(1) A reinsurance agreement in effect between Mortgage Guaranty Insurance Corporation and an affiliate was terminated during the quarter.

(2) Excludes amounts paid in settlement disputes for claims paying practices and/or commutations of policies.

(3) Preliminary

Risk Factors

As used below, “we,” “our” and “us” refer to MGIC Investment Corporation’s consolidated operations or to MGIC Investment Corporation, as the context requires; and “MGIC” refers to Mortgage Guaranty Insurance Corporation.

Our actual results could be affected by the risk factors below. These risk factors should be reviewed in connection with this press release and our periodic reports to the Securities and Exchange Commission ("SEC"). These risk factors may also cause actual results to differ materially from the results contemplated by forward looking statements that we may make. 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 these statements being current at any time other than the time at which this press release was delivered for dissemination to the public.

Competition or changes in our relationships with our customers could reduce our revenues, reduce our premium yields and / or increase our losses.

The private mortgage insurance industry is highly competitive and is expected to remain so. We believe we currently compete with other private mortgage insurers based on premium rates, underwriting requirements, financial strength (including based on credit or financial strength ratings), customer relationships, name recognition, reputation, strength of management teams and field organizations, the ancillary products and services provided to lenders and the effective use of technology and innovation in the delivery and servicing of our mortgage insurance products.

Our relationships with our customers, which may affect the amount of our NIW, could be adversely affected by a variety of factors, including if our premium rates are higher than those of our competitors, our underwriting requirements are more restrictive than those of our competitors, or our customers are dissatisfied with our claims-paying practices (including insurance policy rescissions and claim curtailments).

Much of the competition in the industry in the last few years has centered on pricing practices which have included: (i) reductions in standard filed rates; (ii) use of customized rate plans (typically lower than standard rates) that are made available to lenders that meet certain criteria; and (iii) use of a spectrum of filed rates to allow for formulaic, risk-based pricing that may be quickly adjusted within certain parameters (referred to as "risk-based pricing systems"). We expect premium rates to continue to decline. While our increased use of reinsurance over the past several years has helped to mitigate the negative effect of declining premium rates on our returns, refer to our risk factor titled *"Reinsurance may not always be available or affordable"* for a discussion of the risks associated with the availability of reinsurance.

In 2019, we introduced MiQ™, our risk-based pricing system that establishes our premium rates based on more risk attributes than were considered in 2018. The widespread use of risk-based pricing systems by the private mortgage insurance industry makes it more difficult to compare our rates to those offered by our competitors. We may not be aware of industry rate changes until we observe that our volume of new insurance written ("NIW") has changed. In addition, business under customized rate plans is awarded by certain customers for only limited periods of time. As a result, our NIW may fluctuate more than it had in the past. Regarding the concentration of our new business, our top ten customers accounted for approximately 24% of our NIW, in each of the twelve months ended December 31, 2018 and 2019.

We monitor various competitive and economic factors while seeking to balance both profitability and market share considerations in developing our pricing strategies. A reduction in our premium rates will reduce our premium yield (net premiums earned divided by the average insurance in force) over time as older insurance policies with higher premium rates run off and new insurance policies with lower premium rates are written. Our premium rates are subject to approval by state regulatory agencies, which can delay or limit our ability to change them, outside of the parameters already approved.

There can be no assurance that our premium rates adequately reflect the risk associated with the underlying mortgage insurance policies. For additional information, see our risk factors titled “*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*" and "*If our risk management programs are not effective in identifying, or adequate in controlling or mitigating, the risks we face, or if the models used in our businesses are inaccurate, it could have a material adverse impact on our business, results of operations and financial condition*."

Certain of our competitors have access to capital at a lower cost than we do (including, through off-shore reinsurance vehicles, which are tax-advantaged). As a result, they may be able to achieve higher after-tax rates of return on their NIW compared to us, which could allow them to leverage reduced premium rates to gain market share, and they may be better positioned to compete outside of traditional mortgage insurance, including by participating in alternative forms of credit enhancement pursued by Fannie Mae and Freddie Mac (the "GSEs") discussed in our risk factor titled *"The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance.*"

Substantially all of our insurance written since 2008 has been for loans purchased by the GSEs. The current private mortgage insurer eligibility requirements ("PMIERs") of each of the GSEs require a mortgage insurer to maintain a minimum amount of assets to support its insured risk, as discussed in our risk factor titled *"We may not continue to meet the GSEs' private mortgage insurer eligibility requirements and our returns may decrease if we are required to maintain more capital in order to maintain our eligibility."* The PMIERs do not require an insurer to maintain minimum financial strength ratings; however, our financial strength ratings can affect us in the following ways:

- A downgrade in our financial strength ratings could result in increased scrutiny of our financial condition by the GSEs and/or our customers, potentially resulting in a decrease in the amount of our NIW.

- Our ability to participate in the non-GSE mortgage market (the size of which has been limited since 2008, but may grow in the future), could depend on our ability to maintain and improve our investment grade ratings for our insurance subsidiaries. We could be competitively disadvantaged with some market participants because the financial strength ratings of our insurance subsidiaries are lower than those of some competitors. MGIC's financial strength rating from A.M. Best is A- (with a stable outlook), from Moody's is Baa1 (with a stable outlook) and from Standard & Poor's is BBB+ (with a stable outlook).

- Financial strength ratings may also play a greater role if the GSEs no longer operate in their current capacities, for example, due to legislative or regulatory action. In addition, although the PMIERs do not require minimum financial strength ratings, the GSEs consider financial strength ratings to be important when using forms of credit enhancement other than traditional mortgage insurance, as discussed in our risk factor titled *"The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance."*

If we are unable to compete effectively in the current or any future markets as a result of the financial strength ratings assigned to our insurance subsidiaries, our future new insurance written could be negatively affected.

The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance.

Alternatives to private mortgage insurance include:

- investors using risk mitigation and credit risk transfer techniques other than private mortgage insurance,

- lenders and other investors holding mortgages in portfolio and self-insuring,

- lenders using Federal Housing Administration ("FHA"), U.S. Department of Veterans Affairs ("VA") and other government mortgage insurance programs, and

- lenders originating mortgages using piggyback structures to avoid private mortgage insurance, such as a first mortgage with an 80% loan-to-value ("LTV") ratio and a second mortgage with a 10%, 15% or 20% LTV ratio (referred to as 80-10-10, 80-15-5 or 80-20 loans, respectively) rather than a first mortgage with a 90%, 95% or 100% LTV ratio that has private mortgage insurance.

The GSEs' charters generally require credit enhancement for a low down payment mortgage loan (a loan with an amount that exceeds 80% of a home's value) in order for such loan to be eligible for purchase by the GSEs. Private mortgage insurance has generally been purchased by lenders in primary mortgage market transactions to satisfy this credit enhancement requirement. In 2018, Freddie Mac and Fannie Mae initiated secondary mortgage market programs with loan level mortgage default coverage provided by various (re)insurers that are not mortgage insurers governed by PMIERs, and that are not selected by the lenders. These programs compete with traditional private mortgage insurance and, due to differences in policy terms, they may offer premium rates that are below prevalent single premium lender paid mortgage insurance ("LPMI") rates. We participate in these programs from time to time. See our risk factor titled "*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"* for a discussion of various business practices of the GSEs that may be changed, including through expansion or modification of these programs.

The GSEs (and other investors) have also used other forms of credit enhancement that did not involve traditional private mortgage insurance, such as engaging in credit-linked note transactions executed in the capital markets, or using other forms of debt issuances or securitizations that transfer credit risk directly to other investors, including competitors and an affiliate of MGIC; using other risk mitigation techniques in conjunction with reduced levels of private mortgage insurance coverage; or accepting credit risk without credit enhancement.

The GSEs' charters also permit the use of "Lender Risk Sharing" transactions as a form of credit enhancement. In these transactions, the lender may issue securities to transfer all or a portion of its risk or the lender may retain the credit risk. While the use of Lender Risk Sharing transactions has recently been increasing, we are not aware that their use has displaced private mortgage insurance. The amount of business we write would be adversely affected if Lender Risk Sharing transactions are structured in a manner that displaces private mortgage insurance.

The FHA's share of the low down payment residential mortgages that were subject to FHA, VA, USDA or primary private mortgage insurance was 27.8% in the first nine months of 2019, 30.5% in 2018 and 33.9% in 2017. In the past ten years, the FHA's share has been as low as 27.8% in 2019 and as high as 64.5% in 2010. Factors that influence the FHA's market share include relative rates and fees, underwriting guidelines and loan limits of the FHA, VA, private mortgage insurers and the GSEs; lenders' perceptions of legal risks under FHA versus GSE programs; flexibility for the FHA to establish new products as a result of federal legislation and programs; returns expected to be obtained by lenders for Ginnie Mae securitization of FHA-insured loans compared to those obtained from selling loans to the GSEs for securitization; and differences in policy terms, such as the ability of a borrower to cancel insurance coverage under certain circumstances. We cannot predict how the factors that affect the FHA's share of new insurance written will change in the future.

The VA's share of the low down payment residential mortgages that were subject to FHA, VA, USDA or primary private mortgage insurance was 23.9% in the first nine months of 2019, 22.9% in 2018 and 24.7% in 2017. In the past ten years, the VA's share has been as low as 15.7% in 2010 and as high as 27.2% in 2016. We believe that the VA's market share has generally been elevated in recent years because of an increase in the number of borrowers that are eligible for the VA's program, which offers 100% LTV ratio loans and charges a one-time funding fee that can be included in the loan amount, and because eligible borrowers have opted to use the VA program when refinancing their mortgages.

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.

Substantially all of our insurance written since 2008 has been for loans purchased by the GSEs, therefore, the business practices of the GSEs greatly impact our business and include:

- the GSEs' PMIERs, the financial requirements of which are discussed in our risk factor titled *"We may not continue to meet the GSEs' private mortgage insurer eligibility requirements and our returns may decrease if we are required to maintain more capital in order to maintain our eligibility,"*

- the capital and collateral requirements for participants in the GSEs' alternative forms of credit enhancement discussed in our risk factor titled *"The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance,"*

- the level of private mortgage insurance coverage, subject to the limitations of the GSEs' charters, when private mortgage insurance is used as the required credit enhancement on low down payment mortgages (the GSEs generally require a level of mortgage insurance coverage that is higher than the level of coverage required by their charters; any change in the required level of coverage will impact our new risk written),

- the amount of loan level price adjustments and guaranty fees (which result in higher costs to borrowers) that the GSEs assess on loans that require private mortgage insurance,

- whether the GSEs select or influence the mortgage lender's selection of the mortgage insurer providing coverage,

- the underwriting standards that determine which loans are eligible for purchase by the GSEs, which can affect the quality of the risk insured by the mortgage insurer and the availability of mortgage loans,

- the terms on which mortgage insurance coverage can be canceled before reaching the cancellation thresholds established by law,

- the programs established by the GSEs intended to avoid or mitigate loss on insured mortgages and the circumstances in which mortgage servicers must implement such programs,

- the terms that the GSEs require to be included in mortgage insurance policies for loans that they purchase, including limitations on the rescission rights of mortgage insurers,

- the extent to which the GSEs intervene in mortgage insurers' claims paying practices, rescission practices or rescission settlement practices with lenders and

- the maximum loan limits of the GSEs compared to those of the FHA and other investors.

The FHFA has been the conservator of the GSEs since 2008 and has the authority to control and direct their operations. The increased role that the federal government has assumed in the residential housing finance system through the GSE conservatorship may increase the likelihood that the business practices of the GSEs change, including through administrative action, in ways that have a material adverse effect on us and that the charters of the GSEs are changed by new federal legislation.

In September 2019, at the direction of President Trump, the U.S. Treasury Department ("Treasury") released the "Treasury Housing Reform Plan" (the "Plan"). The Plan recommends administrative and legislative reforms for the housing finance system, with such reforms intended to achieve the goals of ending the conservatorships of the GSEs; increasing competition and participation by the private sector in the mortgage market including by authorizing the FHFA to approve additional guarantors of conventional mortgages in the secondary market, simplifying the qualified mortgage ("QM") rule of the Consumer Financial Protection Bureau ("CFPB"), transferring risk to the private sector, and eliminating the "GSE Patch" (discussed below); establishing regulation of the GSEs that safeguards their safety and soundness and minimizes the risks they pose to the financial stability of the United States; and providing that the federal government is properly compensated for any explicit or implicit support it provides to the GSEs or the secondary housing finance market. Also in September 2019, the Treasury and FHFA entered into a letter agreement that will allow the GSEs to remit less of their earnings to the government, which will help them rebuild their capital.

The impact of the Plan on private mortgage insurance is unclear. The Plan does not refer to mortgage insurance explicitly; however, it refers to a requirement for credit enhancement on high LTV ratio loans, which is a requirement of the current GSE charters. The Plan also indicates that the FHFA should continue to support efforts to expand credit risk transfer ("CRT") programs and should encourage the GSEs to continue to engage in a diverse mix of economically sensible CRT programs, including by increasing reliance on institution-level capital (presumably, as distinguished from capital obtained in the capital markets). For more information about CRT programs, see our risk factor titled "*The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance."*

The current GSE Patch expands the definition of QM under the Truth in Lending Act (Regulation Z) ("TILA") to include mortgages eligible to be purchased by the GSEs, even if the mortgages do not meet the debt-to-income ("DTI") ratio limit of 43% that is included in the standard QM definition. Originating a QM may provide a lender with legal protection from lawsuits that claim the lender failed to verify a borrower's ability to repay. The GSE Patch is scheduled to expire no later than January 2021. Approximately 27% and 22% of our NIW in the first and second halves of 2019, respectively, was on loans with DTI ratios greater than 43%. However, it is possible that expiration of the GSE Patch will be delayed and that not all future loans with DTI ratios greater than 43% will be affected by such expiration. In this regard, we note that the CFPB recently indicated that it expects to issue for comment, no later than May 2020, a proposed new "ability-to-repay" ("ATR") rule that would replace the use of DTI ratio in the definition of QM with an alternative measure, such as a pricing threshold. The CFPB also indicated that it would extend the expiration of the GSE Patch until the earlier of the effective date of the proposed alternative or until one of the GSEs exits conservatorship.

We insure loans that do not qualify as QMs; however, we are unsure the extent to which lenders will make non-QM loans because they will not be entitled to the presumptions about compliance with the ATR rule that the law allows with respect to QM loans. We are also unsure the extent to which lenders will purchase private mortgage insurance for loans that cannot be sold to the GSEs.

The QM definition for loans insured by the FHA, which was issued by the Department of Housing and Urban Development ("HUD"), is less restrictive than the CFPB's definition in certain respects, including that (i) it has no DTI ratio limit, and (ii) it allows lenders certain presumptions about compliance with the ATR rule on higher priced loans. It is possible that, in the future, lenders will prefer FHA-insured loans to loans insured by private mortgage insurance as a result of the FHA's less restrictive QM definition. However, in September 2019, HUD released its Housing Reform Plan and indicated that the FHA should refocus on its mission of providing housing finance support to low- and moderate-income families that cannot be fulfilled through traditional underwriting. In addition, Treasury's Plan indicated that the FHFA and HUD should develop and implement a specific understanding as to the appropriate roles and overlap between the GSEs and FHA, including with respect to the GSEs' acquisitions of high LTV ratio and high DTI ratio loans.

As a result of the matters referred to above, it is uncertain what role the GSEs, FHA and private capital, including private mortgage insurance, will play in the residential housing finance system in the future. The timing and impact on our business of any resulting changes is uncertain. Many of the proposed changes would require Congressional action to implement and it is difficult to estimate when Congressional action would be final and how long any associated phase-in period may last.

We may not continue to meet the GSEs' private mortgage insurer eligibility requirements and our returns may decrease if we are required to maintain more capital in order to maintain our eligibility.

We must comply with a GSE's PMIERs to be eligible to insure loans delivered to or purchased by that GSE. The PMIERs include financial requirements, as well as business, quality control and certain transaction approval requirements. The financial requirements of the PMIERs require a mortgage insurer's "Available Assets" (generally only the most liquid assets of an insurer) to equal or exceed its "Minimum Required Assets" (which are based on an insurer's book of insurance in force and calculated from tables of factors with several risk dimensions, reduced for credit given for risk ceded under reinsurance agreements, and subject to a floor amount).

Based on our interpretation of the more restrictive application of PMIERs, as of December 31, 2019, MGIC's Available Assets totaled $4.6 billion, or $1.2 billion in excess of its Minimum Required Assets. MGIC is in compliance with the PMIERs and eligible to insure loans purchased by the GSEs. In calculating these "Minimum Required Assets," the total credit for risk ceded under our reinsurance transactions is subject to a modest reduction. Our reinsurance transactions are discussed in our risk factor titled *"The mix of business we write affects our Minimum Required Assets under the PMIERs, our premium yields and the likelihood of losses occurring."* Our existing reinsurance transactions are subject to periodic review by the GSEs and there is a risk we will not receive our current level of credit in future periods for the risk ceded under them. In addition, we may not receive the same level of credit under future reinsurance transactions that we receive under existing transactions. If MGIC is not allowed certain levels of credit under the PMIERs, under certain circumstances, MGIC may terminate the reinsurance transactions, without penalty.

If MGIC ceases to be eligible to insure loans purchased by one or both of the GSEs, it would significantly reduce the volume of our new business writings. Factors that may negatively impact MGIC's ability to continue to comply with the financial requirements of the PMIERs include the following:

- The GSEs may make the PMIERs more onerous in the future. The PMIERs provide that the factors that determine Minimum Required Assets will be updated periodically, or as needed if there is a significant change in macroeconomic conditions or loan performance. We do not anticipate that the regular periodic updates will occur more frequently than once every two years. The PMIERs state that the GSEs will provide notice 180 days prior to the effective date of updates to the factors; however, the GSEs may amend any portion of the PMIERs at any time.

- There may be future implications for PMIERs based upon forthcoming regulatory capital requirements for the GSEs. In 2018, the FHFA issued a proposed capital rule for the GSEs, which included a framework for determining the capital relief allowed to the GSEs for loans with private mortgage insurance. The FHFA recently indicated that it plans to re-propose a capital rule as early as the first quarter of 2020, although the timing and content of the proposal is uncertain. Further, any changes to the GSEs' capital and liquidity requirements resulting from the Treasury Housing Reform Plan could have future implications for PMIERs.

- Our future operating results may be negatively impacted by the matters discussed in the rest of these risk factors. Such matters could decrease our revenues, increase our losses or require the use of assets, thereby creating a shortfall in Available Assets.

- Should capital be needed by MGIC in the future, capital contributions from our holding company may not be available due to competing demands on holding company resources, including for repayment of debt.

Reinsurance may not always be available or affordable.

As discussed in our risk factor titled "*The mix of business we write affects our Minimum Required Assets under the PMIERs, our premium yields and the likelihood of losses occurring*," we have in place quota share and excess of loss reinsurance transactions covering a portion of our risk in force. These reinsurance transactions enable us to earn higher returns on our business than we would without them because fewer Available Assets are required to be held under PMIERs. However, reinsurance may not always be available to us or available on similar terms, the quota share reinsurance transactions subject us to counterparty credit risk and the GSEs may change the credit they allow under the PMIERs for risk ceded under our reinsurance transactions. If we are unable to obtain reinsurance for NIW, our returns may decrease absent an increase in premium rates. An increase in our premium rates may lead to a decrease in our NIW.

We are involved in legal proceedings and are subject to the risk of additional legal proceedings in the future.

Before paying an insurance claim, we review the loan and servicing files to determine the appropriateness of the claim amount. When reviewing the files, we may determine that we have the right to rescind coverage on the loan. In our SEC reports, we refer to insurance rescissions and denials of claims collectively as "rescissions" and variations of that term. In addition, our insurance policies generally provide that we can reduce or deny a claim if the servicer did not comply with its obligations under our insurance policy. We call such reduction of claims "curtailments." In recent quarters, an immaterial percentage of claims received in a quarter have been resolved by rescissions. In 2018 and 2019, curtailments reduced our average claim paid by approximately 5.8% and 5.0%, respectively.

Our loss reserving methodology incorporates our estimates of future rescissions, curtailments, and reversals of rescissions and curtailments. A variance between ultimate actual rescission, curtailment and reversal rates and our estimates, as a result of the outcome of litigation, settlements or other factors, could materially affect our losses.

When the insured disputes our right to rescind coverage or curtail claims, we generally engage in discussions in an attempt to settle the dispute. If we are unable to reach a settlement, the outcome of a dispute ultimately may be determined by legal proceedings.

Under ASC 450-20, until a loss associated with settlement discussions or legal proceedings becomes probable and can be reasonably estimated, we consider our claim payment or rescission resolved for financial reporting purposes and do not accrue an estimated loss. When we determine that a loss is probable and can be reasonably estimated, we record our best estimate of our probable loss. In those cases, until settlement negotiations or legal proceedings are concluded (including the receipt of any necessary GSE approvals), it is reasonably possible that we will record an additional loss. In the fourth quarter of 2019, the agreement for which we had recorded a probable loss of $23.5 million, received necessary GSE approvals. There was no additional loss recognized as a result of entering into the agreement, as the settlement amount was consistent with our original estimate of the probable loss. We are currently involved in discussions and/or proceedings with insureds with respect to our claims paying practices. Although it is reasonably possible that when all of these matters are resolved we will not prevail in all cases, we are unable to make a reasonable estimate or range of estimates of the potential liability. We estimate the maximum exposure associated with matters where a loss is reasonably possible to be approximately $46 million. This estimate of maximum exposure is based upon currently available information; is subject to significant judgment, numerous assumptions and known and unknown uncertainties; will include an amount for matters for which we have recorded a probable loss until such matters are concluded; will include different matters from time to time; and does not include interest or consequential or exemplary damages.

In addition to the matters described above, we are involved in other legal proceedings in the ordinary course of business. In our opinion, based on the facts known at this time, the ultimate resolution of these ordinary course legal proceedings will not have a material adverse effect on our financial position or results of operations.

We are subject to comprehensive regulation and other requirements, which we may fail to satisfy.

We are subject to comprehensive, detailed regulation, including by state insurance departments. Many of these regulations are designed for the protection of our insured policyholders and consumers, rather than for the benefit of investors. Mortgage insurers, including MGIC, have in the past been involved in litigation and regulatory actions related to alleged violations of the anti-referral fee provisions of the Real Estate Settlement Procedures Act ("RESPA"), and the notice provisions of the Fair Credit Reporting Act ("FCRA"). While these proceedings in the aggregate did not result in material liability for MGIC, there can be no assurance that the outcome of future proceedings, if any, under these laws would not have a material adverse effect on us. To the extent that we are construed to make independent credit decisions in connection with our contract underwriting activities, we also could be subject to increased regulatory requirements under the Equal Credit Opportunity Act ("ECOA"), FCRA, and other laws. Under ECOA, examination may also be made of whether a mortgage insurer's underwriting decisions have a disparate impact on persons belonging to a protected class in violation of the law.

Although their scope varies, state insurance laws generally grant broad supervisory powers to agencies or officials to examine insurance companies and enforce rules or exercise discretion affecting almost every significant aspect of the insurance business, including payment for the referral of insurance business, premium rates and discrimination in pricing, and minimum capital requirements. For more information about state capital requirements, see our risk factor titled *“State capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis.”* For information about regulation of data privacy, see our risk factor titled *“We could be adversely affected if personal information on consumers that we maintain is improperly disclosed and our information technology systems may become outdated and we may not be able to make timely modifications to support our products and services.”* For more details about the various ways in which our subsidiaries are regulated, see “Business - Regulation” in Item 1 of our Annual Report on Form 10-K filed with the SEC on February 22, 2019.While we believe our practices are in conformity with applicable laws and regulations, it is not possible to predict the eventual scope, duration or outcome of any such reviews or investigations nor is it possible to predict their effect on us or the mortgage insurance industry.

If our risk management programs are not effective in identifying, or adequate in controlling or mitigating, the risks we face, or if the models used in our businesses are inaccurate, it could have a material adverse impact on our business, results of operations and financial condition.

Our enterprise risk management program, described in "Business - Our Products and Services - Risk Management" in Item 1 of our Annual Report on Form 10-K filed with the SEC on February 22, 2019, may not be effective in identifying, or adequate in controlling or mitigating, the risks we face in our business.

We employ proprietary and third party models to project returns, price products (including through our risk-based pricing system), determine the techniques used to underwrite insurance, estimate reserves, generate projections used to estimate future pre-tax income and to evaluate loss recognition testing, evaluate risk, determine internal capital requirements, perform stress testing, and for other uses. These models rely on estimates and projections that are inherently uncertain and may not operate as intended. In addition, from time to time we seek to improve certain models, and the conversion process may result in material changes to assumptions, including those about returns and financial results. The models we employ are complex, which increases our risk of error in their design, implementation or use. Also, the associated input data, assumptions and calculations may not be correct, and the controls we have in place to mitigate that risk may not be effective in all cases. The risks related to our models may increase when we change assumptions and/or methodologies, or when we add or change modeling platforms. We have enhanced, and we intend to continue to enhance, our modeling capabilities. Moreover, we may use information we receive through enhancements to refine or otherwise change existing assumptions and/or methodologies.

Because we establish loss reserves only upon a loan delinquency 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.

In accordance with accounting principles generally accepted in the United States, we establish reserves for insurance losses and loss adjustment expenses only when notices of default on insured mortgage loans are received and for loans we estimate are in default but for which notices of default have not yet been reported to us by the servicers (this is often referred to as “IBNR”). Because our reserving method does not take account of losses that could occur from loans that are not delinquent, such losses are not reflected in our financial statements, except in the case where a premium deficiency exists. As a result, future losses on loans that are not currently delinquent may have a material impact on future results as such losses emerge.

Because loss reserve estimates are subject to uncertainties, paid claims may be substantially different than our loss reserves.

When we establish reserves, we estimate the ultimate loss on delinquent loans by estimating the number of loans in our inventory of delinquent loans that will result in a claim payment, which is referred to as the claim rate, and further estimating the amount of the claim payment, which is referred to as claim severity. The estimated claim rate and claim severity represent our best estimates of what we will actually pay on the loans in default as of the reserve date and incorporate anticipated mitigation from rescissions and curtailments. The establishment of loss reserves is subject to inherent uncertainty and requires judgment by management. The actual amount of the claim payments may be substantially different than our loss reserve estimates. Our estimates could be affected by several factors, including a change in regional or national economic conditions, and a change in the length of time loans are delinquent before claims are received. The change in conditions may include changes in unemployment, affecting borrowers’ income and thus their ability to make mortgage payments, and changes in home prices, which may affect borrower willingness to continue to make mortgage payments when the value of the home is below the mortgage balance. Changes to our estimates could have a material impact on our future results, even in a stable economic environment. In addition, historically, losses incurred have followed a seasonal trend in which the second half of the year has weaker credit performance than the first half, with higher new default notice activity and a lower cure rate.

We rely on our management team and our business could be harmed if we are unable to retain qualified personnel or successfully develop and/or recruit their replacements.

Our success depends, in part, on the skills, working relationships and continued services of our management team and other key personnel. The unexpected departure of key personnel could adversely affect the conduct of our business. In such event, we would be required to obtain other personnel to manage and operate our business. In addition, we will be required to replace the knowledge and expertise of our aging workforce as our workers retire. In either case, there can be no assurance that we would be able to develop or recruit suitable replacements for the departing individuals; that replacements could be hired, if necessary, on terms that are favorable to us; or that we can successfully transition such replacements in a timely manner. We currently have not entered into any employment agreements with our officers or key personnel. Volatility or lack of performance in our stock price may affect our ability to retain our key personnel or attract replacements should key personnel depart. Without a properly skilled and experienced workforce, our costs, including productivity costs and costs to replace employees may increase, and this could negatively impact our earnings.

If the volume of low down payment home mortgage originations declines, the amount of insurance that we write could decline.

The factors that may affect the volume of low down payment mortgage originations include:

- restrictions on mortgage credit due to more stringent underwriting standards, liquidity issues or risk-retention and/or capital requirements affecting lenders,
- the level of home mortgage interest rates,
- the health of the domestic economy as well as conditions in regional and local economies and the level of consumer confidence,
- housing affordability,
- new and existing housing availability,
- the rate of household formation, which is influenced, in part, by population and immigration trends,
- the rate of home price appreciation, which in times of heavy refinancing can affect whether refinanced loans have LTV ratios that require private mortgage insurance, and
- government housing policy encouraging loans to first-time homebuyers.

A decline in the volume of low down payment home mortgage originations could decrease demand for mortgage insurance and limit our NIW. For other factors that could decrease the demand for mortgage insurance, see our risk factor titled *"The amount of insurance we write could be adversely affected if lenders and investors select alternatives to private mortgage insurance."*

State capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis.

The insurance laws of 16 jurisdictions, including Wisconsin, MGIC's domiciliary state, require a mortgage insurer to maintain a minimum amount of statutory capital relative to its risk in force (or a similar measure) in order for the mortgage insurer to continue to write new business. We refer to these requirements as the "State Capital Requirements." While they vary among jurisdictions, the most common State Capital Requirements allow for a maximum risk-to-capital ratio of 25 to 1. A risk-to-capital ratio will increase if (i) the percentage decrease in capital exceeds the percentage decrease in insured risk, or (ii) the percentage increase in capital is less than the percentage increase in insured risk. Wisconsin does not regulate capital by using a risk-to-capital measure but instead requires a minimum policyholder position ("MPP"). The "policyholder position" of a mortgage insurer is its net worth or surplus, contingency reserve and a portion of the reserves for unearned premiums.

At December 31, 2019, MGIC's risk-to-capital ratio was 9.7 to 1, below the maximum allowed by the jurisdictions with State Capital Requirements, and its policyholder position was $3.0 billion above the required MPP of $1.7 billion. Our risk-to-capital ratio and MPP reflect full credit for the risk ceded under our quota share reinsurance and excess of loss transactions with unaffiliated reinsurers. It is possible that under the revised State Capital Requirements discussed below, MGIC will not be allowed full credit for the risk ceded under such transactions. If MGIC is not allowed an agreed level of credit under the State Capital Requirements, MGIC may terminate the reinsurance transactions, without penalty. At this time, we expect MGIC to continue to comply with the current State Capital Requirements; however, you should read the rest of these risk factors for information about matters that could negatively affect such compliance. At December 31, 2019, the risk-to-capital ratio of our combined insurance operations was 9.6 to 1.

The NAIC has previously announced plans to revise the minimum capital and surplus requirements for mortgage insurers that are provided for in its Mortgage Guaranty Insurance Model Act. In December 2019, a working group of state regulators released an exposure draft of a revised Mortgage Guaranty Insurance Model Act and a risk-based capital framework to establish capital requirements for mortgage insurers, although no date has been established by which the NAIC must propose revisions to the capital requirements and certain items have not yet been completely addressed by the framework, including the treatment of ceded risk and minimum capital floors. Currently we believe that the PMIERs contain more restrictive capital requirements than the draft Mortgage Guaranty Insurance Model Act in most circumstances.

While MGIC currently meets, and expects to continue to meet, the State Capital Requirements of Wisconsin and all other jurisdictions, it could be prevented from writing new business in the future in all jurisdictions if it fails to meet the State Capital Requirements of Wisconsin, or it could be prevented from writing new business in a particular jurisdiction if it fails to meet the State Capital Requirements of that jurisdiction, and in each case if MGIC does not obtain a waiver of such requirements. It is possible that regulatory action by one or more jurisdictions, including those that do not have specific State Capital Requirements, may prevent MGIC from continuing to write new insurance in such jurisdictions. If we are unable to write business in a particular jurisdiction, lenders may be unwilling to procure insurance from us anywhere. In addition, a lender’s assessment of the future ability of our insurance operations to meet the State Capital Requirements or the PMIERs may affect its willingness to procure insurance from us. In this regard, see our risk factor titled *“Competition or changes in our relationships with our customers could reduce our revenues, reduce our premium yields and/or increase our losses.”* A possible future failure by MGIC to meet the State Capital Requirements or the PMIERs will not necessarily mean that MGIC lacks sufficient resources to pay claims on its insurance liabilities. While we believe MGIC has sufficient claims paying resources to meet its claim obligations on its insurance in force on a timely basis, you should read the rest of these risk factors for information about matters that could negatively affect MGIC’s claims paying resources.

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, with a corresponding decrease in our returns.

Losses result from events that reduce a borrower’s ability or willingness to continue to make mortgage payments, such as unemployment, health issues, family status, and whether the home of a borrower who defaults on his mortgage can be sold for an amount that will cover unpaid principal and interest and the expenses of the sale. In general, favorable economic conditions reduce the likelihood that borrowers will lack sufficient income to pay their mortgages and also favorably affect the value of homes, thereby reducing and in some cases even eliminating a loss from a mortgage default. A deterioration in economic conditions, including an increase in unemployment, generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect home prices, which in turn can influence the willingness of borrowers with sufficient resources to make mortgage payments to do so when the mortgage balance exceeds the value of the home. Home prices may decline even absent a deterioration in economic conditions due to declines in demand for homes, which in turn may result from changes in buyers’ perceptions of the potential for future appreciation, restrictions on and the cost of mortgage credit due to more stringent underwriting standards, higher interest rates generally, changes to the deductibility of mortgage interest for income tax purposes, decreases in the rate of household formations, or other factors. Changes in home prices and unemployment levels are inherently difficult to forecast given the uncertainty in the current market environment, including uncertainty about the effect of actions the federal government has taken and may take with respect to tax policies, mortgage finance programs and policies, and housing finance reform.

The mix of business we write affects our Minimum Required Assets under the PMIERs, our premium yields and the likelihood of losses occurring.

The Minimum Required Assets under the PMIERs are, in part, a function of the direct risk-in-force and the risk profile of the loans we insure, considering LTV ratio, credit score, vintage, Home Affordable Refinance Program ("HARP") status and delinquency status; and whether the loans were insured under lender-paid mortgage insurance policies or other policies that are not subject to automatic termination consistent with the Homeowners Protection Act requirements for borrower paid mortgage insurance. Therefore, if our direct risk-in-force increases through increases in NIW, or if our mix of business changes to include loans with higher LTV ratios or lower FICO scores, for example, or if we insure a higher percentage of loans under lender-paid mortgage insurance policies, all other things equal, we will be required to hold more Available Assets in order to maintain GSE eligibility.

The minimum capital required by the risk-based capital framework contained in the exposure draft released by the NAIC in December 2019 would be, in part, a function of certain loan and economic factors, including property location, LTV ratio and credit score; general underwriting quality in the market at the time of loan origination; the age of the loan; and the premium rate we charge. Depending on the provisions of the capital requirements when they are released in final form and become effective, our mix of business may affect the minimum capital we are required to hold under the new framework.

The percentage of our NIW from all single-premium policies has ranged from approximately 10% in 2013 to 19% in 2017 and was 17% in 2018 and 16% in 2019. Depending on the actual life of a single premium policy and its premium rate relative to that of a monthly premium policy, a single premium policy may generate more or less premium than a monthly premium policy over its life.

We have in place quota share reinsurance ("QSR") transactions with unaffiliated reinsurers that cover most of our insurance written from 2013 through 2019, and a portion of our insurance written prior to 2013. Although the transactions reduce our premiums, they have a lesser impact on our overall results, as losses ceded under the transactions reduce our losses incurred and the ceding commissions we receive reduce our underwriting expenses. The effect of the QSR transactions on the various components of pre-tax income will vary from period to period, depending on the level of ceded losses.

In 2018 and 2019, MGIC entered into reinsurance agreements that provide excess-of-loss reinsurance coverage for a portion of the risk associated with certain mortgage insurance policies having an insurance coverage in force date on or after July 1, 2016 and before April 1, 2019. The transactions were entered into with special purpose insurers that issued notes linked to the reinsurance coverage ("Insurance Linked Notes" or "ILNs"). We expect that we may enter into other ILN transactions if capital market conditions remain favorable.

In addition to the effect of reinsurance on our premiums, we expect a decline in our premium yield because an increasing percentage of our insurance in force is from recent book years whose premium rates have been trending lower.

Our ability to rescind insurance coverage became more limited for insurance we wrote beginning in mid-2012. As a result of revised PMIERs requirements, we have revised our master policy and expect it to be effective for new insurance written beginning March 1, 2020. Our ability to rescind insurance coverage will become further limited for insurance we write under the new master policy, potentially resulting in higher losses than would be the case under our existing master policies.

From time to time, in response to market conditions, we change the types of loans that we insure and the requirements under which we insure them. We also change our underwriting guidelines, in part through aligning most of them with the GSEs for loans that receive and are processed in accordance with certain approval recommendations from a GSE automated underwriting system. We also make exceptions to our underwriting requirements on a loan-by-loan basis and for certain customer programs. Our underwriting requirements are available on our website at http://www.mgic.com/underwriting/index.html.

Even when home prices are stable or rising, mortgages with certain characteristics have higher probabilities of claims. As of December 31, 2019, mortgages with these characteristics in our primary risk in force included mortgages with LTV ratios greater than 95% (15.3%), loans with borrowers having FICO scores below 620 (2.0%), mortgages with borrowers having FICO scores of 620-679 (9.0%), mortgages with limited underwriting, including limited borrower documentation (1.7%), and mortgages with borrowers having DTI ratios greater than 45% (or where no ratio is available) (14.2%), each attribute as determined at the time of loan origination. An individual loan may have more than one of these attributes.

Beginning in 2017, the percentage of NIW that we have written on mortgages with LTV ratios greater than 95% and mortgages with DTI ratios greater than 45% has increased, although the percentage of NIW that we have written on mortgages with DTI ratios greater than 45% has declined in 2019 from its 2018 level. In 2018, we started considering DTI ratios when setting our premium rates, and we changed our methodology for calculating DTI ratios for pricing and eligibility purposes to exclude the impact of mortgage insurance premiums. As a result of this change, loan originators may have changed the information they provide to us. Although we have revised our operational procedures to account for this possibility, we cannot be sure that the DTI ratio we report for each loan beginning in late 2018 includes the related mortgage insurance premiums in the calculation. In addition, we expect to insure certain loans that would not have previously met our guidelines and to offer premium rates for certain loans lower than would have been offered under our previous methodology.

The widespread use of risk-based pricing systems by the private mortgage insurance industry (discussed in our risk factor titled *"Competition or changes in our relationships with our customers could reduce our revenues, reduce our premium yields and / or increase our losses"*) makes it more difficult to compare our premium rates to those offered by our competitors. We may not be aware of industry rate changes until we observe that our mix of new insurance written has changed and our mix may fluctuate more as a result.

If state or federal regulations or statutes are changed in ways that ease mortgage lending standards and/or requirements, or if lenders seek ways to replace business in times of lower mortgage originations, it is possible that more mortgage loans could be originated with higher risk characteristics than are currently being originated, such as loans with lower FICO scores and higher DTI ratios. Lenders could pressure mortgage insurers to insure such loans, which are expected to experience higher claim rates. Although we attempt to incorporate these higher expected claim rates into our underwriting and pricing models, there can be no assurance that the premiums earned and the associated investment income will be adequate to compensate for actual losses even under our current underwriting requirements.

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.

We set premiums at the time a policy is issued based on our expectations regarding likely performance of the insured risks over the long term. Our premiums are subject to approval by state regulatory agencies, which can delay or limit our ability to increase our premiums. Generally, we cannot cancel mortgage insurance coverage or adjust renewal premiums during the life of a mortgage insurance policy. As a result, higher than anticipated claims generally cannot be offset by premium increases on policies in force or mitigated by our non-renewal or cancellation of insurance coverage. The premiums we charge, the investment income we earn and the amount of reinsurance we carry may not be adequate to compensate us for the risks and costs associated with the insurance coverage provided to customers. An increase in the number or size of claims, compared to what we anticipate, could adversely affect our results of operations or financial condition. Our premium rates are also based in part on the amount of capital we are required to hold against the insured risk. If the amount of capital we are required to hold increases from the amount we were required to hold when a policy was written, we cannot adjust premiums to compensate for this and our returns may be lower than we assumed.

The losses we have incurred on our 2005-2008 books of business have exceeded our premiums from those books. The incurred losses from those books, although declining, continue to generate a material portion of our total incurred losses. The ultimate amount of these losses will depend in part on general economic conditions, including unemployment, and the direction of home prices.

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

We depend on reliable, consistent third-party servicing of the loans that we insure. Over the last several years, the mortgage loan servicing industry has experienced consolidation and an increase in the number of specialty servicers servicing delinquent loans. The resulting change in the composition of servicers could lead to disruptions in the servicing of mortgage loans covered by our insurance policies. Further changes in the servicing industry resulting in the transfer of servicing could cause a disruption in the servicing of delinquent loans which could reduce servicers' ability to undertake mitigation efforts that could help limit our losses. Future housing market conditions could lead to additional increases in delinquencies and transfers of servicing.

Changes in interest rates, house prices or mortgage insurance cancellation requirements may change the length of time that our policies remain in force.

The premium from a single premium policy is collected upfront and generally earned over the estimated life of the policy. In contrast, premiums from a monthly premium policy are received and earned each month over the life of the policy. In each year, most of our premiums earned are from insurance that has been written in prior years. As a result, the length of time insurance remains in force, which is generally measured by persistency (the percentage of our insurance remaining in force from one year prior), is a significant determinant of our revenues. Future premiums on our monthly premium policies in force represent a material portion of our claims paying resources and a low persistency rate will reduce those future premiums. In contrast, a higher than expected persistency rate will decrease the profitability from single premium policies because they will remain in force longer than was estimated when the policies were written.

Our persistency rate was 75.8% at December 31, 2019, 81.7% at December 31, 2018, and 80.1% at December 31, 2017. Since 2000, our year-end persistency ranged from a high of 84.7% at December 31, 2009 to a low of 47.1% at December 31, 2003.

Our persistency rate is primarily affected by the level of current mortgage interest rates compared to the mortgage coupon rates on our insurance in force, which affects the vulnerability of the insurance in force to refinancing. Our persistency rate is also affected by the mortgage insurance cancellation policies of mortgage investors along with the current value of the homes underlying the mortgages in the insurance in force. In 2018, the GSEs announced changes to various mortgage insurance termination requirements that are intended to further simplify the process of evaluating borrower-initiated requests for mortgage insurance termination and may reduce our persistency rate in the future.

Our holding company debt obligations materially exceed our holding company cash and investments.

At December 31, 2019, we had approximately $325 million in cash and investments at our holding company and our holding company's debt obligations were $815 million in aggregate principal amount, consisting of $425 million of 5.75% Senior Notes due in 2023 ("5.75% Notes") and $390 million of 9% Debentures due in 2063 (of which approximately $133 million was purchased, and is held, by MGIC, and is eliminated on the consolidated balance sheet). Annual debt service on the 5.75% Notes and 9% Debentures outstanding as of December 31, 2019, is approximately $60 million (of which approximately $12 million will be paid to MGIC and will be eliminated on the consolidated statement of operations).

The 5.75% Senior Notes and 9% Debentures are obligations of our holding company, MGIC Investment Corporation, and not of its subsidiaries. The payment of dividends from our insurance subsidiaries which, other than investment income and raising capital in the public markets, is the principal source of our holding company cash inflow, is restricted by insurance regulation. MGIC is the principal source of dividends, and in 2019 and 2018, it paid a total of $280 million and $220 million, respectively, in quarterly dividends to our holding company. We have received the appropriate approvals for MGIC to pay to our holding company, in the first quarter of 2020, a special dividend of $320 million and a quarterly dividend of $70 million. We expect to use most of the proceeds of the special dividend to repurchase our common stock as discussed below. We expect MGIC to pay quarterly dividends totaling at least $280 million per year, subject to approval by its Board of Directors. We ask the OCI not to object before MGIC pays dividends.

In 2019 and 2018, we repurchased approximately 8.7 million and 16.0 million shares of our common stock, respectively, using approximately $114 million and $175 million of holding company resources, respectively. We may repurchase up to an additional $111 million of our common stock through the end of 2020 under a share repurchase program approved by our Board of Directors in 2019. In addition, in January 2020, our Board of Directors approved the repurchase of up to an additional $300 million of our common stock through the end of 2021. Repurchases may be made from time to time on the open market or through privately negotiated transactions. The repurchase program may be suspended for periods or discontinued at any time. If any additional capital contributions to our subsidiaries were required, such contributions would decrease our holding company cash and investments. As described in our Current Report on Form 8-K filed on February 11, 2016, MGIC borrowed $155 million from the Federal Home Loan Bank of Chicago. This is an obligation of MGIC and not of our holding company.

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.

As noted above under our risk factor titled *"We may not continue to meet the GSEs' private mortgage insurer eligibility requirements and our returns may decrease if we are required to maintain more capital in order to maintain our eligibility,"* although we are currently in compliance with the requirements of the PMIERs, there can be no assurance that we would not seek to issue non-dilutive debt capital or to raise additional equity capital to manage our capital position under the PMIERs or for other purposes. Any future issuance of equity securities may dilute your ownership interest in our company. In addition, the market price of our common stock could decline as a result of sales of a large number of shares or similar securities in the market or the perception that such sales could occur.

At December 31, 2019, we had outstanding $390 million principal amount of 9% Convertible Junior Subordinated Debentures due in 2063 ("9% Debentures") (of which approximately $133 million was purchased, and is held, by MGIC, and is eliminated on the consolidated balance sheet). The principal amount of the 9% Debentures is currently convertible, at the holder's option, at a conversion rate, which is subject to adjustment, of 74.4718 common shares per $1,000 principal amount of debentures. This represents a conversion price of approximately $13.43 per share. The payment of dividends by our holding company will result in an adjustment to the conversion rate and price, with such adjustment generally deferred until the end of the year.

We may redeem the 9% Debentures in whole or in part from time to time, at our option, at a redemption price equal to 100% of the principal amount of the 9% Debentures being redeemed, plus any accrued and unpaid interest, if the closing sale price of our common stock exceeds $17.46 for at least 20 of the 30 trading days preceding notice of the redemption.

We have the right, and may elect, to defer interest payable under the debentures in the future. If a holder elects to convert its debentures, the interest that has been deferred on the debentures being converted is also convertible into shares of our common stock. The conversion rate for such deferred interest is based on the average price that our shares traded at during a 5-day period immediately prior to the election to convert the associated debentures. We may elect to pay cash for some or all of the shares issuable upon a conversion of the debentures.

For a discussion of the dilutive effects of our convertible securities on our earnings per share, see Note 4 – "Earnings Per Share" to our consolidated financial statements in our Annual Report on Form 10-K filed with the SEC on February 22, 2019. As noted above, during 2019 and 2018, we repurchased shares of our common stock and may do so in the future. In addition, we have in the past purchased, and may in the future purchase, our debt securities.

The price of our common stock may fluctuate significantly, which may make it difficult for holders to resell common stock when they want or at a price they find attractive.

The market price for our common stock may fluctuate significantly. In addition to the risk factors described herein, the following factors may have an adverse impact on the market price for our common stock: announcements by us or our competitors of acquisitions or strategic initiatives; our actual or anticipated quarterly and annual operating results; changes in expectations of future financial performance (including incurred losses on our insurance in force); changes in estimates of securities analysts or rating agencies; actual or anticipated changes in our share repurchase program or dividends; changes in general conditions in the economy, the mortgage insurance industry or the financial markets; changes in operating performance or market valuation of companies in the mortgage insurance industry; the addition or departure of key personnel; changes in tax law; and adverse press or news announcements affecting us or the industry. In addition, ownership by certain types of investors may affect the market price and trading volume of our common stock. For example, ownership in our common stock by investors such as index funds and exchange-traded funds can affect the stock's price when those investors must purchase or sell our common stock because the investors have experienced significant cash inflows or outflows, the index to which our common stock belongs has been rebalanced, or our common stock is added to and/or removed from an index (due to changes in our market capitalization, for example).

We could be adversely affected if personal information on consumers that we maintain is improperly disclosed, and damage to, or interruption in, our information technology systems may disrupt our operations.

As part of our business, we maintain large amounts of personal information on consumers. Federal and state laws designed to promote the protection of personal information of consumers require businesses that collect or maintain consumer information to adopt information security programs, notify individuals, and in some jurisdictions, regulatory authorities, of security breaches involving personally identifiable information. Those laws may require free credit monitoring services to be provided to individuals affected by security breaches. While we believe we have appropriate information security policies and systems to prevent unauthorized disclosure, there can be no assurance that unauthorized disclosure, either through the actions of third parties or employees, will not occur. Unauthorized disclosure could adversely affect our reputation, result in a loss of business and expose us to material claims for damages.

We rely on the efficient and uninterrupted operation of complex information technology systems. All information technology systems are potentially vulnerable to damage or interruption from a variety of sources, including through the actions of third parties. Due to our reliance on information technology systems, including ours and those of our customers and third party service providers, their damage or interruption could severely disrupt our operations, which could have a material adverse effect on our business, business prospects and results of operations.

In addition, we are in the process of upgrading certain of our information systems that have been in place for a number of years and continue to deploy and enhance our risk-based pricing system. The implementation of these technological improvements, as well as their integration with customer and third party systems when applicable, is complex, expensive and time consuming. If we fail to timely and successfully implement and integrate the new technology systems, or if the systems do not operate as expected, it could have an adverse impact on our business, business prospects and results of operations.

Our success depends, in part, on our ability to manage risks in our investment portfolio.

Our investment portfolio is an important source of revenue and is our primary source of claims paying resources. Although our investment portfolio consists mostly of highly-rated fixed income investments, our investment portfolio is affected by general economic conditions and tax policy, which may adversely affect the markets for credit and interest-rate-sensitive securities, including the extent and timing of investor participation in these markets, the level and volatility of interest rates and credit spreads and, consequently, the value of our fixed income securities, and as such, we may not achieve our investment objectives. Volatility or lack of liquidity in the markets in which we hold securities has at times reduced the market value of some of our investments, and if this worsens substantially it could have a material adverse effect on our liquidity, financial condition and results of operations.

For the significant portion of our investment portfolio that is held by MGIC, to receive full capital credit under insurance regulatory requirements and under the PMIERs, we generally are limited to investing in investment grade fixed income securities whose yields reflect their lower credit risk profile. Our investment income depends upon the size of the portfolio and its reinvestment at prevailing interest rates. A prolonged period of low investment yields would have an adverse impact on our investment income as would a decrease in the size of the portfolio.

In addition, we structure our investment portfolio to satisfy our expected liabilities, including claim payments in our mortgage insurance business. If we underestimate our liabilities or improperly structure our investments to meet these liabilities, we could have unexpected losses resulting from the forced liquidation of fixed income investments before their maturity, which could adversely affect our results of operations.

Hurricanes and other natural disasters may impact our incurred losses, the amount and timing of paid claims, our inventory of notices of default and our Minimum Required Assets under PMIERs.

Natural disasters, such as hurricanes, tornadoes, earthquakes, wildfires and floods, or other events related to changing climatic conditions, could trigger an economic downturn in the affected areas, which could result in a decline in our business and an increased claim rate on policies in those areas. Natural disasters, rising sea levels and increased cost of flood insurance could lead to a decrease in home prices in the affected areas, or in areas with similar risks, which could result in an increase in claim severity on policies in those areas. If we were to attempt to limit our new insurance written in disaster-prone areas, lenders may be unwilling to procure insurance from us anywhere.

Natural disasters could also lead to increased reinsurance rates or reduced availability of reinsurance. This may cause us to retain more risk than we otherwise would retain and could negatively affect our compliance with the financial requirements of the PMIERs.

The PMIERs require us to maintain significantly more "Minimum Required Assets" for delinquent loans than for performing loans; however, the increase in Minimum Required Assets is not as great for certain delinquent loans in areas that the Federal Emergency Management Agency has declared major disaster areas. An increase in delinquency notices resulting from a natural disaster may result in an increase in "Minimum Required Assets" and a decrease in the level of our excess "Available Assets" which is discussed in our risk factor titled *"We may not continue to meet the GSEs' private mortgage insurer eligibility requirements and our returns may decrease if we are required to maintain more capital in order to maintain our eligibility."*

The Company may be adversely impacted by the transition from LIBOR as a reference rate.

In 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that after 2021 it would no longer compel banks to submit rate quotations required to calculate LIBOR. As a result, it is uncertain whether LIBOR will continue to be quoted after 2021. Efforts are underway to identify and transition to a set of alternative reference rates. The set of alternative rates includes the Secured Overnight Financing Rate ("SOFR"), which the Federal Reserve Bank of New York began publishing in 2018. SOFR is calculated based on different criteria than LIBOR. Accordingly, SOFR and LIBOR may diverge. In addition, SOFR may be subject to direct influence by activities of the Federal Reserve and the Federal Reserve Bank of New York in ways that other rates may not be.

There is considerable uncertainty as to how the financial services industry will address the discontinuance of LIBOR in financial instruments. Financial instruments indexed to LIBOR could experience disparate outcomes based on their contractual terms, ability to amend those terms, market or product type, legal or regulatory jurisdiction, and other factors. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of and return on these instruments.

While it is not currently possible to determine precisely whether, or to what extent, the replacement of LIBOR would affect us, the implementation of alternative benchmark rates to LIBOR may have an adverse effect on our business, results of operations or financial condition.

Our transactions involving financial instruments that reference LIBOR, include:

- Buying and selling fixed income securities (as of December 31, 2019, approximately 6.0% of the fair value of our investment portfolio consisted of securities referencing LIBOR).

- Insuring adjustable rate mortgages ("ARMs") whose interest is referenced to LIBOR (as of December 31, 2019, approximately $1.1 billion of our risk in force was on ARMs referencing LIBOR). A change in reference rate associated with these loans may affect their principal balance, which may affect our risk-in-force and the amount of Minimum Required Assets we are required to maintain under PMIERs. A change in reference rate may also affect the amount of principal and/or accrued interest we are required to pay in the event of a claim payment.

- Entering into reinsurance agreements under which our premiums are determined, in part, by the difference between interest payable on the reinsurers' notes which reference LIBOR and earnings from a pool of securities receiving interest that may reference LIBOR (in 2019, our total premiums on such transactions was approximately $17.6 million).